THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your securities in Warderly International Holdings Limited, you should at once hand the circular and the accompanying form of proxy to the purchaser or transferee, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

WARDERLY INTERNATIONAL HOLDINGS LIMITED
匯多利國際控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 00607)

(1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF NANJING FULLSHARE ASSET MANAGEMENT LIMITED* (南京豐盛資產管理有限公司); (2) REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION; (3) PROPOSED OPEN OFFER OF ORDINARY SHARES ON THE BASIS OF 4 OFFER SHARES FOR EVERY 1 SHARE HELD ON RECORD DATE; (4) CONNECTED TRANSACTION IN RELATION TO THE ISSUE OF CONVERTIBLE BONDS TO MR. KAN; (5) SPECIFIC MANDATES IN RELATION TO THE ISSUE OF OFFER SHARES, CONVERTIBLE BONDS AND CONVERSION SHARES; (6) APPLICATION FOR WHITEWASH WAIVER; (7) SPECIAL DEAL; (8) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; (9) VERY SUBSTANTIAL DISPOSAL; AND (10) PROPOSED CHANGE OF DIRECTORS

Sponsor to the new listing application of the Company

招銀国际
CMB INTERNATIONAL

Financial adviser to the Company

ASIAN CAPITAL
(CORPORATE FINANCE) LIMITED
卓亞(企業融資)有限公司

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

Somerley Limited

A letter from the Independent Board Committee is set out on pages 79 to 80 of the circular, and a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 81 to 117 of the circular.

A notice convening the EGM to be held at Unit B, 8/F., St. John's Building, 33 Garden Road, Central, Hong Kong on Wednesday, 13 November 2013 at 12:15 p.m. is set out on pages EGM-1 to EGM-5 of the circular. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending, and voting in person at the EGM or any adjournment thereof if you so desire.

* *For identification purposes only*

28 October 2013

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Notice of EGM EGM-1

The following expected timetable is indicative only and is subject to change. If necessary, further announcement in relation to the revised timetable will be published as and when appropriate.

	2013
Latest time for lodging proxy forms for the EGM	12:15 p.m. on Monday, 11 November
Expected date of the EGM	12:15 p.m. on Wednesday, 13 November
Announcement of results of the EGM and completion of increase in authorised share capital	7:00 p.m. on Wednesday, 13 November
Last day of cum-entitlements of the Shares	Thursday, 14 November
First day of ex-entitlements of the Shares	Friday, 15 November
Latest time for lodging transfer of the Shares in order to qualify for the Open Offer	4:30 p.m. on Monday, 18 November
Closure of register of members to determine the eligibility of the Open Offer (both dates inclusive)	Tuesday, 19 November to Wednesday, 20 November
Record Date and time for the Open Offer	5:30 p.m. on Wednesday, 20 November
Register of members reopens and the Prospectus Posting Date	Thursday, 21 November
Latest Time for Acceptance and payment of Offer Shares	4:00 p.m. on Thursday, 5 December
Announcement of results of the Open Offer	Tuesday, 10 December
Completion of the Open Offer and despatch of certificates for the Offer Shares	Wednesday, 11 December
If the Open Offer is terminated, refund cheque to be despatched or refunded	Wednesday, 11 December
Issue of the Convertible Bonds	Thursday, 12 December
Announcement of completion of the Acquisition and the Disposal	Thursday, 12 December
Resumption and dealings in Offer Shares commence	Monday, 16 December

Note: All reference to times and dates in the circular are references to Hong Kong times and dates.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE OPEN OFFER

If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning,

(i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance, the latest time of acceptance of and payment for the Offer Shares will not take place at the Latest Time for Acceptance, but will be extended to 5:00 p.m. on the same day instead;

(ii) in force in Hong Kong at any local time between 12:00 noon and the Latest Time for Acceptance, the latest time of acceptance of and payment for the Offer Shares will not take place at the Latest Time for Acceptance, but will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

Dates and times specified in the circular are indicative only. Any changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

This summary aims at giving you an overview of the information contained in the circular. As it is a summary, it does not contain all the information that may be important to you. You should read the whole circular before making a decision as to how you would cast your votes at the EGM in relation to the transactions and the appropriate course of action for yourself.

There are risks associated with any business. You should read the section headed "Risk Factors" of the circular carefully before making a decision on the transactions.

SUMMARY

Background

I. The Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal

Reference is made to the Company's announcements dated 17 September 2012 and 21 March 2013, 13 September 2013 and 23 October 2013. The Company has taken various steps to comply with the requirements laid down by the Listing Appeals Committee to seek resumption of trading in the Shares as soon as possible. As such, CMB International Capital Limited has been appointed as the Sponsor to the Company in relation to the reverse takeover involving a new listing application to fulfill the requirements under the Listing Rules. As the Resumption is subject to, amongst others, the permission from the SFC, the Company made an application to the SFC to seek its permission for dealings in the Shares to recommence under section 9(3)(c) of the Securities and Futures (Stock Market Listing) Rules. Pursuant to the letter from the SFC to the Company on 21 October 2013, for the purpose of section 9 of the Securities and Futures (Stock Market Listing) Rules, the SFC has informed the Company that dealing in the Shares may recommence after the completion of the transactions contemplated in the Resumption Submission as referred in this circular. As such, the Company has not yet received the permission for dealings in the Shares to recommence under section 9(3)(c) of the Securities and Futures (Stock Market Listing) Rules.

Further reference is made to the news issued by the SFC on 16 September 2009, the SFC commenced proceedings against six former Directors, namely Mr. Godfrey Hung Kwok Wa, Mr. Yeung Kui Wong, Mr. John Lai Wing Chuen, Ms. Ellen Yeung Ying Fong and Mr. Yu Hung Wong, former executive Directors and Mr. Hermann Leung Ping Chung, former alternate non-executive Director, for alleged misconduct. For details of allegations and penalties imposed on such six former Directors, please refer to the section headed "Letter from the Board" in this circular.

The proposed transactions contemplated in the Resumption Submission include, amongst other things, the Open Offer, the Acquisition, the issue of the Convertible Bonds, the Whitewash Waiver and the Special Deal.

Reference is made to the announcement of the Company dated 8 October 2008. The Company and Mr. Kan have mutually agreed that the underwriting agreement dated 8 October 2008 shall lapse as at 21 March 2013 and that the proposed open offer of convertible notes in the principal amount of HK$84.40 million will not proceed.

On 21 August 2012, Mighty Fame, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with Nanjing Fullshare Holding, pursuant to which Mighty Fame has conditionally agreed to acquire the entire equity interest in the Target Company at a consideration of HK$500,000,000, which shall be satisfied in cash.

On 21 August 2012, Magnolia Wealth and Mr. Kan entered into the Subscription Agreement with the Company, pursuant to which Magnolia Wealth and Mr. Kan (or one of their respective wholly-owned companies incorporated under the Hong Kong law) will subscribe and the Company will issue the Convertible Bonds to Magnolia Wealth and Mr. Kan (or one of their respective wholly-owned companies incorporated under the Hong Kong law) in the principal amount of HK$420,000,000 and HK$80,000,000, respectively. The Convertible Bonds are non-redeemable prior to the maturity date. The Convertible Bonds have a tenure of 5 years bearing an annual interest rate of 2% with the Conversion Price being HK$0.05 per Conversion Share.

The Company also proposes to carry out the Open Offer to raise HK$84.40 million on the basis of 4 Offer Shares for every 1 existing Share held on the Record Date at the Offer Price of HK$0.05 per Offer Share with Magnolia Wealth being the Underwriter. The Company and Magnolia Wealth entered into the Underwriting Agreement on 25 October 2013. In order to attain the Public Float (as the case may require), Magnolia Wealth has entered into the non-binding memorandums of understanding with two placing agents and the two placing agents have expressed their interest in entering into placing agreements with Magnolia Wealth on a "full-underwriting basis", if taking place, for an aggregate of a maximum of 257,550,000 Offer Shares, representing approximately 12.21% of the enlarged issued share capital of the Company as enlarged by the Open Offer. The placing down for the Public Float (if taking place) will not be conditional upon any other transactions or the Resumption. However, there is still a risk that the Company may not be able to attain the Public Float if Magnolia Wealth fails to enter into placing agreements with these placing agents in time and the Resumption will only take place when the Public Float requirement is met.

On 21 August 2012, the Company, Mighty Fame, Nanjing Fullshare Holding, Magnolia Wealth and Mr. Kan entered into the Confirmation Letter to formalise a series of arrangements in relation to the Acquisition, including the Subscription Agreement, the Open Offer, the Underwriting Agreement and the Whitewash Waiver. Pursuant to the terms of the Confirmation Letter, the completion of the Acquisition is conditional on the completion of the Open Offer and the Subscription Agreement.

The subscription of the Convertible Bonds and the Open Offer is inter-conditional and both are subject to, amongst others, the Resumption.

Magnolia Wealth has made an application to the Executive for the grant of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. If the Whitewash Waiver is granted by the Executive, Magnolia Wealth would not be required to make a mandatory offer which would otherwise be required as a result of the underwriting of the Offer Shares and/or the conversion of the Convertible Bonds. If the Whitewash Waiver is not granted, the Acquisition Agreement and the Subscription Agreement will lapse, the Underwriting Agreement will not become unconditional and the Acquisition, the issue of the Convertible Bonds and the Open Offer will not proceed.

The gross proceeds from the Open Offer and issue of the Convertible Bonds amount to HK$584.4 million will be used (i) to pay for the consideration of HK$500,000,000 pursuant to the Acquisition Agreement; (ii) to settle the amounts of HK$37 million due to the Scheme Creditors who are not the Shareholders; (iii) to fully repay the Shareholder's loan of approximately HK$19.5 million as at the Latest Practicable Date to Mr. Kan, which has been used as general working capital of the Group; and (iv) the remaining balance of approximately HK$27.9 million as the general working capital of the Enlarged Group.

The repayment of Shareholder's loan to Mr. Kan constitutes a special deal under Rule 25 of the Takeovers Code and therefore requires (i) consent by the Executive; (ii) the Independent Financial Adviser to publicly state that in its opinion the repayment and the terms thereunder are fair and reasonable; and (iii) approval by the Independent Shareholders at the EGM.

The Board proposes to increase the authorised share capital of the Company from HK$80,000,000 divided into 8,000,000,000 Shares to HK$200,000,000 divided into 20,000,000,000 Shares by the creation of an additional 12,000,000,000 Shares in order to implement the Open Offer and the issue of the Convertible Bonds.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lee Kong Leong, Mr. Li Siu Yui and Mr. Ip Woon Lai, has been formed to advise the Independent Shareholders in relation to the Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal. The Company has, with the approval of the Independent Board Committee, appointed Somerley Limited as the Independent Financial Adviser in accordance with the requirements under the Listing Rules and the Takeovers Code to advise the Independent Board Committee and the Independent Shareholders on such matters.

II. The Disposal

Reference is made to the Company's announcement dated 5 April 2013. On 5 April 2013, the Company and the Purchaser entered into the Disposal Agreement, pursuant to which, the Purchaser has conditionally agreed to acquire and the Company has conditionally agreed to sell the Sale Share at a consideration of HK$10,000,000 subject to adjustment with reference to the NAV Adjustment Value upon completion of the Disposal.

As the applicable percentage ratio in respect of the Disposal is larger than 75%, the entering into of the Disposal Agreement constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Purchaser and Mr. Yeung are connected persons of the Company, the Disposal constitutes a connected transaction pursuant to Chapter 14A of the Listing Rules. However, on the basis that (i) the Disposal is on normal commercial term; (ii) the Purchaser and Mr. Yeung are connected persons of the Company solely by virtue of Mr. Yeung being a director of 5 subsidiaries of the Company, which were disposed of by the Company on 18 January 2013; and (iii) the aggregated value of those 5 subsidiaries satisfies the test under Rule 14A.31(9)(b)(ii), such connected transaction is exempt from all the reporting, announcement and independent shareholders' approval requirement under Chapter 14A pursuant to Rule 14A.31(9) of the Listing Rules.

The Disposal is subject to, amongst others, (i) all the requirements under the applicable laws and rules including the Listing Rules, including the Shareholders' approval at the EGM; and (ii) the completion of the Acquisition, but is not conditional upon the Resumption taking place.

Purpose of the circular

The purpose of the circular is to provide the Shareholders with further information about the Acquisition, the Open Offer, the issue of Convertible Bonds, the Whitewash Waiver, the Special Deal and the Disposal, and to give a notice to the Shareholders of the EGM. The circular also provides additional information on the Target Group as required under the Listing Rules in connection with the reverse takeover involving a new listing application.

INFORMATION ON THE TARGET GROUP

The Target Group is a property developer primarily focusing on developing and selling residential properties in Yancheng and Chongqing in the PRC through its two project companies, namely Jiangsu Fullshare Property and Chongqing Tongjing. As of 31 July 2013, the property portfolio of the Target Group comprised of five property development projects in Yancheng and Chongqing, namely, XiChengYiPinHuaYuan (西城逸品花園), XiChengFuDi (西城府邸) and JiuZongGou Land Parcel (九總溝地塊) in Yancheng and TongJingYueCheng (同景•躍城) and ShuXiangYuan (書香苑) in Chongqing, with an aggregate GFA of approximately 344,104 sq.m. completed, approximately 414,821 sq.m. under development and approximately 569,127 sq.m. held for future development. As of 31 July 2013, the GFA attributable to the Target Group, which is based on the Target Group's equity interests in the relevant projects, comprised of an aggregate GFA of approximately 335,030 sq.m. completed, aggregate GFA of approximately 398,027 sq.m. under development and aggregate GFA of approximately 569,127 sq.m. held for future development. For more details, please refer to "Business of the Target Group — Project Development — Land Acquisition".

During the Track Record Period, the Target Group made contracted sales, including its sale and pre-sale, of three of its projects, namely, XiChengYiPinHuaYuan (西城逸品花園), ShuXiangYuan (書香苑) and TongJingYueCheng (同景•躍城). However, as only Phase 1, Phase 2 and Stage 1 of Phase 3 of XiChengYiPinHuaYuan (西城逸品花園) were completed and delivered to the purchasers during the Track Record Period, only sales of these properties were recognised as revenue during the Track Record Period. For the years ended 31 December 2010, 2011 and 2012 and seven months ended 31 July 2013, the Target Group's total contracted GFA were approximately 93,041 sq.m., 126,737 sq.m., 112,145 sq.m. and 44,836 sq.m., respectively, and it made total contracted sales of approximately RMB465.2 million, RMB697.2 million, RMB661.8 million and RMB279.1 million, respectively, for the same periods.

More information on the Target Group is set out in other sections of the circular, including "History and Background of the Target Group", "Business of the Target Group" and "Financial Information of the Target Group".

Business Model

For the property development, the Target Group focuses on city and site selection, land acquisition, project planning and positioning, and sales and marketing strategy formulation. The Target Group outsources its design, construction, sales and marketing and property management services to qualified contractors, agencies and property management companies, supervises their performance and manages the overall project development process.

Limited Operating History

The Target Group had a limited history in property development. The Target Group's two operating subsidiaries, Jiangsu Fullshare Property and Chongqing Tongjing were incorporated in February 2007 and November 2009, respectively. Jiangsu Fullshare Property has completed only Phase 1, Phase 2 and Stage 1 of Phase 3 of XiChengYiPinHuaYuan (西城逸品花園) since its inception and commenced developing Stage 2 of Phase 3 of XiChengYiPinHuaYuan (西城逸品花園) in April 2011 and Phases 1 and 2 of XiChengFuDi (西城府邸) in November 2012, both of which were still under development as of 31 July 2013. Chongqing Tongjing has only completed Buildings 2 to 5 and 7 of TongJingYueCheng (同景 • 躍城) since its inception and is still developing the remaining buildings of this project. Chongqing Tongjing also commenced developing ShuXiangYuan (書香苑) in November 2011, which was still under development as of 31 July 2013. Please refer to "Business of the Target Group — Completed Project (Phases and Stages)" and "Business of the Target Group — Project under Development and Held for Future Development" for details of the Target Group's property development history.

Customers and Contractors/Suppliers

The customers of the Target Group are primarily individual purchasers in the PRC with varying income levels and education background. The sales to the five largest customers accounted for approximately 5.2%, 1.6%, 1.1% and 1.3% of the Target Group's total revenue for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively. The Target Group's single largest customer for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 accounted for approximately 1.6%, 0.4%, 0.2% and 0.3%, respectively, of the Target Group's total revenue for the same periods. The major contractors/suppliers of the Target Group are construction contractors and construction material suppliers. The purchase from or the fees to the five largest contractors/suppliers accounted for approximately 81.8%, 82.5%, 78.6% and 42.2% of the Target Group's total construction cost for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively. Their relationships with the Target Group range from six months to five years. The purchase from or the fees to Target Group's single largest contractor/supplier for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 accounted for approximately 41.4%, 36.5%, 26.2% and 21.9%, respectively, of the Target Group's total construction cost for the same periods. See the section headed "Business of the Target Group" of the circular for more details.

Market Information

During the past decade, the PRC has experienced significant economic growth, which has created a favorable market condition for the Target Group in the cities where it operates. For more information on the PRC property market and the local property market of Chongqing and Yancheng, please refer to the section headed "Industry Overview" in the circular. In recent years, the PRC government has introduced a number of industry policies and regulatory measures to prevent the real estate industry from overheating, such as raising interest rates and bank reserve ratios, strengthening property purchase restrictions, increasing the supply of low-income housing units and increasing taxes and duties on property transfers. For more information on the PRC laws and regulations relating to the property market, please refer to the section headed "Summary of Principal PRC Legal and Regulatory Provisions" in Appendix VI and the section headed "Industry Overview" in the circular. The PRC real estate market has been highly competitive in recent years. All the current projects of Target Group are located in either Yancheng or Chongqing. Due to the regional nature of the real estate industry, the Target Group's major competitors consist of property developers developing residential properties in Yancheng and Chongqing. For more information, please refer to "Business of the Target Group — Competition".

The Target Company

The Target Company is an investment holding company which owns the entire equity interest in Jiangsu Fullshare Property. Jiangsu Fullshare Property owns 90% of the equity interest, and Chongqing Huangfan owns the remaining 10% equity interest in Chongqing Tongjing. Jiangsu Fullshare Property and Chongqing Tongjing are primarily engaged in residential property development and sale in Yancheng and Chongqing in the PRC.

Jiangsu Fullshare Property

Jiangsu Fullshare Property is a wholly-owned subsidiary of the Target Company established in the PRC in February 2007. Jiangsu Fullshare Property owns three property development projects in Yancheng in the PRC, namely, XiChengYiPinHuaYuan (西城逸品花園), XiChengFuDi (西城府邸) and JiuZongGou Land Parcel (九總溝地塊). The property portfolio of Jiangsu Fullshare Property comprised of an aggregate GFA of approximately 253,365 sq.m. completed, an aggregate GFA of approximately 246,876 sq.m. under development and an aggregate GFA of approximately 569,127 sq.m. held for future development as of 31 July 2013. For more information, please see sections headed "History and Background of the Target Group" and "Business of the Target Group" of the circular.

Chongqing Tongjing

Chongqing Tongjing is a subsidiary of Jiangsu Fullshare Property established in the PRC in November 2009. Chongqing Tongjing owns two property development projects in Chongqing in the PRC, namely, TongJingYueCheng (同景•躍城) and ShuXiangYuan (書香苑). The property portfolio of Chongqing Tongjing comprised of an aggregate GFA of approximately 90,739 sq.m. completed and an aggregate GFA of approximately 167,945 sq.m. under development as of 31 July 2013. The GFA attributable to Chongqing Tongjing, which is based on 90% of the equity interest held by Chongqing Tongjing in the relevant projects, comprised an aggregate GFA of approximately 81,665 sq.m. completed and an aggregate GFA of approximately 151,151 sq.m. under development as of 31 July 2013. For more information, please see sections headed "History and Background of the Target Group" and "Business of the Target Group" of the circular.

Non-compliance

The Target Group failed to fully comply with certain applicable PRC laws and regulations, which had resulted in certain non-compliance incidents during the Track Record Period, including (i) delay in construction and completion of projects from the prescribed dates under the relevant land use rights grant contracts and (ii) inter-company loans. The Target Group has been taking proactive actions to rectify such non-compliance. For details of the reasons for these non-compliance incidents and the corresponding remedial and preventive measures, please refer to the section headed "Business — Non-compliance" and "Business — Measures to Prevent Future Non-compliance" in the circular.

Delay in the Construction and Completion of Projects

During the Track Record Period and up to the Latest Practicable Date, the Target Group had delays in construction and completion of certain projects. Please refer to "Business of the Target Group — Non-compliance — Delay in the Construction and Completion of Projects" for more details. For illustrative purpose only, the potential maximum exposure of the Target Group would be approximately RMB224 million in aggregate, comprising: (i) RMB12.8 million for XiChengYiPinHuaYuan (西城逸品花園); (ii) RMB148.8 million for JiuZongGou Land Parcel (九總溝地塊); (iii) RMB29.5 million for ShuXiangYuan (書香苑); and (iv) RMB32.9 million for TongJingYueCheng (同景•躍城), while the Target Group's profit and total comprehensive income for the year/period amounted to approximately RMB12.7 million, RMB77.9 million, RMB33.4 million and RMB34.5 million for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively. The PRC legal advisers of the Company are of the opinion that (i) the land parcels of these projects do not constitute idle land and will not be subject to land confiscation or idle land fees imposed by relevant government authorities; and (ii) the Target Group will not be imposed any penalty for default under the land use rights grant contracts by relevant government authorities. As no provision had been made for any of the aforesaid potential maximum exposure, any unfavourable findings or rulings by the relevant authorities against any of the aforesaid property projects may have an adverse impact on the Target Group's financial performance and position. However, the Controlling Shareholders have agreed to indemnify the Company against any loss or liability resulting from any non-compliance of the Target Group as disclosed in this circular.

Inter-company Loans

During the Track Record Period, there were certain inter-company loans involving the Target Group. The PRC legal advisers of the Company are of the opinion that the risks of the Target Group being imposed any fines or any other administrative actions are remote. The Directors (together with the proposed executive Directors) confirmed that the Target Group will settle all the balances of inter-company loans before Resumption. Please refer to "Business of the Target Group — Non-compliance — Inter-company Loans" for more details.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Group is principally engaged in manufacture and sale of household appliances. Due to the increasing material and labor costs and the fluctuating economics overseas, where it is the target market of the Group, the turnover and profit margin of the Group has been unstable and cannot achieve a sizeable scale.

The Target Group is a property developer primarily focusing on developing and selling residential properties in Yancheng and Chongqing in the PRC through its two project companies, namely Jiangsu Fullshare Property and Chongqing Tongjing.

The Acquisition, the Open Offer and the issue of Convertible Bonds form part of the proposed resumption of trading in the Shares, which has been suspended since 14 May 2007. The debts of the Company will be resolved by the implementation of the Schemes (which have been approved by the Scheme Creditors and the relevant courts) but the Company needs to maintain a sufficient level of business operations or assets to be able to maintain its listing status. As disclosed in the Company's announcement on 17 September 2012, the Listing Appeals Committee decided to exercise its discretion to receive and consider the Resumption Submission, refer the matter back to the Listing Committee, and allow the Listing Division and the SFC to complete their usual vetting work for the proposed transactions under the Listing Rules and the Takeovers Code.

Upon completion of the Acquisition, the Group will have a sufficient level of operation while the proceeds from the Open Offer and the issue of the Convertible Bonds and implementation of the Schemes will substantially improve the capital base and the financial and liquidity position of the Group. Moreover, the Directors believe that the Open Offer is in the best interests of both the Company and its Shareholders as a whole as it provides the Qualifying Shareholders the opportunity to participate in the new prospects of the Group in the property development in the PRC.

IMPLICATIONS OF THE TRANSACTIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER AND THE SPECIAL DEAL

As at the Latest Practicable Date, the Concert Group does not own or control any existing Shares, convertible securities, warrants, options or derivatives in respect of the existing Shares. If no Shareholders take up any Offer Shares, upon completion of the Open Offer but before conversion of the Convertible Bonds and any placing down for the Public Float, the Concert Group will be interested in up to 80.00% of the enlarged issued share capital of the Company in issue. Upon full conversion of any Convertible Bonds subscribed by Magnolia Wealth at the Conversion Price and after placing down to attain the Public Float, the Concert Group would be interested in approximately 93.53% of the total issued share capital of the Company as enlarged by the issue of the Offer Shares and the Conversion Shares as converted from the Convertible Bonds subscribed by Magnolia Wealth. If all existing Shareholders (except for Mr. Kan) take up their respective entitlements to the Offer Shares, upon completion of the Open Offer but before conversion of any Convertible Bonds, the Concert Group will be interested in approximately 28.82% of the enlarged issued share capital of the Company.

If following completion of the Open Offer and/or Mr. Kan converts all or part of his Convertible Bonds into the Conversion Shares resulting in the Concert Group's shareholding in the Company being less than 50% of the issued share capital of the Company as enlarged by the issue of the Offer Shares and the Conversion Shares, Magnolia Wealth will simultaneously convert the corresponding amount of Convertible Bonds into the Conversion Shares so that it will always be interested in more than 50% of the enlarged issued share capital of the Company at Resumption.

For details of the dilution impact, please refer to the paragraph headed "Change in Shareholding Structure of the Company" in the section headed "Letter from the Board" of the circular.

Under any of the above scenarios, Magnolia Wealth would be required to make a mandatory general offer for all the issued Shares (not already owned or agreed to be acquired by the Concert Group) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

Magnolia Wealth has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll, in which Mr. Kan and his associates and concert parties and those who are interested in and involved in the Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal will abstain from voting on the relevant resolutions. If the Whitewash Waiver is granted by the Executive, Magnolia Wealth will not be required to make a mandatory offer which will otherwise be required as a result of the underwriting of the Offer Shares and/or the conversion of the Convertible Bonds. The Whitewash Waiver, if granted, will be subject to the Independent Shareholders approving it by way of a poll at the EGM. As the Concert Group will own more than 50% of the voting rights of the Company at the relevant time of the Resumption, the Concert Group may increase their shareholding in the Company in the future without incurring an obligation under Rule 26 of the Takeovers Code to make a general offer. If the Whitewash Waiver is not granted, the Acquisition Agreement and the Subscription Agreement will lapse, the Underwriting Agreement will not become unconditional and the Acquisition, issue of the Convertible Bonds and the Open Offer will not proceed.

The repayment of Shareholder's loan to Mr. Kan constitutes a special deal under Rule 25 of the Takeovers Code and therefore requires (i) consent by the Executive; (ii) the Independent Financial Adviser to publicly state that in its opinion the repayment and the terms thereunder are fair and reasonable; and (iii) approval by the Independent Shareholders at the EGM. Mr. Kan and his associates and concert parties and those who are interested in and involved in the Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal will be required to abstain from voting at the EGM on the resolutions to approve the Special Deal.

SUMMARY OF FINANCIAL INFORMATION OF THE TARGET GROUP

The following sets out a summary of the consolidated income statement data of the Target Group for the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, and the summary balance sheet information of the Target Group as of 31 December 2010, 2011 and 2012 and 30 June 2013, which are derived from the accountants' report set out in Appendix I to the circular. You should read the consolidated financial information set out below in conjunction with the consolidated financial statements of the Target Group included in the accountants' report set out in Appendix I to the circular, which have been prepared in accordance with HKFRS. Operating results in any historical period may not be indicative of the results that may be expected in any future period.

Selected Consolidated Statements of Comprehensive Income of the Target Group

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*(RMB'000)*	*(RMB'000)*
				(unaudited)	
Revenue	111,634	310,933	399,140	363,130	303,107
Cost of sales	(78,459)	(192,570)	(245,051)	(221,288)	(191,552)
Gross profit	33,175	118,363	154,089	141,842	111,555
Profit and total comprehensive income for the year	12,733	77,890	33,397	44,263	34,452
Profit (loss) and total comprehensive income (expense) for the year attributable to:					
Owners of the Target Company	12,915	76,693	30,466	40,112	29,580
Non-controlling interests	(182)	1,197	2,931	4,151	4,872
	12,733	77,890	33,397	44,263	34,452

Selected Consolidated Statements of Financial Position of the Target Group

	As of 31 December			As of 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest in a jointly controlled entity	5,000	—	—	—
Plant and equipment	506	1,999	2,229	2,297
Non-current assets	5,506	1,999	2,229	5,342
Properties under development	765,158	1,061,489	1,367,338	1,322,084
Properties held for sale	2,857	302,774	57,723	184,484
Current assets	1,680,256	1,742,280	1,678,867	1,774,353
Bank borrowings				
— due within one year	—	130,000	131,500	173,000
Current liabilities	1,366,573	1,358,701	1,191,387	1,225,534
Net current assets	313,683	383,579	487,480	548,819
Total assets less current liabilities	319,189	385,578	489,709	554,161
Total equity	159,189	230,578	389,709	424,161
Non-current liability				
Bank borrowings				
— due after one year	160,000	155,000	100,000	130,000
Total equity and non-current liability	319,189	385,578	489,709	554,161

Key Financial Ratio

	As of 31 December			As of 30 June
	2010	2011	2012	2013
	(%)	*(%)*	*(%)*	*(%)*
Gearing ratio	100.5	123.6	59.4	71.4
Current ratio	123.0	128.2	140.9	144.8
Return on equity	8.0	33.8	8.6	8.1

Finance Resources and Requirement

The Target Group operates in a capital intensive industry and has historically funded its working capital requirement and capital expenditure with proceeds from the pre-sale and sale of properties, bank borrowings and funding from shareholders. It expects to fund its working capital and capital expenditure with proceeds from the pre-sale and sale of properties and bank borrowings raised from commercial banks in the future. The Target Group's short-term liquidity requirements relate to funding its working capital and servicing its indebtedness. The Target Group's sources of short-term liquidity include cash balances, proceeds from pre-sale and sale of properties and new loans. Its long-term liquidity requirements relate to funding of its property development projects and repayment of its long-term debt. The Target Group's sources of long-term liquidity include bank borrowings.

Taking into account the financial resources available to the Enlarged Group, including the expected cash generated from its operations and the available banking facilities, the Directors (together with the proposed executive Directors) are of the opinion that the Enlarged Group has sufficient working capital for its present requirements for at least the next 12 months from the date of the circular.

RECENT CORPORATE DEVELOPMENTS

The following table sets forth the breakdown of Target Group's revenue, GFA sold and ASP of GFA sold for the period indicated:

	Three months ended 30 September 2013		
	Revenue	**GFA**	**ASP**
	(RMB'000)	*(sq.m.)*	*(RMB per sq.m.)*
Phase/Stage/Building			
XiChengYiPinHuaYuan (西城逸品花園)			
Phase 1	868	183	4,743
Phase 2	656	109	6,018
Phase 3			
Stage 1	11,923	2,461	4,845
Stage 2	303,231	60,421	5,019
	316,678	63,174	5,013
TongJingYueCheng (同景 • 躍城)			
Buildings 2 to 5 and 7	33,860	5,938	5,702
Overall	350,538	69,112	5,072

For the three months ended 30 September 2013, the gross profit margin of the Target Group was approximately 26%. The Target Group also pre-sold GFA of 13,623 sq.m. in the three months ended 30 September 2013. The Target Group's ASP decreased from RMB5,617 in the six months ended 30 June 2013 to RMB5,072 in the three months ended 30 September 2013, primarily due to an increase in the proportion of the sales of XiChengYiPinHuaYuan (西城逸品花園), which had comparatively lower ASP than that of TongJingYueCheng (同景 • 躍城), in the total revenue of the Target Group.

RECENT MARKET AND REGULATORY DEVELOPMENTS

In February 2013, the State Council issued the Notice of the State Council on Keep Regulating on the Control of the Real Estate Market (《國務院辦公廳關於繼續做好房地產市場調控工作的通知》) (Guo Ban Fa (2013) No.17) (the "**Notice 17**"). Notice 17 explicitly states that the individual income tax in a second hand property transaction shall be 20% of the profits generated from the transaction by the property seller. Notice 17 also restates other austerity measures that have already been promulgated by the government in previous laws, regulations and rules. In March 2013, Chongqing Municipal People's Government promulgated the Notice of the General Office of Chongqing Municipal People's Government on Keep Regulating on the Control of the Real Estate Market (《重慶市人民政府辦公廳關於繼續做好房地產市場調控工作的通知》) (Yu Fu Ban Fa [2013] No. 77), which sets out detailed measures to implement Notice 17 in Chongqing. The PRC legal advisers of the Company are of the opinion that these recent austerity measures have more direct effect on the secondary market rather than property developers, and therefore, will not have material adverse effect on the Target Group. Based on the results of operations in the first half of 2013 and up to the Latest Practicable Date, the Directors (together with the proposed executive Directors) do not believe these recent austerity measures will have material adverse effect on the Target Group.

DIVIDEND POLICY

The Board has the discretion to determine whether to declare any dividend for any period and, if it decides to declare a dividend, the amount of dividend to be declared. The Company will evaluate its dividend policy from time to time in light of its financial position and the prevailing economic climate. The determination to pay dividends, however, will be made at the discretion of the Board and will be based upon the Company's earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that the Board deems relevant.

RISK FACTORS

The growth prospects of the Enlarged Group are dependent upon continual and successful operation and development of the Target Group. There are certain risks involved in the operations of the Target Group. For example, the Target Group is dependent on the performance of the real estate market in the PRC, particularly in the cities in which the Target Group develops its property projects. The Target Group's operations are also subject to extensive governmental regulations, and in particular, the Target Group is susceptible to changes in policies related to the real estate industry in the PRC. In addition, there are certain risks relating to the Acquisition, the Open Offer and the Subscription Agreement. A detailed discussion of the risk factors is set out in the section headed "Risk Factors" in the circular.

RELATIONSHIP BETWEEN THE GROUP AND ITS CONTROLLING SHAREHOLDERS

The Target Group is a property developer primarily focusing on developing and selling residential complex in Yancheng, Jiangsu Province and Chongqing in the PRC. Mr. Ji, one of the Controlling Shareholders, is also interested in the business engaged by the Excluded Companies. More information on their relationship and the measures taken by the Controlling Shareholders to address future competition between them and the Enlarged Group is set out at the section headed "Relationship with Controlling Shareholders" of the circular.

SPONSOR AND INDEPENDENT FINANCIAL ADVISER

CMB International Capital Limited has been appointed as the Sponsor to the new listing application of the Company.

Somerley Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Acquisition, the Acquisition Agreement, the subscription of the Convertible Bonds, the Subscription Agreement, the Open Offer, the Underwriting Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal.

TOTAL EXPENSES

The aggregate fees, together with the Stock Exchange listing fee, legal and other professional fees, printing and other expenses relating to the Acquisition, are estimated to be HK$24,971,900 and are payable by the Company.

RECOMMENDATIONS

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Li Siu Yui, Mr. Ip Woon Lai and Mr. Lee Kong Leong, has been constituted to consider the Acquisition, the Acquisition Agreement, the subscription of the Convertible Bonds, the Subscription Agreement, the Open Offer, the Underwriting Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal and to make a recommendation to the Independent Shareholders. Somerley Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in this regard.

The Independent Board Committee, after taking into account the advice from Somerley Limited, the Independent Financial Adviser, considers that the terms of the Acquisition, the Acquisition Agreement, the subscription of the Convertible Bonds, the Subscription Agreement, the Open Offer, the Underwriting Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal are fair and reasonable, and that the Acquisition, the Acquisition Agreement, the subscription of the Convertible Bonds, the Subscription Agreement, the Open Offer, the Underwriting Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal are in the interests of the Company and the Shareholders as a whole. The Independent Board Committee accordingly recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisition, the Acquisition Agreement, the subscription of the Convertible Bonds, the Subscription Agreement, the Open Offer, the Underwriting Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal.

The executive Directors consider that the terms of the Acquisition, the Acquisition Agreement, the subscription of the Convertible Bonds, the Subscription Agreement, the Open Offer, the Underwriting Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal are fair and reasonable, and that the Acquisition, the Acquisition Agreement, the subscription of the Convertible Bonds, the Subscription Agreement, the Open Offer, the Underwriting Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal are in the interests of the Company and the Shareholders as a whole. The executive Directors accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisition, the Acquisition Agreement, the subscription of the Convertible Bonds, the Subscription Agreement, the Open Offer, the Underwriting Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal.

The text of the letter from the Independent Board Committee is set out on pages 79 to 80 of the circular. The text of the letter from Somerley Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders and the principal factors and reasons which it has taken into account in arriving at its advice, is set out on pages 81 to 117 of the circular.

PROPERTY VALUATION

Property Name	Total Capital Value attributable to the Enlarged Group as at 31 July 2013 (RMB)	Held for sale: Total GFA (sq.m.)	Held for sale: Usage	Held for sale: Capital Value attributable to the Enlarged Group as at 31 July 2013 (RMB)	Held under development: Total GFA planned to be built (sq.m.)	Held under development: Usage	Held under development: Total Construction Cost (RMB)	Held under development: Construction Cost incurred as at 31 July 2013 (RMB)	Held under development: Capital Value attributable to the Enlarged Group as at 31 July 2013 (RMB)	Held for future development: Total site area (sq.m.)	Held for future development: Usage	Held for future development: Capital Value attributable to the Enlarged Group as at 31 July 2013 (RMB)	Contracted to be acquired: Total site area (sq.m.)	Contracted to be acquired: Usage	Contracted to be acquired: Capital Value as at 31 July 2013 if acquired (RMB)
XiChengYiPinHuaYuan (西城逸品花園), Yancheng	460,000,000	10,584	R/C/CPS/S	94,000,000	96,876	R/C/S	286,000,000	214,000,000	377,000,000	—	—	—	—	—	—
XiChengFuDi (西城府邸), Yancheng	424,000,000	—	—	—	415,049	R/C/CPS/S	1,220,000,000	67,000,000	424,000,000	—	—	—	16,385	R/C/CPS/S	57,000,000*
JiuZongGou Land Parcel (九總溝地塊), Yancheng	149,000,000	—	—	—	—	—	—	—	—	89,123	R/C/CPS/S	149,000,000	—	—	—
ShuXiangYuan (書香苑), Chongqing	199,800,000	—	—	—	45,800	R/CPS	244,000,000	167,000,000	200,700,000	—	—	—	—	—	—
TongJingYueCheng (同景•躍城), Chongqing	389,700,000	34,950	R	196,200,000	87,307	R/C/CPS	706,000,000	474,000,000	193,500,000	—	—	—	—	—	—
Total	1,622,500,000														

Notes:

1. Usage: R — Residential; C — Commercial; CPS — Car parking spaces; S — Storage spaces.

2. "*" — the capital value of the property at its existing state as at 31 July 2013 if the Target Group paid all the land premium and obtained the appropriate State-owned Land Use Rights Certificate.

3. For the property interests held by the Target Group for sale in the PRC, the property interests are valued by the direct comparison method on the assumption that each property can be sold 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, character and locations are analyzed, and carefully weighted against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

4. For the property interests held by the Target Group for development in the PRC, all the property interests are valued on the basis that each of these properties will be developed and completed in accordance with the Target Group's latest development schemes shown to us. CBRE Limited has assumed that approvals for such schemes by the relevant authorities have been obtained. In arriving at its opinions CBRE Limited has adopted the direct comparison method by making reference to comparable land sale evidences as available in the relevant markets and have also taken into account of the development costs spent.

5. For the property interests which are contracted to be held by the Target Group in the PRC, the Target Group has entered into agreements with the relevant government authority to acquire the property interest, but have not obtained the State-owned Land Use Rights Certificate and/or the land premium has not been settled yet as at the date of valuation. Therefore we have attributed no commercial value to these property interests.

6. Please refer to the Valuation Report in Appendix V to this circular for further valuation assumptions and details.

The Sponsor is of the opinion that the key assumptions and parameters used in the valuation report in Appendix V are appropriate and reasonable.

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

"Acquisition"	the acquisition of the Sale Equity Interest by the Company pursuant to the Acquisition Agreement
"Acquisition Agreement"	the sale and purchase agreement dated 21 August 2012 entered into between Mighty Fame and Nanjing Fullshare Holding in relation to the acquisition of the Sale Equity Interest, as varied, amended, modified or supplemented in writing by the parties hereto from time to time (including but not limited to the Acquisition Supplemental Agreements)
"Acquisition Rules"	the Rules on Acquisition of PRC Companies by Foreign Investors as amended and restated by the Ministry of Commerce of the PRC on 22 June 2009
"Acquisition Supplemental Agreements"	the supplemental agreements to the Acquisition Agreement dated 27 February 2013, 28 June 2013, 18 August 2013 and 25 October 2013, respectively entered into between Mighty Fame and Nanjing Fullshare Holding to amend certain terms of the Acquisition Agreement, each as the Acquisition Supplemental Agreement
"acting in concert"	has the meaning given to it under the Takeovers Code
"Application Form(s)"	the application form(s) to be sent to the Qualifying Shareholders in respect of their assured entitlements under the Open Offer
"Approval Authority"	Nanjing Investment Promotion Committee or any other government bureau established under the law of PRC and authorised to approve the transfer of the Sale Equity Interest under the Acquisition Agreement
"Approval Document"	the certificate issued by the Approval Authority to reply and approve the application of the Target Company for being a WFOE in relation to the Acquisition
"Articles"	the articles of association of the Company

"Asian Capital"	Asian Capital (Corporate Finance) Limited, a corporation licensed under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO, the financial adviser to the Company in relation to the application of the Resumption
"associates"	has the meaning ascribed thereto in the Listing Rules
"Ba'nan BLR"	the Bureau of Land and Resources of Ba'nan District in Chongqing (巴南區國土資源局)
"Board"	the board of Directors
"business day(s)"	a day (other than a Saturday, a Sunday or public holidays) on which banks are generally open for business in Hong Kong
"CAGR"	compound annual growth rate
"CASBE"	China Accounting Standards for Business Enterprises
"CB Completion"	completion of the transactions contemplated in the Subscription Agreement
"CB Completion Date"	31 December 2013 or an earlier date upon which the last of the conditions precedent of the Subscription Agreement to be satisfied shall have been satisfied or waived or such later time and/or date as the parties of the Subscription Agreement may agree in writing
"CBRC"	the China Banking Regulatory Commission
"CCASS"	the Central Clearing and Settlement System established and carried on by HKSCC
"Chengdu Taida"	Chengdu Taida Xincheng Construction Development Co., Ltd. (成都泰達新城建設發展有限公司), a limited liability company incorporated in the PRC on 12 June 2007, an independent third party
"China" or "PRC"	the People's Republic of China, which shall, for the purposes of the circular, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Chongqing BLR"	the Bureau of Land and Resources of Chongqing Municipality (重慶直轄市國土資源局)

"Chongqing Heheng"	Chongqing Heheng Real Estate Co., Ltd. (重慶合恒置業有限公司) (formerly known as Chongqing Fullshare Real Estate Co., Ltd. (重慶豐盛置業有限公司)), a limited liability company incorporated in the PRC on 27 November 2009, an independent third party
"Chongqing Huangfan"	Chongqing Huangfan Industry Co., Ltd. (重慶皇帆實業有限公司), a limited liability company incorporated in the PRC on 11 March 2008, a connected person of the Company upon completion of the Acquisition by way of being a substantial shareholder of Chongqing Tongjing
"Chongqing Tongjing"	Chongqing Tongjing Changhao Property Limited (重慶同景昌浩置業有限公司), a company incorporated in the PRC on 12 November 2009, which is an indirectly 90% owned subsidiary of the Target Company
"Companies Law"	Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Company"	Warderly International Holdings Limited, a company incorporated in the Cayman Islands whose issued Shares are listed on the Stock Exchange
"Concert Group"	Magnolia Wealth, Mr. Ji and persons acting in concert with any of them
"Confirmation Letter"	the legally binding letter dated 21 August 2012 entered into amongst the Company, Mighty Fame, Nanjing Fullshare Holding, Magnolia Wealth and Mr. Kan in relation to the Acquisition, the Open Offer, the Subscription Agreement and the application for the Whitewash Waiver, as varied, amended, modified or supplemented in writing by the parties hereto from time to time
"connected person"	has the meaning given to it under the Listing Rules
"Controlling Shareholder(s)"	means Mr. Ji and Magnolia Wealth, who will become the controlling shareholders of the Company upon completion of the Acquisition
"Conversion Price"	HK$0.05 per Conversion Share (subject to adjustment)
"Conversion Share(s)"	the new Share(s) to be issued upon the exercise of the conversion rights under the Convertible Bonds

"Convertible Bonds"	the convertible bonds to be issued under the Subscription Agreement with an aggregate principal amount of HK$500,000,000
"Deed of Indemnity"	the deed of indemnity dated 25 October 2013 entered into between Mr. Ji, Magnolia Wealth and the Company, as referred to in the section headed "Connected Transactions" in the circular
"Directors"	directors of the Company
"Disposal"	the sale of the Sale Share to the Purchaser pursuant to the Disposal Agreement
"Disposal Agreement"	the agreement dated 5 April 2013 entered into between the Company and the Purchaser in respect of the sale and purchase of the Sale Share
"Disposed Company"	Up Stand Holdings Limited, a limited liability company incorporated in Hong Kong on 24 April 2008, which, as at the Latest Practicable Date, was wholly owned by the Company
"Disposed Group"	the Disposed Company and Dongguan Up Stand
"Dongguan Up Stand"	Dongguan Up Stand Electrical Manufacturing Co., Ltd. (東莞堅東電器製造有限公司), a limited liability company incorporated in the PRC on 9 July 2010, a wholly owned subsidiary of the Disposed Company
"EGM"	the extraordinary general meeting of the Company to be convened to consider and approve the Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the increase in authorised share capital, the Whitewash Waiver, the Special Deal, the Disposal and the Disposal Agreement and the transactions contemplated thereunder
"Enlarged Group"	the Group and the Target Group upon completion of the Acquisition
"Excluded Cities"	Kunshan, Nanjing, Wenchang and Dujiangyan in the PRC
"Excluded Companies"	Kunshan Zhongzhe, Nanjing Fullshare Technology, Hainan Zhongkun, Jiangsu Anke, Chengdu Taida, Nanjing Yanziji and Overseas Property Project Companies

"Excluded Projects"	six property projects located in the Excluded Cities and ten property projects located in Australia and Canada, which are being developed by the Controlling Shareholders, through the Excluded Companies. For details, please refer to the section headed "Relationship with the Controlling Shareholders" of the circular
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate
"Extension Agreements"	the extension agreement, the second extension agreement and the third extension agreement dated 27 February 2013, 28 June 2013 and 25 October 2013, respectively entered into between the Company and Magnolia Wealth and Mr. Kan to extend the long stop date of the Subscription Agreement
"Group"	the Company and its subsidiaries from time to time
"Hainan Zhongkun"	Hainan Zhongkun Yuan Investment Co., Ltd. (海南中坤渝安投資有限公司), a limited liability company incorporated in the PRC on 10 January 2006, an indirect wholly-owned subsidiary of Nanjing Fullshare Holding and a connected person of the Company upon completion of the Acquisition
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Companies Ordinance"	Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Independent Board Committee"	the independent board committee of the Company comprising all independent non-executive Directors, namely Mr. Lee Kong Leong, Mr. Li Siu Yui and Mr. Ip Woon Lai, established to give recommendations to the Independent Shareholders regarding the Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal

"Independent Financial Adviser"	Somerley Limited, a corporation licensed under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO, the independent financial adviser to the Independent Board Committee in relation to the Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal
"Independent Shareholder(s)"	Shareholders other than Mr. Kan, his associates and persons acting in concert with him and those who are interested in and involved in the Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal
"independent third party"	a party that is independent of the Company or of the Target Company or any of their respective connected persons, as the case may be
"IT Services Provision Agreement"	the IT services provision agreement dated 22 September 2013 entered into between the Target Company and Nanjing Fullshare Holding, as referred to in the section headed "Connected Transactions" of the circular
"Jiangsu Anke"	Jiangsu Anke Science and Technology Development Co., Ltd. (江蘇安科科技發展有限公司), a limited liability company incorporated in the PRC on 23 November 2009, an indirectly non-wholly owned subsidiary of Nanjing Fullshare Holding and a connected person of the Company upon completion of the Acquisition
"Jiangsu Anke Medical"	Jiangsu Anke Medical Systems Engineering Co., Ltd. (江蘇安科醫療系統工程有限公司), a limited liability company incorporated in the PRC on 7 April 1994, an associate of Mr. Ji by way of over 30% of its equity interest being owned by Mr. Ji and a connected person of the Company upon completion of the Acquisition
"Jiangsu Fullshare Property"	Jiangsu Province Fullshare Property Development Limited (江蘇省豐盛房地產開發有限公司), a company incorporated in the PRC on 1 February 2007, which is a wholly owned subsidiary of the Target Company

"Jiangsu Fullshare Trading"	Jiangsu Fullshare Trading Development Co., Ltd. (江蘇豐盛貿易發展有限公司), a limited liability company incorporated in the PRC on 19 June 2007, which is owned as to 70% and 30% by Nanjing Fullshare Holding and a company controlled by Mr. Ji, respectively, and a connected person of the Company upon completion of the Acquisition
"Kunshan Zhongzhe"	Kunshan Zhongzhe Real Estate Development Co., Ltd. (昆山中浙置業發展有限公司), a limited liability company incorporated in the PRC on 27 October 2003, an indirect wholly-owned subsidiary of Nanjing Fullshare Holding and a connected person of the Company upon completion of the Acquisition
"Last Trading Date"	11 May 2007, the last trading date before the Suspension
"Latest Practicable Date"	25 October 2013, being the latest practicable date prior to the date of the circular for the purpose of ascertaining certain information contained in the circular
"Listing Appeals Committee"	has the same meaning ascribed to it under the Listing Rules
"Listing Committee"	has the same meaning ascribed to it under the Listing Rules
"Listing (Review) Committee"	has the same meaning ascribed to it under the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"M&A Rules"	the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) jointly issued on 8 August 2006 by six PRC regulatory agencies, including the MOFCOM, the SAT, the State Administration for Industry & Commerce of the PRC, the China Securities Regulatory Commission and the SAFE and amended on 22 June 2009
"Magnolia Wealth"	Magnolia Wealth International Limited, a company incorporated in British Virgin Islands on 29 June 2011, whose sole and ultimate beneficial owner is Mr. Ji and therefore, a party acting in concert with Nanjing Fullshare Holding

"Material Adverse Effect"	an event or circumstance, occurrence or any combination thereof arising or occurring, the effect of which is reasonably likely to have a material adverse effect on the business, operations, assets, liabilities (including contingent liabilities), business or financial condition, results or prospects of the Group as a whole, or the ability of the Company to perform its obligations under the Subscription Agreement, provided that (a) any change that generally affects the industries or markets in which the Group operates, (b) any change in the financial markets or general economic or political conditions, and (c) any change in law or any accounting principle applicable to the Group shall not be taken as a "Material Adverse Effect"
"Mighty Fame"	Mighty Fame Limited (堅榮有限公司), a company incorporated in Hong Kong with limited liability on 13 July 2012, which is a wholly owned subsidiary of the Company
"MLR"	the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部)
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOHURD"	the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部)
"Mr. Ji"	季昌群 (Mr. Ji Changqun), a PRC citizen, who was interested in 76.73% of equity interest of Nanjing Fullshare Holding and entire issued share capital of Magnolia Wealth as at the Latest Practicable Date
"Mr. Kan"	Mr. Kan Che Kin, Billy Albert, a Director, who was interested in 152,050,000 Shares representing approximately 36.03% interest in the Company as at the Latest Practicable Date
"Mr. Yeung"	Mr. Yeung Kui Wong (楊渠旺), being the sole shareholder of the Purchaser

"Nanjing Fullshare Energy"	Nanjing Fullshare Energy Management Co., Ltd. (南京豐盛能源管理有限公司) (formerly known as Nanjing Zhonghe Property Management Co., Ltd. (南京眾和物業管理有限公司)), a limited liability company incorporated in the PRC on 18 June 2003, an associate of Mr. Ji by way of over 30% of its equity interest being owned by Mr. Ji and a connected person of the Company upon completion of the Acquisition
"Nanjing Fullshare Holding"	Nanjing Fullshare Industrial Holding Group Co. Limited (南京豐盛產業控股集團有限公司), a company incorporated in the PRC with its principal place of business at No. 188, RuanJian Road, Nanjing City, Jiangsu Province, the PRC on 18 November 2002, in which, Mr. Ji, Mr. Shi Zhiqiang and Mr. Ji Jinzhong currently hold approximately 76.73%, 9.32% and 13.95% equity interest, respectively, a connected person of the Company upon completion of the Acquisition
"Nanjing Fullshare Technology"	Nanjing Fullshare Dazu Technology Co., Ltd. (南京豐盛大族科技股份有限公司), a joint stock limited company established in the PRC on 11 July 2008, which is owned as to 76.75% by Mr. Ji and a connected person of the Company upon completion of the Acquisition
"Nanjing Jiangong"	Nanjing Jiangong Group Co., Ltd. (南京建工集團有限公司), a limited liability company incorporated in the PRC on 5 October 1990, an associate of Mr. Ji, an associate of Mr. Ji by way of over 50% of its equity interest being beneficially owned by Mr. Ji Changbin (elder brother of Mr. Ji) and a connected person of the Company upon completion of the Acquisition
"Nanjing Jiasheng Landscape"	Nanjing Jiasheng Landscape Co., Ltd. (南京嘉盛景觀建設有限公司), a limited liability company incorporated in the PRC on 29 January 2002, an associate of Mr. Ji by way of approximately 50% of its equity interest being beneficially owned by Mr. Ji Changbin (elder brother of Mr. Ji) and Mr. Ji Changrong (younger brother of Mr. Ji), and a connected person of the Company upon completion of the Acquisition
"Nanjing Yanziji"	Nanjing Yanziji Low Income Real Estate Development Co., Ltd. (南京燕子磯保障房開發有限公司), a limited liability company incorporated in the PRC on 4 March 2009, an indirect wholly-owned subsidiary of Nanjing Fullshare Holding and a connected person of the Company upon completion of the Acquisition

"NAV Adjustment Value"	the increase or decrease in the consolidated net asset value of the Disposed Company in its consolidated management account as at the nearest month end before the date of completion of the Disposal against that as at 31 December 2012
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Non-competition Undertaking"	the non-competition undertaking dated 25 October 2013 entered into between Mr. Ji, Magnolia Wealth and the Company, as referred to in the section headed "Relationship with Controlling Shareholders" in the circular
"Non-qualifying Shareholder(s)"	the Shareholder(s), whose addresses as shown on the register of members of the Company on the Record Date are in places outside Hong Kong where based on the legal opinions provided by the relevant overseas legal advisors to the Company, the Directors are of the opinion that it is necessary or expedient to exclude such Shareholder(s) from the Open Offer on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in such places
"Offer Price"	the subscription price of HK$0.05 per Offer Share
"Offer Shares"	1,688,000,000 new Shares to be allotted and issued under the Open Offer
"Open Offer"	the proposed issue of the Offer Shares on the basis of 4 Offer Shares for every 1 Share held on the Record Date, and on the terms and subject to the conditions to be set out in the Prospectus
"Overseas Property Project Companies"	Fullmarr Properties NQ Pty Ltd., Fullmarr Country Club NQ Pty Ltd., Fullshare International (Australia) Marina P/L, Fullshare International (Australia) Pandanus P/L, Fullshare International (Australia) Turtle Point Golf & Country Club P/L, Fullshare International (Australia) Ranges P/L, Fullshare International (Australia) Queens Hill P/L, Fullshare International (Australia) Village P/L and Fullshare International (Australia) Villa Pty Ltd limited liability companies incorporated in Australia, and Leopard Canada Ltd., a limited liability company incorporated in Canada

"PBOC"	People's Bank of China (中國人民銀行), the central bank of China
"PRC government"	central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
"PRC LAT"	land appreciation tax as defined in the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) and the Detailed Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例實施細則》)
"Property Leasing Agreement"	the property leasing agreement dated 22 September 2013 entered into between the Target Company and Nanjing Fullshare Technology, as referred to in the section headed "Connected Transactions" of the circular
"Prospectus"	the prospectus under the Open Offer
"Prospectus Documents"	the Prospectus and the application form in respect of the assured entitlement under the Open Offer
"Prospectus Posting Date"	21 November 2013, the date on which the Prospectus Documents will be despatched
"Public Float"	has the same meaning ascribed thereto under Rule 8.08 of the Listing Rules
"Purchaser"	Homely Manufacturing Limited (鵬利製造有限公司), a company incorporated in Hong Kong on 14 July 2008, which is wholly owned by Mr. Yeung
"Qualifying Shareholder(s)"	Shareholders, other than the Non-qualifying Shareholders, whose names appear on the register of members of the Company at the close of business on the Record Date
"Record Date"	20 November 2013 being the date by reference to which entitlements under the Open Offer will be determined
"Registration Authority"	Nanjing Administration for Industry and Commerce or any other government bureau established under the law of PRC and authorised to govern the transfer of the Sale Equity Interest under the Acquisition Agreement
"Remaining Group"	the Group upon completion of the Disposal (*i.e.* the Company, Mighty Fame and the Target Group)

"Renewed Business License"	the license issued by the Registration Authority to prove that the Sale Equity Interest was transferred to the Company and that the Target Company became a WFOE
"Resumption"	resumption of trading in the Shares on the Stock Exchange
"Right Restriction"	any charge, collateral, lien, option, right of sale, preferred right of purchase, any types of security interest or any other claims of right on any assets under the Acquisition Agreement
"RMB"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外滙管理局)
"Sale Equity Interest"	the entire equity interest of the Target Company
"Sale Share"	1 ordinary share of the Disposed Company with par value of HK$1, representing the entire issued share capital of the Disposed Company
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務局)
"Scheme Creditors"	the creditors whose claims against the Company are to be dealt with under the Schemes
"Schemes"	the schemes of arrangement approved by the Grand Court of the Cayman Islands and the High Court of Hong Kong
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholders"	holders of the Shares
"Special Deal"	the repayment of the Shareholder's loan to Mr. Kan of approximately HK$19.5 million as at the Latest Practicable Date as a special deal under Note 5 to Rule 25 of the Takeovers Code

"Sponsor" or "CMBI"	CMB International Capital Limited, a corporation licensed under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscribers"	Magnolia Wealth and Mr. Kan
"Subscription Agreement"	the subscription agreement dated 21 August 2012 entered into amongst the Company, Magnolia Wealth and Mr. Kan in relation to the subscription of the Convertible Bonds, as varied, amended, modified or supplemented in writing by the parties hereto from time to time (including but not limited to the Subscription Supplemental Agreement)
"Subscription Supplemental Agreement"	a supplemental agreement to the Subscription Agreement dated 25 October 2013 entered into between the Company, Magnolia Wealth and Mr. Kan to amend certain terms of the Subscription Agreement
"substantial shareholder"	has the same meaning ascribed to it under the Listing Rules
"Suspension"	the suspension of trading in the Shares at the request of the SFC pursuant to sub-Rule 8(1) of the Securities and Futures (Stock Market Listing) Rules (subsidiary legislation V of Chapter 571 of the Laws of Hong Kong) on 14 May 2007
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Target Cities"	Yancheng and Chongqing
"Target Company"	Nanjing Fullshare Asset Management Limited (南京豐盛資產管理有限公司), a limited liability company incorporated in the PRC on 19 July 2012, which, as at the Latest Practicable Date, is wholly owned by Nanjing Fullshare Holding
"Target Group"	the Target Company and its subsidiaries
"Track Record Period"	the three financial years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013
"Underwriter"	Magnolia Wealth

"Underwriting Agreement"	the underwriting agreement dated 25 October 2013 entered into between the Company and Magnolia Wealth in relation to the Open Offer
"Unoccupied Cities"	cities in the PRC in which neither the Target Group nor the Controlling Shareholders has any property development business as at the date of the Non-Competition Undertaking
"WFOE"	Wholly Foreign Owned Enterprise, an investment vehicle under the law of PRC
"Whitewash Waiver"	a waiver in respect of the obligation of Magnolia Wealth to make a mandatory general offer to other Shareholders in respect of the Shares as a result of the underwriting of the Offer Shares pursuant to the Underwriting Agreement and conversion of the Conversion Shares pursuant to the Subscription Agreement pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code
"Yancheng BLR"	the Bureau of Land and Resources of Yancheng (鹽城國土資源局)
"Yandu Administration Committee"	Administration Committee of Yandu District in Yancheng
"Yandu BLR"	the Bureau of Land and Resources of Yandu District in Yancheng (鹽都區國土資源局)
"Yandu Government"	local government of Yandu District in Yancheng
"Yuzhong BLR"	the Bureau of Land and Resources of Yuzhong District in Chongqing (渝中區國土資源局)
"%"	per cent.

For the purpose of the circular, unless the context otherwise requires, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of RMB0.79 to HK$1. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or RMB have been, could have been or may be converted at such or any other rate or at all.

Certain figures set out in the circular have been subject to rounding adjustments. Accordingly, figures shown as the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

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

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

"ASP"	average selling price
"Chongqing"	Chongqing Municipality, the PRC
"commercial project(s)/ property(ies)"	complex(es), project(s) or property(ies) (as applicable) designated only for financial, wholesale and retail uses, or for development into offices, serviced apartments or hotels
"commercialised residential property"	residential property developed by property developers to be sold in the open market, with a proper title to be transferred to individual buyers at the price set by the property developers
"completion certificate"	竣工備案表, issued by local urban construction bureaus or equivalent authorities in the PRC with respect to the completion of property projects subsequent to their on-site examination and inspection
"construction land planning permit"	建設用地規劃許可證, issued by local urban zoning and planning bureaux or equivalent authorities in the PRC
"construction work commencement permit"	建築工程施工許可證, issued by local construction committees or equivalent authorities in the PRC
"construction work planning permit"	建設工程規劃許可證, issued by local urban zoning and planning bureaux or equivalent authorities in the PRC
"contracted ASP"	average selling price under contracted sales
"contracted GFA"	gross floor area under contracted sales
"contracted sales"	contracted sales are made when the property developer enters into a property sale and purchase agreement with a customer for the sale of property, regardless of whether the property is delivered to the customer or not
"GFA"	gross floor area
"idle land confirmation letter"	閒置土地認定書, issued by local Bureau of Land and Resources
"idle land fee collection decision letter"	徵繳土地閒置費決定書, issued by local Bureau of Land and Resources

"JiuZongGou Land Parcel (九總溝地塊)"	a property development project located in Yancheng, currently with no promotion name
"land use rights certificate"	國有土地使用證, a certificate (or certificates as the case may be) of the right of a party to use a parcel of land
"land use rights confiscation decision letter"	收回國有建設用地使用權決定書, issued by local Bureau of Land and Resources
"land use rights grant contract"	國有土地使用權出讓合同, an agreement the Target Group and the relevant local government authority enter into after the public tender, auction or listing-for-sale (as applicable), which provides for, among other things, the amount of land grant premium that the Target Group should pay for acquiring the land use rights of the relevant land parcel. After the Target Group has paid the land grant premium and satisfied any other conditions as set forth in the land use rights grant contract, the Target Group will obtain a land use rights certificate for the relevant land parcel
"mixed-use complex(es)/ project(s)/property(ies)"	for purposes of the circular, complex(es), project(s) or property(ies) (as applicable), which has GFA designated for residential use, but the GFA designated for residential use is no more than 70% of the total GFA
"Nanjing"	Nanjing City, Jiangsu Province, the PRC
"pre-sale permit"	預售許可證, authorising a property developer to start the pre-sale of property under construction
"pre-sold"	a property is deemed as pre-sold when the property sale and purchase agreement is executed but the property has not yet been delivered to the customer
"public tender", "auction" or "listing-for-sale"	public tender, auction or listing at a land exchange administered by the local government, each of which is a competitive bidding process through which a purchaser acquires land use rights directly from the PRC government
"residential project(s)/ property(ies)"	for purposes of the circular, complex(es), project(s) or property(ies) (as applicable) of which 30% or less of the total GFA is designated for commercial use
"ShuXiangYuan (書香苑)"	a property development project located in Chongqing, with the promotion name of ShuXiangYuan (書香苑)

"sold"	a property is considered sold when the property sale and purchase agreement with a customer is executed and the property is delivered to the customer. Delivery is deemed to take place on the date stated on the property delivery document (交房通知書)
"sq.m."	square metre
"TongJingYueCheng (同景•躍城)"	a property development project located in Chongqing, with the promotion name of YouYueCheng (優躍城)
"total GFA" or "total gross floor area"	the above-ground and underground saleable and/or leasable area contained within the external walls of any building at each floor level and the whole thickness of the external walls of the relevant project together with other non-leasable and non-saleable area. In general, this includes mechanical and electrical services rooms, refuse rooms, water tanks, car parking floors, lifts and staircases
"usable dwelling area ratio"	得房率, which is calculated by dividing usable dwelling area of residential properties by salable area of such residential properties
"XiChengFuDi (西城府邸)"	a property development project located in Yancheng, with the promotion name of Fullshare XiChengZhongYang (豐盛•西城中央)
"XiChengYiPinHuaYuan (西城逸品花園)"	a property development project located in Yancheng, with the promotion name of Fullshare XiChengYiPin (豐盛•西城逸品)
"XiChengYiPin Land Parcel No.1 (西城逸品1號地塊)"	a property development project located in Yancheng, currently with no promotion name
"Yancheng"	Yancheng, Jiangsu Province, the PRC

The following were the Directors of the Company as at the Latest Practicable Date who will resign as the Directors of the Company immediately following completion of the Acquisition:

Existing executive Directors

Name	Address	Nationality
Mr. Kan Che Kin, Billy Albert (簡志堅先生)	Flat B2, 18/F, Elm Tree Towers Jardine's Lookout 10 Chun Fai Road Hong Kong	British
Ms. Li Shu Han, Eleanor Stella (李淑嫻女士)	A2, 4/F, Villa Monte Rosa 41A Stubbs Road Hong Kong	British
Mr. Li Kai Yien, Arthur Albert (李繼賢先生)	1/F, 14 Wilson Road Jardine's Lookout Hong Kong	British
Ms. Seto Ying (司徒瑩女士)	Flat B, 1/F, Block 2 Illumination Terrace 7 Tai Hang Road, Tai Hang Hong Kong	Chinese

Existing independent non-executive Directors

Name	Address	Nationality
Mr. Li Siu Yui (李少鋭先生)	Unit G, 22/F, Block 8 Tseung Kwan O Plaza Tseung Kwan O, New Territories Hong Kong	Chinese
Mr. Ip Woon Lai (葉煥禮先生)	Flat C, 3/F Pioneer Court 17 Ventris Road Happy Valley Hong Kong	Chinese
Mr. Lee Kong Leong (李光龍先生)	Seni Mont Kiara, Block A-1901 Changkat Duta Kiara Mont Kiara 50480 Kuala Lumpur Malaysia	Malaysian

The following are the Directors of the Company following the Renewed Business License having been obtained by the Target Company:

Executive Directors

Name	**Address**	**Nationality**
Mr. Kan Che Kin, Billy Albert (簡志堅先生)	Flat B2, 18/F, Elm Tree Towers Jardine's Lookout 10 Chun Fai Road Hong Kong	British
Ms. Li Shu Han, Eleanor Stella (李淑嫻女士)	A2, 4/F, Villa Monte Rosa 41A Stubbs Road Hong Kong	British
Mr. Li Kai Yien, Arthur Albert (李繼賢先生)	1/F, 14 Wilson Road Jardine's Lookout Hong Kong	British
Ms. Seto Ying (司徒瑩女士)	Flat B, 1/F, Block 2 Illumination Terrace 7 Tai Hang Road, Tai Hang Hong Kong	Chinese
Mr. Shi Zhiqiang[(note)] (施智強先生)	Room 101, No. 19 Lan Yuan Beijing East Road Xuanwu District Nanjing City, Jiangsu Province PRC	Chinese
Mr. Eddie Hurip[(note)] (丘鉅淙先生)	Flat A, 8/F Hanking Court No.43–49 Cloud View Road North Point Hong Kong	Chinese

Note: Pursuant to the commercial arrangement between the Company and Nanjing Fullshare Holding, Mr. Shi Zhiqiang and Mr. Eddie Hurip will be appointed as the executive Directors of the Company following the Renewed Business License having been obtained by the Target Group under the Acquisition Agreement.

Independent non-executive Directors

Name	**Address**	**Nationality**
Mr. Li Siu Yui (李少鋭先生)	Unit G, 22/F, Block 8 Tseung Kwan O Plaza Tseung Kwan O, New Territories Hong Kong	Chinese
Mr. Ip Woon Lai (葉煥禮先生)	Flat C, 3/F Pioneer Court 17 Ventris Road Happy Valley Hong Kong	Chinese
Mr. Lee Kong Leong (李光龍先生)	Seni Mont Kiara, Block A-1901 Changkat Duta Kiara Mont Kiara 50480 Kuala Lumpur Malaysia	Malaysian

The following are the proposed Directors of the Enlarged Group immediately following completion of the Acquisition:

Proposed executive Directors

Name	**Address**	**Nationality**
Mr. Ji Changqun (季昌群先生) *(Chairman)*	Room 4505, Building 2 Nanjing Renheng International Mansion No. 116 Lushan Road, Jianye District Nanjing City, Jiangsu Province PRC	Chinese
Mr. Shi Zhiqiang (施智強先生)	Room 101, No. 19 Lan Yuan Beijing East Road, Xuanwu District Nanjing City, Jiangsu Province PRC	Chinese
Mr. Zhou Yanwei (周延威先生)	Room 801, Building 1 No. 17 Suzhou Road Nanjing City, Jiangsu Province PRC	Chinese
Mr. Eddie Hurip (丘鉅淙先生)	Flat A, 8/F Hanking Court No. 43–49 Cloud View Road North Point Hong Kong	Chinese

Proposed independent non-executive Directors

Name	**Address**	**Nationality**
Mr. Chi-keung Lau (劉智強先生)	Flat A, 20/F, Block 14 41 Braemar Hill Road Braemar Hill Mansions North Point Hong Kong	British
Mr. Chow Siu Lui (鄒小磊先生)	Flat B, 20/F Serene Court 8 Kotewall Road Hong Kong	Chinese
Mr. Tsang Sai Chung, Kirk (曾細忠先生)	Flat A, 20/F 111 Mount Butler Road Jardine's Lookout Hong Kong	Chinese

CORPORATE INFORMATION

The following sets out the corporate information relating to the Enlarged Group immediately following completion of the Acquisition:

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	Unit B, 8/F. St. John's Building 33 Garden Road, Central Hong Kong
Company secretary	Ms. Seto Ying (司徒瑩女士) *(ACCA, HKICPA)*
Audit committee	Mr. Chow Siu Lui (鄒小磊先生) *(the chairman)* Mr. Chi-keung Lau (劉智強先生) Mr. Tsang Sai Chung (曾細忠先生)
Remuneration committee	Mr. Chi-keung Lau (劉智強先生) *(the chairman)* Mr. Ji Changqun (季昌群先生) Mr. Tsang Sai Chung (曾細忠先生)
Nomination committee	Mr. Ji Changqun (季昌群先生) *(the chairman)* Mr. Chi-keung Lau (劉智強先生) Mr. Tsang Sai Chung (曾細忠先生)
Authorised representatives	Mr. Eddie Hurip (丘鉅淙先生) Flat A, 8/F Hanking Court No. 43–49 Cloud View Road North Point Hong Kong Ms. Seto Ying (司徒瑩女士) Flat B, 1/F, Block 2, Illumination Terrace 7 Tai Hang Road Tai Hang Hong Kong
Hong Kong legal advisers to the Company	Baker & McKenzie 23rd Floor, One Pacific Place 88 Queensway Hong Kong

Auditor	SHINEWING (HK) CPA Limited Certified Public Accountants 43/F, The Lee Gardens 33 Hysan Avenue Causeway Bay Hong Kong
Compliance adviser (upon Resumption)	CMB International Capital Limited Room 1803–4, 18/F Bank of America Tower 12 Harcourt Road Central Hong Kong
Principal banker	Bank of China Limited Yancheng Chengzhong Sub-branch No. 86, Jianjun Middle Road Tinghu District, Yancheng City Jiangsu Province PRC China Minsheng Banking Corp., Ltd. Chongqing Branch No. 9, Jianxin North Road Jiangbei District Chongqing Municipality PRC
Principal share registrar and transfer office	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 branch share registrar and transfer office	Tricor Standard Limited 26th Floor Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Company's website	warderly.todayir.com *(information contained in this website does not form part of this circular)*

Sponsor to the Company	CMB International Capital Limited Room 1803–4, 18/F Bank of America Tower 12 Harcourt Road Central Hong Kong
Financial adviser to the Company	Asian Capital (Corporate Finance) Limited 1006 Bank of America Tower 12 Harcourt Road Central Hong Kong
Independent financial adviser to the Independent Board Committee and to the Independent Shareholders	Somerley Limited 20/F, China Building 29 Queen's Road Central Hong Kong
Legal advisers to the Company	*as to Hong Kong law:* Baker & McKenzie 23rd Floor, One Pacific Place 88 Queensway Hong Kong *as to PRC law:* King & Wood Mallesons Lawyers 17th Floor, One ICC, Shanghai ICC 999 Huai Hai Road (M) Shanghai PRC *as to Cayman Islands law:* Conyers Dill & Pearman (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal advisers to the Sponsor	*as to Hong Kong law:* Deacons 5th Floor Alexandra House 18 Chater Road Central Hong Kong

	as to PRC law: Jingtian & Gongcheng 34th Floor, Tower 3 China Central Place 77 Jianguo Road Chaoyang District Beijing PRC
Reporting accountants in relation to the Target Group	SHINEWING (HK) CPA Limited *Certified Public Accountants* 43/F, The Lee Gardens 33 Hysan Avenue Causeway Bay Hong Kong
Reporting accountants in relation to the Disposed Group	PKF *Certified Public Accountants* 26/F, Citicorp Centre 18 Whitfield Road Causeway Bay Hong Kong
Internal Control Consultant	RSM Nelson Wheeler Consulting Limited 29/F, Caroline Centre Lee Gardens Two 28 Yun Ping Road Hong Kong
Property valuer	CBRE Limited 4/F, Three Exchange Square 8 Connaught Place Central Hong Kong

WARDERLY INTERNATIONAL HOLDINGS LIMITED
匯多利國際控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 00607)

Executive Directors:
Mr. Kan Che Kin, Billy Albert
(Chairman and Chief Executive Officer)
Ms. Li Shu Han, Eleanor Stella
Mr. Li Kai Yien, Arthur Albert
Ms. Seto Ying

Independent non-executive Directors:
Mr. Li Siu Yui
Mr. Ip Woon Lai
Mr. Lee Kong Leong

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

Principal place of business in Hong Kong:
Unit B, 8/F.
St. John's Building
33 Garden Road, Central
Hong Kong

28 October 2013

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF NANJING FULLSHARE ASSET MANAGEMENT LIMITED* (南京豐盛資產管理有限公司);
(2) REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION;
(3) PROPOSED OPEN OFFER OF ORDINARY SHARES ON THE BASIS OF 4 OFFER SHARES FOR EVERY 1 SHARE HELD ON RECORD DATE;
(4) CONNECTED TRANSACTION IN RELATION TO THE ISSUE OF CONVERTIBLE BONDS TO MR. KAN;
(5) SPECIFIC MANDATES IN RELATION TO THE ISSUE OF OFFER SHARES, CONVERTIBLE BONDS AND CONVERSION SHARES;
(6) APPLICATION FOR WHITEWASH WAIVER;
(7) SPECIAL DEAL;
(8) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(9) VERY SUBSTANTIAL DISPOSAL; AND
(10) PROPOSED CHANGE OF DIRECTORS

* *For identification purposes only*

I. THE ACQUISITION, THE ACQUISITION AGREEMENT, THE OPEN OFFER, THE UNDERWRITING AGREEMENT, THE ISSUE OF THE CONVERTIBLE BONDS, THE SUBSCRIPTION AGREEMENT, THE CONFIRMATION LETTER, THE WHITEWASH WAIVER AND THE SPECIAL DEAL

Introduction

Suspension

Reference is made to the announcement of the Company dated 14 May 2007 that pursuant to sub-Rule 8(1) of Securities and Futures (Stock Market Listing) Rules, the SFC had directed the Stock Exchange to suspend all dealings in the Shares from 9:30 a.m. on 14 May 2007. Subsequent to the Suspension, the SFC commenced an investigation on the Group's financial records and affairs by requesting the Company to provide certain records and address the queries it raised. The Company replied all comments from the SFC and was not subject to any disciplinary actions as a result.

Further reference is made to the news issued by the SFC on 16 September 2009, the SFC commenced proceedings against six former Directors, namely Mr. Godfrey Hung Kwok Wa, Mr. Yeung Kui Wong, Mr. John Lai Wing Chuen, Ms. Ellen Yeung Ying Fong and Mr. Yu Hung Wong, former executive Directors and Mr. Hermann Leung Ping Chung, former alternate non-executive Director, for alleged misconduct.

The SFC alleged that the former six Directors:

- failed to manage the Company with the necessary degree of skill, care, diligence and competence as is reasonably expected of persons of their knowledge and experience holding their offices and functions within the Company; and

- failed persistently to ensure the Company fully complied with disclosure requirements under the Listing Rules.

The SFC also alleged that Mr. Hermann Leung Ping Chung had acted in breach of his fiduciary duty owed to the Company by obtaining a profit and/or placing himself in a position of conflict through lending to the Company's subsidiaries at an excessively high interest rate.

Further reference is also made to the news issued by the SFC on 17 March 2010, 8 October 2010 and 1 March 2011, Ms. Ellen Yeung Ying Fong, Mr. John Lai Wing Chuen, Mr. Yeung Kui Wong, Mr. Yu Hung Wong, Mr. Godfrey Hung Kwok Wa and Mr. Hermann Leung Ping Chun were disqualified from being Directors or being involved in the management of any corporation for a period of five years, five years, five years, two years, five years and two years respectively.

Amendments to the proposed restructuring

Reference is made to the announcement of the Company dated 8 October 2008 in relation to the proposed restructuring of the Company including, inter alia, a proposed open offer of convertible notes in the principal amount of HK$84.40 million and the underwriting agreement between the Company and Mr. Kan for Mr. Kan to fully underwrite such an open offer. Following the introduction of the Acquisition, the Open Offer and issue of the Convertible Bonds which form part of the new resumption proposal set out in the Company's submission to the Listing Appeals Committee (the "**Resumption Submission**"), the Company and Mr. Kan have mutually agreed that the underwriting agreement dated 8 October 2008 shall lapse as at 21 March 2013 and such proposed open offer of convertible notes will not proceed.

The decision of the Listing Appeals Committee

Reference is made to the Company's announcement dated 17 September 2012 that after an appeal hearing held by Listing Appeals Committee, the Listing Appeals Committee decided to exercise its discretion to receive and consider the Resumption Submission, including the transactions contemplated under the Open Offer, the Acquisition, the Subscription Agreement, the Whitewash Waiver and the Special Deal, and refer the matter back to the Listing Committee, and to allow the Listing Division and the SFC to complete its usual vetting work for the proposed transactions under the Listing Rules and the Takeovers Code. The Listing Appeals Committee considered that the proposed transactions contained in the Resumption Submission constitute a reverse takeover and hence subject to the Listing Rules applicable to such transactions.

In addition, the Listing Appeals Committee wishes to emphasise the following:

(i) the Company must appoint a sponsor that fulfills the requirements under the Listing Rules; and

(ii) the Company must submit to the Listing Committee documentation that meets the requirements under the Listing Rules.

The Company has taken various steps to comply with the requirements laid down by the Listing Appeals Committee to seek resumption of trading in the Shares as soon as possible. As such, CMB International Capital Limited has been appointed as the sponsor to the Company in relation to the reverse takeover involving a new listing application to fulfill the requirements under the Listing Rules.

The letter from the SFC

As the Resumption is subject to, amongst others, the permission from the SFC, the Company has made an application to the SFC to seek its permission for dealings in the Shares to recommence under section 9(3)(c) of the Securities and Futures (Stock Market Listing) Rules.

Pursuant to the letter from the SFC to the Company on 21 October 2013, for the purpose of section 9 of the Securities and Futures (Stock Market Listing) Rules, based on the information as stated in the Resumption Submission and this circular, the SFC has informed the Company that dealing in the Shares may recommence after the completion of the transactions contemplated in the Resumption Submission as referred in this circular. The Resumption Submission includes, among other elements, the Acquisition, the Open Offer, the issue of the Convertible Bonds, the Whitewash Waiver and the Special Deal. The matters stated above are not necessarily exhaustive and the SFC may raise further matters or impose conditions in connection with the recommencement of dealings in the Shares or make further comments on any draft document in relation thereto submitted to the SFC and the Stock Exchange up to the date of the recommencement, as the SFC may consider appropriate. The SFC's letter on 21 October 2013 should not be construed as a statutory notice under section 9 of the Securities and Futures (Stock Market Listing) Rules.

As such, the Company has not yet received the permission for dealings in the Shares to recommence under section 9(3)(c) of the Securities and Futures (Stock Market Listing) Rules.

The Acquisition Agreement

Set out below are the principal terms of the Acquisition Agreement:

Date

21 August 2012

Parties

(i) Mighty Fame, a wholly-owned subsidiary of the Company, being the purchaser; and

(ii) Nanjing Fullshare Holding, being the vendor

To the best of the Director's knowledge, information and belief and having made all reasonable enquires, Nanjing Fullshare Holding and its ultimate beneficial owners are third parties independent of and not connected with, the Company and connected persons of the Company.

Assets to be acquired

The asset to be acquired under the Acquisition Agreement is the Sale Equity Interest, being the entire equity interest of the Target Company. As at the Latest Practicable Date, the Target Company is wholly-owned by Nanjing Fullshare Holding. Upon completion of the Acquisition, the Target Company will become an indirect wholly owned subsidiary of the Company.

The consideration

The consideration for the Acquisition is HK$500,000,000 and was arrived at after arm's length negotiations between the parties to the Acquisition Agreement and was determined by reference to (i) the audited combined total asset value and the audited combined net asset value of the Target Group of approximately RMB1,675.6 million (equivalent to approximately HK$2,121.0 million) and RMB294.9 million (equivalent to approximately HK$373.3 million), respectively, as at 30 June 2012; (ii) a shareholder's loan of RMB300 million (equivalent to approximately HK$379.7 million) owed by a member of the Target Group to Nanjing Fullshare Holding as at 30 June 2012 having been capitalised to enlarge its registered capital on 9 August 2012; (iii) the valuation of the property interests held by the Target Group of RMB1,379 million (equivalent to approximately HK$1,745.6 million) as at 30 June 2012 in accordance with a valuation report prepared by an independent and duly qualified Hong Kong valuer, namely CBRE Limited; and (iv) the development prospects of the Target Group.

The consideration shall be satisfied in cash upon completion of the Acquisition and within 3 months after the issuance of the Renewed Business License which corresponds to the requirement on timing for payment consideration by foreign investors under the Acquisition Rules. The cash consideration of HK$500,000,000 needed for the Acquisition will be raised from the issue of the Convertible Bonds to Mr. Kan and Magnolia Wealth. More details are set out in the paragraph headed "Use of proceeds from the Open Offer and the issue of the Convertible Bonds" in this section below. The aggregate of the remuneration payable to and benefits in kind receivable by the Directors will not be varied in consequence of the Acquisition.

Conditions precedent

Completion of the Acquisition shall be subject to and conditional upon the fulfillments of the following conditions:

(a) all approval, agreement, and consents in relation to all the requirements under the applicable laws and rules including the Listing Rules and the Takeovers Code having been obtained by Mighty Fame and all necessary authorisations from Mighty Fame and the Company (including the resolutions to be proposed at the general meeting of the Company) in respect of the Acquisition Agreement and the transactions contemplated thereunder having been obtained, if applicable;

(b) the Approval Document issued by the Approval Authority having been obtained by the Target Company; and

(c) the Renewed Business License issued by Registration Authority having been obtained by the Target Company.

None of the above conditions is waivable by Mighty Fame or Nanjing Fullshare Holding. Other than the condition (b), no other conditions has been fulfilled as at the Latest Practicable Date.

In the event that (i) the completion of the Acquisition does not take place by 28 February 2013 (which has been extended to 31 December 2013 pursuant to the Acquisition Supplemental Agreements on 27 February 2013, 28 June 2013 and 25 October 2013, respectively); (ii) a termination agreement is entered into between Mighty Fame and Nanjing Fullshare Holding in writing; or (iii) there is a material breach to the Acquisition Agreement by either party, the Acquisition Agreement shall lapse forthwith and the parties to the Acquisition Agreement shall do all necessary acts to restore the parties to the positions as if the Acquisition Agreement had never been executed and/or performed.

As advised by the PRC legal advisers of the Company, King & Wood Mallesons Lawyers, there is no substantial legal obstacle for the Target Group to obtain the Approval Document to be issued by the Approval Authority, and the Renewed Business License to be issued by Registration Authority as set out in the conditions precedent above.

Undertaking by Nanjing Fullshare Holding

Nanjing Fullshare Holding undertakes that there is neither any Right Restriction on the transfer of Sale Equity Interest, nor there is any agreement or consent which may create any Right Restriction.

Nanjing Fullshare Holding also undertakes that (i) the asset of the Target Company is not and will not be subject to any Right Restriction; (ii) there is no agreement or consent which may create any Right Restriction; and (iii) there is no person who has any Right Restriction claiming the right on any asset of the Target Company.

Completion

Completion of the Acquisition shall take place on a business day which is within the 90 business days (as amended by the Acquisition Supplemental Agreement on 18 August 2013) immediately following the day on which all the conditions precedent as set out above are fulfilled.

The Subscription Agreement

Date	:	21 August 2012
Issuer	:	the Company
Subscribers	:	(1) Magnolia Wealth who will subscribe or procure one of its wholly-owned companies incorporated under the Hong Kong law to subscribe, in cash for the Convertible Bonds in the principal amount of HK$420,000,000; and (2) Mr. Kan who will subscribe or procure one of his wholly-owned companies incorporated under the Hong Kong law to subscribe, in cash for Convertible Bonds in the principal amount of HK$80,000,000.
Conditions precedent	:	(A) the Underwriting Agreement having been agreed and duly signed by Magnolia Wealth and the Company;

(B) all of the conditions precedent to the Underwriting Agreement, having been duly satisfied or waived in accordance with the terms set out therein;

(C) the warranties under the Subscription Agreement remaining true, accurate and correct in all aspects;

(D) all issued Shares remaining listed on, and not having been withdrawn from, the Stock Exchange, the Stock Exchange not having indicated that it will object to such listing and there being no events or circumstances existing based on which the Stock Exchange could reasonably be expected to raise such objection;

(E) listing of, and permission to deal in, all of the Conversion Shares upon conversion of the Convertible Bonds having been granted by the Listing Committee of the Stock Exchange (either unconditionally or if subject to conditions, such conditions being reasonably acceptable to the Subscribers and if required by the Stock Exchange for it to be fulfilled before CB Completion, such conditions being fulfilled or satisfied before CB Completion) and such listing and permission remaining in full force and effect and not subsequently being revoked);

(F) there being no event existing or having occurred and no condition being in existence which would (had any Convertible Bonds already been issued) constitute an event of default;

(G) there being no injunction, restraining order or order of similar nature by a governmental authority issued as of the CB Completion Date that could prevent or materially interfere with the consummation of the transactions contemplated under the Subscription Agreement;

(H) the passing by the Shareholders (other than those who are required by the Listing Rules and/or the Takeovers Code to abstain from voting) in a general meeting of resolution(s) approving, among other things, (i) the execution, the consummation and completion of the Subscription Agreement; (ii) the issuance of the Convertible Bonds; and (iii) the subsequent increase of authorised share to 20,000,000,000 Shares and allotment and issuance of the Conversion Shares upon the exercise of the conversion rights attached to the Convertible Bonds, in accordance with Listing Rules, Takeovers Code and applicable laws;

(I) the Subscribers in their sole and absolute determination being satisfied with their due diligence investigation in respect of the Group which includes, but is not limited to, an inspection and investigation as to:

(1) the financial, contractual, taxation and trading position of the Group;

(2) the title of the Group to the premises and its assets; and

(3) the material contracts of the Group;

(J) the Company having only three subsidiaries being (1) Mighty Fame; (2) Up Stand Holdings Limited (堅東控股有限公司); and (3) Dongguan Up Stand;

(K) any other waivers, consents, authorisations, clearances and approvals which are required from the relevant courts, governmental authorities in Hong Kong, the Cayman Islands and the PRC, for the Subscription Agreement and the transactions contemplated herein having been granted, fulfilled or given (as applicable); and

(L) the grant of the Whitewash Waiver by the Executive (as amended by the Subscription Supplemental Agreement) and in the event that all the conditions precedent of the Subscription Agreement shall not have been satisfied or waived (save for conditions precedent (A), (B), (D), (E), (H), (K) and (L) above which cannot be waived) in writing by the Subscribers on or before 28 February 2013 or such other date as the parties thereto may agree, the Subscription Agreement shall lapse and become null and void and no party thereto shall have or make any claim against the other in respect hereof save for liabilities for any antecedent breach. The long stop date has been extended to 31 December 2013 pursuant to the Extension Agreements. Reference is made to the announcement of the Company on 18 January 2013, the Company entered into three sale and purchase agreements with Mr. Kan on the even date to dispose of several subsidiaries of the Company. As at the Latest Practicable Date, such disposal is completed and condition precedent (J) listed above is fulfilled. Except for conditions precedent (A) and (J), none of the other conditions has been fulfilled as at the Latest Practicable Date.

Corporate Governance Measures : The Company agrees and undertakes that Magnolia Wealth shall have the right from time to time, starting from completion of the Open Offer (as amended by the Subscription Supplemental Agreement), to:

(A) nominate all members of the Board by giving notice in writing to the Company (together, the "**Investor Directors**", each such person being a "**Investor Director**"), provided that such persons fulfill the requirements under the applicable laws, regulations, the Listing Rules and Takeovers Code to be appointed as a director; and

(B) nominate the Investor Directors as members of the audit committee, nomination committee and the remuneration committee of the Company (any such Investor Director being an "**Investor Committee Member**");

and the Company shall use its reasonable endeavours to procure such representatives be appointed as an Investor Director or an Investor Committee Member, as the case may be, subject to the decisions of the Board or the Company's nomination committee as a whole (as the case may be).

Termination	:	If an effect or circumstance that carries a Material Adverse Effect occurs prior to the CB Completion, Magnolia Wealth may, without liability to the Company, elect not to proceed to the CB Completion by giving notice in writing to the Company at any time prior to 5:00 p.m. (Hong Kong time) on the CB Completion Date. Upon serving of such notice, the Subscription Agreement will lapse and become null and void and the parties will be released from all obligation thereunder, save for liabilities for any antecedent breaches of the Subscription Agreement.
Completion	:	Subject to the fulfillment or waiver of the conditions precedent of the Subscription Agreement, CB Completion shall take place on the CB Completion Date at such place and time to be agreed between the Company and the Subscribers in writing.

Principal terms of the Convertible Bonds

Principal Amount	:	HK$500,000,000
Interest	:	2% per annum payable annually in arrear
Maturity Date	:	the date falling on the fifth anniversary of the issue date of the Convertible Bonds
Conversion Price	:	HK$0.05 per Conversion Share (subject to usual customary adjustments in certain events such as rights issues, cash and Share dividends, stock splits, bonus issues and asset distributions)
Redemption	:	Unless previously converted, redeemed, purchased or cancelled in accordance with its conditions, the Convertible Bonds will be redeemed by the Company on the maturity date at its principal amount outstanding in Hong Kong dollars upon the presentation of the original of the certificate for the Convertible Bonds to the Company
Conversion Period	:	The period commencing on the issue date of the Convertible Bonds and expiring on the date which is five (5) business days preceding the maturity date

Ranking of Convertible Bonds	:	The Convertible Bonds constitute general, unconditional, unsecured and unsubordinated obligations of the Company, and shall rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law
Ranking of Conversion Shares	:	The Conversion Shares shall rank pari passu in all respects with all other existing Shares outstanding at the date of issue of the Conversion Shares and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of their issue
Transferability	:	The Convertible Bonds or any part(s) thereof may be assigned or transferred at any time provided that such assignment or transfer shall be in compliance with the conditions under the Subscription Agreement and further subject to (where applicable) the conditions, approvals, requirements and any other provisions of or under: (a) the Stock Exchange (and any other stock exchange on which the Shares may be listed at the relevant time) and the SFC or its rules and regulations; and (b) the Listing Rules, the Takeovers Code and all applicable laws and regulations
Voting right	:	The holder of the Convertible Bonds shall not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being the holder of the Convertible Bonds
Application for listing	:	The Convertible Bonds will not be listed on the Stock Exchange or any other stock exchange. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Shares to be issued upon the exercise of the conversion rights attached to the Convertible Bonds
Denomination	:	HK$1,000,000

Assuming full conversion of the Convertible Bonds in the aggregate principal amount of HK$500 million, the 10,000,000,000 Conversion Shares to be issued represent:

(a) approximately 2,369.67% of the existing issued share capital of the Company;

(b) approximately 473.93% of the issued share capital of the Company upon completion of the Open Offer; and

(c) approximately 82.58% of the issued share capital of the Company upon completion of the Open Offer and full conversion of the Convertible Bonds.

Proposed Open Offer

Issue statistics

Basis of Open Offer	:	Offer of 4 Offer Shares for every 1 Share held by the Qualifying Shareholders on the Record Date
Offer Price	:	HK$0.05 per Offer Share payable in full upon application (Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its shareholding in the Company held on the Record Date.)
Number of Shares in issue as at the Latest Practicable Date	:	422,000,000 Shares
Principal amount of Offer Shares to be issued	:	Not more than approximately HK$84,400,000
Number of Offer Shares	:	1,688,000,000 Offer Shares, representing: (a) 400% of the existing issued share capital of the Company; (b) 80% of the issued share capital of the Company upon completion of the Open Offer; and (c) approximately 13.94% of the issued share capital of the Company upon completion of the Open Offer and full conversion of the Convertible Bonds
Enlarged issued share capital upon completion of the Open Offer and before conversion of the Convertible Bonds	:	2,110,000,000 Shares

Mr. Kan has confirmed that he will not subscribe for any of his entitlements under the Open Offer.

The Company has no share options, warrants, derivatives or other securities convertible into or exchangeable for the Shares outstanding as at the Latest Practicable Date.

Issue under specific mandates

The Offer Shares and Conversion Shares upon conversion of the Convertible Bonds will be issued pursuant to specific mandates to be obtained upon approval by the Shareholders at the EGM.

Status of the Offer Shares

The Offer Shares, when allotted, issued and fully paid, will rank pari passu with the then existing Shares in issue on the date of allotment of the Offer Shares in all respects. Holders of such Offer Shares will be entitled to receive all future dividends and distributions which are declared after the date of allotment and issue of the Offer Shares.

Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholders. To qualify for the Open Offer, a Shareholder must, at the close of business on the Record Date:

(i) be registered as a member of the Company on the register of members of the Company; and

(ii) not be a Non-qualifying Shareholder.

In order to be registered as members of the Company on the Record Date, all transfers of Shares must be lodged (together with the relevant share certificate(s)) with the Company's share registrar, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Monday, 18 November 2013. It is expected that the last day of dealing in the Shares on a cum-entitlement basis is Thursday, 14 November 2013 and the Shares will be dealt with on an ex-entitlement basis from Friday, 15 November 2013.

Subject to the allotment and issue of Shares otherwise than on a pro rata basis as required under Section 57B of the Hong Kong Companies Ordinance, the Open Offer and the Whitewash Waiver being approved at the EGM, the Company will despatch the Prospectus Documents to each of the Qualifying Shareholders and, for information only, the Prospectus to each of the Non-qualifying Shareholders (if any) on or about Thursday, 21 November 2013.

Non-qualifying Shareholders

The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders (as defined below) may not be eligible to take part in the Open Offer as explained below.

If, at the close of business on the Record Date, any Shareholder whose address as shown on the register of members of the Company is in a place outside of Hong Kong (the "**Overseas Shareholders**"), such Shareholder(s) may not be eligible to take part in the Open Offer. The Board will, if necessary, make enquiries with its legal advisers regarding the legal restrictions under the law of the relevant jurisdiction and the requirements of the relevant regulatory body or stock exchange. If, after making such enquiries, the Board is of the opinion that it would be necessary or expedient not to offer the Offer Shares to such Overseas Shareholders, the Open Offer will not be available to such Overseas Shareholders. Accordingly, the Open Offer will not be extended to the Non-qualifying Shareholders. The results of the enquiries and the basis of exclusion of the Overseas Shareholders will be included in the Prospectus.

As at the Latest Practicable Date, there was no registered Shareholders whose address are outside Hong Kong.

Closure of register of members

The register of members of the Company will be closed from Tuesday, 19 November, 2013 to Wednesday, 20 November 2013, both dates inclusive, to determine the eligibility of the Shareholders to the Open Offer. No transfers of Shares will be registered during this period.

No application for excess Offer Shares

After arm's length negotiation with the Underwriter, the Company decided that the Company will not offer the Qualifying Shareholders the entitlement to apply for any Offer Shares which are in excess of their assured entitlements. The Company considers that the administrative costs would be lowered without the excess application.

Fractional entitlements

No fractional entitlements or allotments are expected to arise as a result of the Open Offer.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. Dealings in the Offer Shares will be subject to the payment of stamp duty, Stock Exchange trading fee and any other applicable fees and charges in Hong Kong.

Subject to the granting of the approval for the listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Share certificates for the Offer Shares

Subject to the fulfillment of the conditions of the Open Offer, certificates for all fully-paid Offer Shares are expected to be posted to those entitled thereto by Wednesday, 11 December 2013 at their own risk.

Conditions for the Open Offer

The Open Offer is conditional upon, inter alia, the fulfillment of the conditions set out under the paragraph below headed "Conditions of the Underwriting Agreement" in this section. Therefore, the Open Offer may or may not proceed.

Underwriting Agreement

Issuer	:	the Company
Underwriter	:	Magnolia Wealth (an investment holding company and its ordinary course of business does not include underwriting)
Number of Offer Shares to be underwritten by the Underwriter	:	1,688,000,000 Offer Shares
Offer price	:	HK$0.05 per Offer Share
Underwriting commission	:	The Underwriter agreed not to receive any underwriting commission pursuant to the Underwriting Agreement

Terms of the Underwriting Agreement were determined after arm's length negotiations between the Company and the Underwriter. The Directors (including the independent non-executive Directors) are of the opinion that the terms of the Underwriting Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Underwriting Agreement

The Underwriting Agreement is conditional upon the following conditions being fulfilled:

(a) the conditions precedent to the Acquisition Agreement having been fulfilled;

(b) all of the conditions precedent to completion set out in the Subscription Agreement (saved for condition precedent (B) of the Subscription Agreement) having been duly satisfied or waived in accordance with the terms set out therein;

(c) the delivery to the Stock Exchange for authorisation, and the registration with the Registrar of Companies in Hong Kong, respectively, not later than the Prospectus Posting Date, of one copy of each of the Prospectus Documents for use by the Qualifying Shareholders to apply for the Offer Shares under their entitlements, duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached to it) and otherwise in compliance with the Listing Rules and the Hong Kong Companies Ordinance;

(d) the despatch of the Prospectus Documents to the Qualifying Shareholders, and a copy of the Prospectus stamped "For Information Only" to the Non-qualifying Shareholders on the Prospectus Posting Date;

(e) the approval of the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder by the Independent Shareholders at the EGM;

(f) the approval of the Whitewash Waiver by the Independent Shareholders at the EGM by way of poll;

(g) the grant of the Whitewash Waiver by the Executive;

(h) the approval of the Special Deal by the Independent Shareholders by way of poll and the consent of the Special Deal granted by the Executive;

(i) the grant or the agreement to grant (subject to allotment) by the Listing Committee of the Stock Exchange, and not having withdrawn or revoked such grant, of the listing of and permission to deal in all the Offer Shares, either unconditionally or subject to such conditions as are accepted by the Company;

(j) the Stock Exchange having conditionally or unconditionally approved, or decided to allow the Company to proceed with, the resumption of trading in the Shares on the Stock Exchange and all the conditions attached to such approval or decision (if any) having been fulfilled (other than those conditions relating to or in connection with restoration of public float) or waived by the Stock Exchange; and

(k) all other necessary waivers, consents and approval including but not limited to those from the Stock Exchange, the SFC and any other relevant government or regulatory authorities, which are required (if any) for the implementation of the resumption proposal and all transactions contemplated thereunder.

Except for condition (h), all the other conditions are not waivable. None of the conditions precedent has been fulfilled up to the Latest Practicable Date. If any of the conditions of the Underwriting Agreement are not fulfilled on or before 31 December 2013 (or such other time and/or date as the Company and the Underwriter may determine in writing), or shall become incapable of being fulfilled, all obligations and liabilities of the parties under the Underwriting Agreement shall cease, and no party shall have any claim against the other party of the Underwriting Agreement, save that all fees and expenses accrued under the Open Offer incurred as stipulated under the Underwriting Agreement.

The Underwriter shall, subject to it having received from the Company notification to do so before 6:30 p.m. on the business day immediately following 5 December 2013, pay to the Company by 4:00 p.m. on 9 December 2013 the aggregate Offer Price in respect of all the Offer Shares.

WARNING OF THE RISKS OF DEALING IN THE SHARES

The Open Offer is conditional upon, inter alia, the fulfillment of the conditions set out under the paragraph headed "Conditions of the Underwriting Agreement" above in the circular. Therefore, the Open Offer may or may not proceed.

Any dealing in the Shares from the date of the circular up to the date on which all the conditions of the Underwriting Agreement are fulfilled will accordingly bear the risk that the Open Offer may not become unconditional or may not proceed. Any Shareholders or other persons contemplating dealings in the Shares are recommended to consult their own professional advisers. The Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares.

Conversion Price and Offer Price

The Conversion Price and Offer Price of HK$0.05 each represent:

(i) a discount of approximately 89.58% to the closing price of HK$0.48 per Share as quoted on the Stock Exchange on 11 May 2007, being the Last Trading Date before Suspension;

(ii) a discount of approximately 89.36% to the average closing price of approximately HK$0.47 per Share as quoted on the Stock Exchange for the last five trading days up to 11 May 2007, being the Last Trading Date before Suspension;

(iii) a discount of approximately 89.58% to the average closing price of approximately HK$0.48 per Share as quoted on the Stock Exchange for the last ten trading days up to 11 May 2007, being the Last Trading Date before Suspension;

(iv) a premium of HK$1.04 over the audited consolidated net liabilities per Share of approximately HK$0.99 as at 30 April 2012 (based on the Company's audited consolidated net liabilities of approximately HK$419,675,000 at 30 April 2012 and 422,000,000 Shares in issue as at the Latest Practicable Date); and

(v) a premium of HK$0.94 over the audited consolidated net liabilities per Share of approximately HK$0.89 as at 30 April 2013 (based on the Company's latest published audited consolidated net liabilities of approximately HK$376,299,000 at 30 April 2013 and 422,000,000 Shares in issue as at the Latest Practicable Date).

The Conversion Price and the Offer Price were determined after arm's length negotiation by taking into account the (i) the deteriorating financial performance and financial position of the Group since 30 April 2006; and (ii) the fact that trading in the Shares on the Stock Exchange has been suspended since 14 May 2007. The Conversion Price and the Offer Price are set equal to the previously proposed open offer as stated in the Company's announcement dated 8 October 2008, which lapsed on 21 March 2013. Further details are set out in the paragraphs headed "Reasons for the Acquisition, the Open Offer and issue of the Convertible Bonds". The Directors (including the independent non-executive Directors) consider the terms of the issue of the Convertible Bonds and Open Offer, including the Convertible Bonds and the

Offer Price, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole. The gross proceeds of the issue of Convertible Bonds and the Open Offer will be approximately HK$500 million and HK$84.40 million respectively. The Company intends to apply such proceeds as set out in the paragraphs headed "Use of proceeds from the Open Offer and the issue of the Convertible Bonds" in this section below.

The Confirmation Letter

As the Acquisition, the issue of the Convertible Bonds and the Open Offer form part and parcel of the whole proposed restructuring of the Company, the Confirmation Letter was entered into on 21 August 2012 among the Company, Mighty Fame, Nanjing Fullshare Holding, Magnolia Wealth and Mr. Kan. The Confirmation Letter is used to ensure the Acquisition Agreement, the Subscription Agreement, the proposed underwriting arrangements in relation to the Open Offer and the application for Whitewash Waiver will be carried out by the relevant parties in accordance with arrangements as stated therein. Pursuant to the terms of the Confirmation Letter, the completion of the Acquisition is conditional on the completion of the Open Offer and the Subscription Agreement.

Moreover, pursuant to the Confirmation Letter, Nanjing Fullshare Holding undertakes to maintain the ordinary operation of the Target Group and procure the Target Group from 30 June 2012 until the completion of the Acquisition:

(a) not to borrow any loans or provide any security over its assets out of its ordinary course of business;

(b) when in the ordinary course of business the aggregate amount of loans borrowed by the Target Group exceeds RMB150,000,000, to present the relevant loan agreements to the Company; and

(c) if the audited consolidated net asset value of the Target Company as at the date of completion of Acquisition prepared in accordance with the Hong Kong Financial Reporting Standards is less than HK$500 million, it shall refund the shortfall amount, on a dollar to dollar basis, to the Company.

Information on the Target Company and the Target Group

Target Company

The Target Company is a limited liability company established in the PRC by Nanjing Fullshare Holding in July 2012. It is an investment holding company which owns the entire equity interest in Jiangsu Fullshare Property and through which, it indirectly owns 90% equity interest in Chongqing Tongjing with Chongqing Huangfan as the owner of the remaining 10% equity interest. Save as these equity interests, the Target Company has no other substantial assets or liabilities.

Business Overview and Description of Real Estate of the Target Group

The Target Group is a property developer focusing primarily on developing and selling residential complex in Yancheng, Jiangsu Province and Chongqing in the PRC through the above-mentioned two subsidiaries, namely Jiangsu Fullshare Property, which was incorporated on 1 February 2007, and Chongqing Tongjing, which was incorporated on 12 November 2009, respectively.

As at the Latest Practicable Date, the portfolio of real estate developments of the Target Group consisted of five projects under various stages of development in Yancheng and Chongqing. For more information, please refer to the section headed "Business of the Target Group" in the circular.

The Target Group currently targets Yancheng and Chongqing for property development as population in these areas is expected to increase substantially.

Upon completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Company.

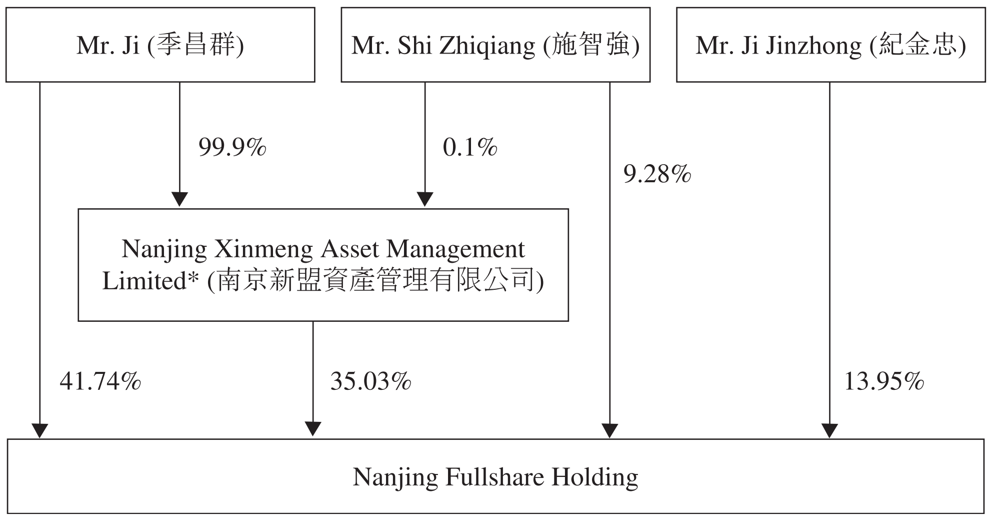
Financial Information of the Target Group

The net profits (both before and after taxation) attributable to the assets that are the subject of the Acquisition, *i.e.* the Target Group, for each of the three financial years ended 31 December 2010, 2011 and 2012 were set out as follows:

	For the financial year ended 31 December 2010 *(RMB'000)*	**For the financial year ended 31 December 2011** *(RMB'000)*	**For the financial year ended 31 December 2012** *(RMB'000)*
Audited net profit before taxation and extraordinary items of the Target Group	20,760	125,500	107,391
Audited net profit after taxation and extraordinary items of the Target Group	12,733	77,890	33,397

Information of Nanjing Fullshare Holding

Nanjing Fullshare Holding is a private enterprise in the PRC whose headquarter is located in Nanjing, Jiangsu Province. Nanjing Fullshare Holding is principally engaged in the businesses of real estate development and manufacturing of large medical devices. The shareholding structure of Nanjing Fullshare Holding is illustrated below:



As at the Latest Practicable Date, Mr. Ji, Mr. Shi Zhiqiang and Mr. Ji Jinzhong hold approximately 76.73%, 9.32% and 13.95% equity interest in Nanjing Fullshare Holding, respectively.

As at the Latest Practicable Date, Mr. Ji is the chairman of the board of directors of Nanjing Fullshare Holding, who has rich experience in construction projects and real property development.

As at the Latest Practicable Date, Mr. Ji Jinzhong is the head of the audit department of Nanjing Fullshare Holding.

To the best of the Director's knowledge, information and belief and having made all reasonable enquires, Nanjing Fullshare Holding and its ultimate beneficial owners are third parties independent of and not connected with, the Company and connected persons of the Company. None of Nanjing Fullshare Holding, Nanjing Xinmeng Asset Management Limited nor their ultimate beneficial owners is a Shareholder.

Information of Magnolia Wealth

Magnolia Wealth is an investment holding company, which is wholly and beneficially owned by Mr. Ji. Save as being involved in the transactions contemplated under the Open Offer and the Subscription Agreement, it has not engaged in any business operations since its incorporation.

Mr. Ji is also the sole director of Magnolia Wealth, who has rich experience in construction projects and real estate development in the PRC.

Information of Mr. Kan

Mr. Kan, aged 61, was appointed as an executive director, the chairman and the chief executive officer of the Company with effect from 30 August 2011. He is also a director of two subsidiaries of the Company.

As at the Latest Practicable Date, Mr. Kan is also a controlling Shareholder, who holds 152,050,000 Shares, representing 36.03% of the issued share capital of the Company.

Reasons for the Acquisition, the Open Offer and issue of the Convertible Bonds

The Group is principally engaged in manufacture and sale of household appliances. Due to the increasing material and labor costs and the fluctuating economics overseas, where it is the target market of the Group, the turnover and profit margin of the Group has been unstable and cannot achieve a sizeable scale.

The Target Group is a property developer primarily focusing on developing and selling residential properties in Yancheng and Chongqing in the PRC through its two project companies, namely Jiangsu Fullshare Property and Chongqing Tongjing.

The Acquisition, the Open Offer and the issue of Convertible Bonds form part of the proposed resumption of trading in the Shares, which has been suspended since 14 May 2007. The debts of the Company will be resolved by the implementation of the Schemes (which have been approved by the Scheme Creditors and the relevant courts) but the Company needs to maintain a sufficient level of business operations or assets to be able to maintain its listing status. As disclosed in the Company's announcement on 17 September 2012, the Listing Appeals Committee decided to exercise its discretion to receive and consider the Resumption Submission, refer the matter back to the Listing Committee, and allow the Listing Division and the SFC to complete their usual vetting work for the proposed transactions under the Listing Rules and the Takeovers Code.

Upon completion of the Acquisition, the Group will have a sufficient level of operation while the proceeds from the Open Offer and the issue of the Convertible Bonds and implementation of the Schemes will substantially improve the capital base and the financial and liquidity position of the Group. Moreover, the Directors (including the independent non-executive Directors) believe that the Open Offer is in the best interests of both the Company and its Shareholders as a whole as it provides the Qualifying Shareholders the opportunity to participate in the new prospects of the Group in the property development in the PRC.

Change of principal business activities of the Group after Resumption

Magnolia Wealth does not intend to continue the existing business of the Group. After completion of the Acquisition and the Disposal (as detailed in the section below), the Group will be solely engaged in property development after Resumption. Other than the introduction of the business of the Target Group and the Disposal, Magnolia Wealth does not intend to introduce any major change to the Group's business (including any re-deployment of the Group's fixed assets) nor does it intend to discontinue the employment of any of the Group's employees after Resumption.

Use of proceeds from the Open Offer and the issue of the Convertible Bonds

The total gross proceeds from the Open Offer and the issue of Convertible Bonds amount to HK$584.4 million, which will be used (i) to pay for the consideration of HK$500,000,000 pursuant to the Acquisition Agreement; (ii) to settle the amounts of HK$37 million due to the Scheme Creditors who are not the Shareholders; (iii) to fully repay the Shareholder's loan of approximately HK$19.5 million as at the Latest Practicable Date to Mr. Kan, which has been used as general working capital of the Group; and (iv) the remaining balance of approximately HK$27.9 million as the general working capital of the Enlarged Group.

References are made to the announcement of the Company dated 8 October 2008, 8 January 2009, 22 January 2009, 20 February 2009, 21 March 2009 and 6 May 2009, in respect of the Schemes, where the schemes of arrangement have been approved by the Grand Court of the Cayman Islands on 16 March 2009 and the High Court of Hong Kong on 6 May 2009. None of the Scheme Creditors is also a Shareholder.

Fund raising activities involving issue of securities in the past 12 months

The Company has not conducted any equity fund raising activities in the past 12 months before the Latest Practicable Date.

Placing down for the public float

After the issue of the Offer Shares, Magnolia Wealth, the Underwriter, together with the connected persons of the Company may hold more than 75% of the issued share capital of the Company as enlarged by the issue of the Offer Shares.

In order to attain the Public Float (as the case may require), Magnolia Wealth has entered into the non-binding memorandums of understanding with two placing agents and the two placing agents have expressed their interest in entering into placing agreements with Magnolia Wealth on a "full-underwriting basis", if taking place, for an aggregate of a maximum of 257,550,000 Offer Shares, representing approximately 12.21% of the enlarged issued share capital of the Company as enlarged by the Open Offer. However, there is still a risk that the Company may not be able to attain the Public Float if Magnolia Wealth fails to enter into placing agreements with these placing agents in time and the Resumption will only take place when the Public Float requirement is met. The proposed placing, if taking place, will not be conditional upon any other transactions contemplated in this circular or the Resumption taking place.

These two placing agents are third parties independent of, and not connected with, the Company and its connected persons, and are not acting in concert with the Concert Group. Each of the placing agents has confirmed that it has not held any Shares as at the Latest Practicable Date. When failing to find other independent investors as placees, these two placing agents will take up the Offer Shares which will not result in any of them holding 10% or more of the issued share capital of the Company as enlarged by the Open Offer.

As the placing to meet the Public Float requirement may take place before the completion of the Subscription Agreement, the placing down of the Shares to attain the Public Float is subject to consent from the Executive pursuant to Paragraph 3(b) in Schedule VI of the Takeovers Code. Magnolia Wealth has made an application to the Executive.

Change in shareholding structure of the Company

The changes in the shareholding structure of the Company arising from the Open Offer and the issue of Convertible Bonds as at Resumption are set out in the following table for illustrative purposes only:

Scenario A: Assuming none of the existing Shareholders takes up their respective entitlements to the Offer Shares under the Open Offer and the Underwriter takes up the Offer Shares in full

	Shareholding structure as at the Latest Practicable Date		Upon completion of the Open Offer		Upon completion of the Open Offer and placing down by Magnolia Wealth only *(Note 1)*		Upon completion of the Open Offer, placing down and full conversion of Convertible Bonds by Magnolia Wealth only *(Note 2)*		Upon completion of the Open Offer, placing down and full conversion of Convertible Bonds by Mr. Kan and partial conversion of Magnolia Wealth *(Notes 2 and 3)*		Upon completion of the Open Offer, placing down and full conversion of Convertible Bonds by Magnolia Wealth and Mr. Kan *(Notes 2 and 3)*	
Shareholders	*No. of existing shares*	*%*	*No. of shares*	*%*	*No. of shares*	*%*	*No. of shares*	*%*	*No. of shares*	*%*	*No. of shares*	*%*
Magnolia Wealth	—	0.00%	1,688,000,000	80.00%	1,430,450,000	67.79%	9,830,450,000	93.53%	2,300,000,000	50.22%	9,830,450,000	81.18%
Mr. Kan	152,050,000	36.03%	152,050,000	7.21%	152,050,000	7.21%	152,050,000	1.45%	1,752,050,000	38.26%	1,752,050,000	14.47%
The Cathay Investment Fund Limited	43,987,500	10.42%	43,987,500	2.08%	43,987,500	2.08%	43,987,500	0.42%	43,987,500	0.96%	43,987,500	0.36%
Public Shareholders	225,962,500	53.55%	225,962,500	10.71%	225,962,500	10.71%	225,962,500	2.15%	225,962,500	4.93%	225,962,500	1.87%
Placees	—	0.00%	—	0.00%	257,550,000	12.21%	257,550,000	2.45%	257,550,000	5.62%	257,550,000	2.13%
sub-total	*269,950,000*	*63.97%*	*269,950,000*	*12.79%*	*527,500,000*	*25.00%*	*527,500,000*	*5.02%*	*527,500,000*	*11.52%*	*527,500,000*	*4.36%*
Total	422,000,000	100.00%	2,110,000,000	100.00%	2,110,000,000	100.00%	10,510,000,000	100.00%	4,579,550,000	100.00%	12,110,000,000	100.00%

Scenario B: Assuming all of the existing Shareholders (except for Mr. Kan) take up their respective entitlements to the Offer Shares under the Open Offer

Shareholders	Shareholding structure as at the Latest Practicable Date		Upon completion of the Open Offer		Upon completion of the Open Offer and partial conversion of Convertible Bonds by Magnolia Wealth only *(Note 2)*		Upon completion of the Open Offer and full conversion of Convertible Bonds by Magnolia Wealth only *(Note 2)*		Upon completion of the Open Offer and full conversion of Convertible Bonds by Mr. Kan and partial conversion of Magnolia Wealth *(Notes 2 and 3)*		Upon completion of the Open Offer and full conversion of Convertible Bonds by Magnolia Wealth and Mr. Kan *(Notes 2 and 3)*	
	No. of existing shares	*%*	*No. of shares*	*%*	*No. of shares*	*%*	*No. of shares*	*%*	*No. of shares*	*%*	*No. of shares*	*%*
Magnolia Wealth	—	0.00%	608,200,000	28.82%	1,510,000,000	50.14%	9,008,200,000	85.71%	3,110,000,000	50.07%	9,008,200,000	74.39%
Mr. Kan	152,050,000	36.03%	152,050,000	7.21%	152,050,000	5.05%	152,050,000	1.45%	1,752,050,000	28.21%	1,752,050,000	14.47%
The Cathay Investment Fund Limited	43,987,500	10.42%	219,937,500	10.42%	219,937,500	7.30%	219,937,500	2.09%	219,937,500	3.54%	219,937,500	1.82%
Public Shareholders	225,962,500	53.55%	1,129,812,500	53.55%	1,129,812,500	37.51%	1,129,812,500	10.75%	1,129,812,500	18.19%	1,129,812,500	9.33%
sub-total	*269,950,000*	*63.97%*	*1,349,750,000*	*63.97%*	*1,349,750,000*	*44.82%*	*1,349,750,000*	*12.84%*	*1,349,750,000*	*21.73%*	*1,349,750,000*	*11.15%*
Total	422,000,000	100.00%	2,110,000,000	100.00%	3,011,800,000	100.00%	10,510,000,000	100.00%	6,211,800,000	100.00%	12,110,000,000	100.00%

Note 1: Assuming none of the existing Shareholders takes up their respective entitlements to the Offer Shares under the Open Offer and Magnolia Wealth, as the Underwriter to the Open Offer, takes up the Offer Shares in full, would together with the connected persons (as defined in the Listing Rules) of the Company hold more than 75% of the issued share capital of the Company as enlarged by the issue of the Offer Shares. In order to attain the Public Float, Magnolia Wealth has entered into the non-binding memorandums of understanding with two placing agents and the two placing agents have expressed their interest in entering into placing agreements with Magnolia Wealth on a "full-underwriting basis" for an aggregate of a maximum of 257,550,000 Offer Shares, representing approximately 12.21% of the enlarged issued share capital of the Company as enlarged by the Open Offer.

Note 2: In all circumstances, regardless of the impact of the Open Offer and the conversion of the Convertible Bonds by Mr. Kan, Magnolia Wealth intends to maintain more than 50% of the enlarged issued share capital of the Company at Resumption by way of the conversion of the Convertible Bonds subscribed by it when necessary and will, subject to the relevant rules and regulations (including the Public Float requirements), continue such practice at its sole discretion following Resumption. Pursuant to the terms in the Subscription Agreement, no conversion of the Convertible Bonds shall be allowed if following such conversion, the Company will be unable to meet the Public Float.

Note 3: It demonstrates the maximum number of Shares can be owned by Mr. Kan upon full conversion of the Convertible Bonds subscribed by him. The shareholding percentage of Mr. Kan is for illustration purpose only and is not realistic as in the event that the general offer obligation on the part of Mr. Kan and parties acting in concert with him might be triggered as a result of the conversion of the Convertible Bonds, Mr. Kan and parties acting in concert with him will not convert such amount of the Convertible Bonds.

Proposed increase in authorised share capital

The Board proposes to increase the authorised share capital of the Company from HK$80,000,000 divided into 8,000,000,000 Shares to HK$200,000,000 divided into 20,000,000,000 Shares by the creation of an additional 12,000,000,000 Shares in order to implement the Open Offer and the issue of the Convertible Bonds.

The proposed increase in authorised share capital is subject to the passing of the relevant ordinary resolution by the Shareholders at the EGM.

Proposed changes of Directors

Immediately following the Renewed Business License having been obtained by the Target Company, the Company will appoint Mr. Shi Zhiqiang and Mr. Eddie Hurip as the executive Directors. Immediately following completion of the Acquisition, the Company will cause such changes to its Board (including appointment of two executive Directors and three independent non-executive Directors, and resignation of all the existing Directors (other than Mr. Shi Zhiqiang and Mr. Eddie Hurip)). For further details of proposed Directors and biographical and other information relating to any proposed Directors, please refer to the section headed "Directors and senior management of the Enlarged Group" in this circular.

Implication under the Listing Rules

The Acquisition constitutes a very substantial acquisition and a reverse takeover for the Company under Chapter 14 of the Listing Rules and therefore subject to the reporting, announcement and shareholders' approval requirements pursuant to the Listing Rules including those pursuant to Rule 14.06(6). Under Rule 14.54 of the Listing Rules, the Company will be treated as if it were a new listing applicant and the Acquisition is therefore subject to the approval by the Listing Committee of the new listing application to be made by the Company. The Enlarged Group or the Target Group must be able to meet the requirements of Rule 8.05 of the Listing Rules and the Enlarged Group must also be able to meet all the other basic conditions set out in Chapter 8 of the Listing Rules. As stated in the Company's announcement dated 17 September 2012, the Listing Appeals Committee requires (i) the Company must appoint a sponsor that fulfills the requirements under the Listing Rules; and (ii) the Company must submit to the Listing Committee documentation that meets the requirements under the Listing Rules. CMB International Capital Limited has been appointed as the sponsor to the Company in relation to the reverse takeover involving a new listing application. As at the Latest Practicable Date, the Company has made such new listing application to the Stock Exchange. The Listing Committee may or may not grant the approval of the new listing application to be made by the Company. If such approval is not granted, the Company may be delisted.

As the Open Offer will increase the issued share capital of the Company by more than 50%, pursuant to Rule 7.24(5) of the Listing Rules, the Open Offer and the transactions contemplated under the Underwriting Agreement will be subject to the approval by the Independent Shareholders at the EGM by way of poll. Mr. Kan is interested in 152,050,000 Shares, representing approximately 36.03% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting in favour of the resolution(s) to be proposed at the EGM to consider and, if thought fit, approve the Open Offer and the transactions contemplated under the Underwriting Agreement.

Mr. Kan is an executive Director and a substantial shareholder of the Company who is interested in 36.03% of the issued share capital of the Company. Mr. Kan is therefore a connected person of the Company and the subscription of the Convertible Bonds by Mr. Kan constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, which is subject to the reporting, announcement and Independent Shareholders' approval requirements.

In compliance with the Listing Rules, any shareholders and his/her associate with a material interest in the issue of Convertible Bonds shall abstain from voting on the relevant resolutions. Accordingly, Mr. Kan and his associates will abstain from voting on the relevant resolutions of the Acquisition and the issue of Convertible Bonds. Save for Mr. Kan, none of other Shareholders nor their associates has to abstain from voting on any resolutions to be proposed at the EGM.

Pursuant to Rule 13.36(1) of the Listing Rules, the issue of the Convertible Bonds and the Conversion Shares (together with the issue of the Offer Shares) is subject to the approval by the Shareholders under a specific mandate. As Mr. Kan is a connected person and is interested in the Subscription Agreement, he will abstain from voting on the relevant resolutions at the EGM.

The Company will apply to the Stock Exchange for the listing of and permission to deal in the Offer Shares and the Conversion Shares.

Implications under the Takeovers Code and application for Whitewash Waiver and Special Deal

As at the Latest Practicable Date, the Concert Group does not own or control any existing Shares, convertible securities, warrants, options or derivatives in respect of the existing Shares. In the event that no Shareholders take up any Offer Shares, upon completion of the Open Offer but before conversion of the Convertible Bonds and any placing down for the Public Float, the Concert Group will be interested in up to 80.00% of the enlarged issued share capital of the Company. Upon full conversion of any Convertible Bonds subscribed by Magnolia Wealth at the Conversion Price and after placing down to attain the Public Float, the Concert Group would be interested in approximately 93.53% of the total issued share capital of the Company as enlarged by the issue of the Offer Shares and the Conversion Shares as converted from the Convertible Bonds subscribed by Magnolia Wealth.

In the event that all existing Shareholders (except for Mr. Kan) take up their respective entitlements to the Offer Shares, upon completion of the Open Offer but before conversion of any Convertible Bonds, the Concert Group will be interested in approximately 28.82% of the enlarged issued share capital of the Company.

If following completion of the Open Offer and/or Mr. Kan converts all or part of his Convertible Bonds into the Conversion Shares resulting in the Concert Group's shareholding in the Company being less than 50% of the issued share capital of the Company as enlarged by the issue of the Offer Shares and the Conversion Shares, Magnolia Wealth will simultaneously convert the corresponding amount of Convertible Bonds into the Conversion Shares so that it will always be interested in more than 50% of the enlarged issued share capital of the Company at Resumption.

Under any of the above scenarios, Magnolia Wealth would be required to make a mandatory general offer for all the issued Shares (not already owned or agreed to be acquired by the Concert Group) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

Magnolia Wealth has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll, in which Mr. Kan and his associates and concert parties and those who are interested in and involved in the Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal will abstain from voting on the relevant resolutions. If the Whitewash Waiver is granted by the Executive, Magnolia Wealth will not be required to make a mandatory offer which will otherwise be required as a result of the underwriting of the Offer Shares and/or the conversion of the Convertible Bonds by Magnolia Wealth. The Whitewash Waiver, if granted, will be subject to the Independent Shareholders approving it by way of a poll at the EGM. As the Concert Group will own more than 50% of the voting rights of the Company at the relevant time of the Resumption, the Concert Group may increase their shareholding in the Company in the future without incurring an obligation under Rule 26 of the Takeovers Code to make a general offer. If the Whitewash Waiver is not granted, the Acquisition Agreement and the Subscription Agreement will lapse, the Underwriting Agreement will not become unconditional and the Acquisition, issue of the Convertible Bonds and the Open Offer will not proceed.

The repayment of Shareholder's loan to Mr. Kan constitutes a special deal under Rule 25 of the Takeovers Code and therefore requires (i) consent by the Executive; (ii) the Independent Financial Adviser to publicly state that in its opinion the repayment and the terms thereunder are fair and reasonable; and (iii) approval by the Independent Shareholders at the EGM. Mr. Kan and his associates and concert parties and those who are interested in and involved in the Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal will be required to abstain from voting at the EGM on the resolutions to approve the Special Deal.

Information required under the Takeovers Code

As at the Latest Practicable Date, the Concert Group does not own, control or have any direction over any existing Shares, convertible securities, warrants, options or derivatives in respect of the Shares. Other than the entering into of the Subscription Agreement and potential effect of the Underwriting Agreement, the Concert Group have not acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company within the six months prior to the date of the Subscription Agreement and up to the Latest Practicable Date.

As at the Latest Practicable Date, save as disclosed in the circular,

(a) none of the members of the Concert Group has received any irrevocable commitment in relation to voting of the resolutions in respect of the Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the

Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal or any transactions contemplated thereunder at the EGM;

(b) there is no outstanding derivative in respect of the securities of the Company which has been entered into by any members of the Concert Group;

(c) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of any of the members of the Concert Group or the Company and which might be material to the Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal or any transactions contemplated thereunder;

(d) there is no agreement or arrangement to which any members of the Concert Group is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal or any transactions contemplated thereunder, including any break fees being payable; and

(e) none of members of the Concert Group has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

As at the Latest Practicable Date, the issued share capital of the Company comprises 422,000,000 Shares and, the Company does not have any options, warrants or convertible securities in issue.

Financial Adviser, Sponsor, Independent Board Committee and Independent Financial Adviser

Asian Capital has been appointed as the financial adviser to the Company. CMB International Capital Limited has been appointed as the sponsor to the Company in relation to the reverse takeover involving a new listing application. The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lee Kong Leong, Mr. Li Siu Yui and Mr. Ip Woon Lai, has been formed to advise the Independent Shareholders in relation to the Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal. The Company has, with the approval of the Independent Board Committee, appointed Somerley Limited as the Independent Financial Adviser in accordance with the requirements under the Listing Rules and the Takeovers Code to advise the Independent Board Committee and the Independent Shareholders on such matters.

II. THE DISPOSAL

Introduction

Following completion of the transactions, the Company has no intention to continue the existing manufacturing and trading business of electrical appliances and therefore, has entered into the Disposal Agreement to dispose of the Disposed Group.

The Disposal Agreement

Set out below are the principal terms of the Disposal Agreement:

Date

5 April 2013

Parties

(i) the Company, being the vendor; and

(ii) Homely Manufacturing Limited (鵬利製造有限公司), being the Purchaser

Assets to be disposed of

Pursuant to the Disposal Agreement, the Purchaser has conditionally agreed to acquire and the Company has conditionally agreed to sell the Sale Share. Upon completion of the Disposal, the Company will no longer be interested in the equity capital of the Disposed Company. The Disposed Company and its wholly-owned subsidiary, Dongguan Up Stand will cease to be subsidiaries of the Company and their financial results will no longer be consolidated into the Group's financial statements.

The consideration

The consideration for the Disposal is HK$10,000,000 and was arrived at after arm's length negotiations between the parties and was determined by reference to consolidated net asset value of the Disposed Company in its consolidated management account as at 31 December 2012.

In the event that the consolidated net asset value of the Disposed Company increases/decreases during the period from 31 December 2012 to the date of completion of the Disposal, the Purchaser/Company will pay the NAV Adjustment Value to the Company/Purchaser in cash. The NAV Adjustment Value shall have a limit of HK$1,000,000.

The consideration shall be satisfied in cash upon completion of the Disposal.

Conditions precedent

Completion of the Disposal shall be subject to and conditional upon the fulfillments of the following conditions:

(1) all approval, agreement and consents in relation to all the requirements under the applicable laws and the rules including the Listing Rules, and from the regulators, the government authorities and the stock exchange including the Stock Exchange, and all necessary internal authorisation from the Purchaser and the Company (including the board approval of both parties and the Shareholders' approval at the general meeting of the Company) in respect of the Disposal Agreement and the transactions contemplated thereunder having been obtained, if applicable; and

(2) the completion of the Acquisition.

In the event that the above conditions are not fulfilled by 31 December 2013 (as extended by the written agreements between the parties on 28 June 2013 and 25 October 2013, respectively), the Disposal Agreement shall lapse and the Company does not need to proceed with the Disposal.

Completion

Completion of the Disposal shall take place on the day on which the conditions precedent as set out above are fulfilled.

Upon completion of the Disposal, the Company and the Purchaser shall have no right to claim or procure the Disposed Company to claim each other (including the subsidiaries of the Company) in relation to the loans, liabilities or guarantees relating to the Disposed Company as at the date of completion of the Disposal.

Information on the Purchaser

The Purchaser is a company incorporated in Hong Kong, which is wholly and beneficially owned by Mr. Yeung and principally engaged in trading and manufacturing. Mr. Yeung is also the sole director of the Purchaser.

Mr. Yeung was the founder of the Company and had been the controlling Shareholder and appointed as the chairman of the Company and the Director since 18 April 2002. He resigned as the chairman and executive Director on 20 March 2007 and ceased to be the controlling Shareholder on 30 April 2008.

Reference is made to the announcement of the Company on 15 May 2008 that Mr. Yeung and his wholly-owned company, namely Imperial Profit Enterprises Limited, disposed of their entire interest in the Company, being an aggregate of 152,050,000 Shares, representing approximately 36.03% of the issued share capital of the Company to Mr. Kan at an aggregate consideration of HK$3,500,000 on 30 April 2008. Since then, Mr. Kan has become the new controlling Shareholder, and Mr. Yeung, any of his wholly-owned companies and their respective concert parties (as defined in the Takeovers Code) do not own any interests in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

However, Mr. Yeung has remained as directors of Wardely Group Limited, a directly wholly owned subsidiary of the Company, and its four wholly owned subsidiaries. Reference is also made to the announcement of the Company on 18 January 2013 that the Company entered into a sale and purchase agreement with Mr. Kan on 18 January 2013 to dispose of its entire interest in Warderly Group Limited (together with all its 12 subsidiaries including the above-mentioned 4 subsidiaries) at a nominal consideration of HK$1. The disposal has been completed on 18 January 2013.

Therefore, the Purchaser and Mr. Yeung are connected persons of the Company and the Disposal constitutes a connected transaction pursuant to Chapter 14A of the Listing Rules.

In addition, to the best of the Director's knowledge, information and belief and having made all reasonable enquires, the Purchaser, Mr. Yeung and their respective associates are third parties independent of and not connected with the Concert Group and their associates.

Information on the Disposed Company and the Disposed Group

The Disposed Company was incorporated on 24 April 2008 and Dongguan Up Stand was established on 9 July 2010. The Disposed Group is engaged in manufacturing and sales of household appliances.

Set out below is the consolidated audited financial results of the Disposed Company for each of the three financial years ended 30 April 2011, 2012 and 2013.

	For the year ended 30 April 2011	**For the year ended 30 April 2012**	**For the year ended 30 April 2013**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	166,020	54,546	22,545
Profit/(Loss) before tax and minority interest	10,806	(9,695)	1,688
Profit/(Loss) after tax and minority interest	8,565	(9,783)	1,620

As at 30 April 2013, the consolidated audited net assets of the Disposed Company was approximately HK$9.36 million.

Financial effect of the Disposal and the use of proceed from the Disposal

Upon completion of the Disposal, the Disposed Company will cease to be a subsidiary of the Company and its financial results will not be consolidated into the Group's financial statements.

The Disposal is expected to record no material gain or loss to the Company and no material effect on the earnings, assets and liabilities of the Group upon completion of the Disposal, as the consideration of the Disposal is based on the consolidated net asset value of the Disposed Company as at 31 December 2012 and will be adjusted in accordance with the NAV Adjustment Value upon completion of the Disposal. The net proceeds will be used as general working capital of the Group.

Reasons for the Disposal

The Group is principally engaged in manufacture and sale of household appliances.

The Disposal represents an opportunity for the Company to dispose of its business in household appliance and allow the Group to redeploy its resources to other investment opportunities that may bring better and attractive returns.

Following the completion of the Disposal, the Group will retain the entire issued share capital of Mighty Fame, which is interested in the entire equity interest of the Target Company as a result of the Acquisition. As such, the Group's principal business will then be engaged in the property development.

The Board (including the independent non-executive Directors) considers that the terms of the Disposal Agreement are on normal commercial terms which are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole.

Implication under the Listing Rules

As the applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposal is larger than 75%, the entering into of the Disposal Agreement constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Purchaser and Mr. Yeung are connected persons of the Company and the Disposal constitutes a connected transaction pursuant to Chapter 14A of the Listing Rules. However, on the basis that (i) the Disposal is on normal commercial term; (ii) the Purchaser and Mr. Yeung are connected persons of the Company solely by virtue of Mr. Yeung being a director of 5 subsidiaries of the Company, which were disposed of by the Company on 18 January 2013; and (iii) the aggregated value of those 5 subsidiaries satisfies the test under Rule 14A.31(9)(b)(ii), such connected transaction is exempt from all the reporting, announcement and independent shareholders' approval requirement under Chapter 14A pursuant to Rule 14A.31(9) of the Listing Rules.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no Shareholder is required to abstain from voting at the EGM for the approval of the Disposal Agreement and the Disposal.

RESPONSIBILITY STATEMENT

The circular includes particulars given in compliance with the Takeovers Code and the Listing Rules for the purpose of giving information with regard to the Enlarged Group and the Remaining Group.

The Directors jointly and severally accept full responsibility for the accuracy of the information other than that relating to Nanjing Fullshare Holding, the Target Group, Magnolia Wealth and Mr. Ji contained in the circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed (other than those expressed by Magnolia Wealth and Mr. Ji) in the circular have been arrived at after due and careful consideration and there are no other facts not contained in the circular, the omission of which would make any statement in the circular misleading.

As at the Latest Practicable Date, Mr. Ji is the sole director of Magnolia Wealth, who accepts full responsibility for the accuracy of the information relating to Nanjing Fullshare Holding, the Target Group, Magnolia Wealth and himself contained in the circular and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed (other than those expressed by the Company and the Directors) in the circular have been arrived at after due and careful consideration and there are no other facts not contained in the circular, the omission of which would make any statement in the circular misleading.

EGM

A notice of the EGM to be held at Unit B, 8/F., St. John's Building, 33 Garden Road, Central, Hong Kong on Wednesday, 13 November 2013 at 12:15 p.m. is set out on pages EGM-1 to EGM-5 of the circular for the purpose of considering and, if thought fit, approving the Acquisition, the Acquisition Agreement, the subscription of the Convertible Bonds, the Subscription Agreement, the Open Offer, the Underwriting Agreement, the Confirmation Letter, the Whitewash Waiver, the Special Deal, the Disposal, the Disposal Agreement and the increase in authorised share capital. Voting on the resolutions at the EGM will be taken by poll.

A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending, and voting in person at the EGM or any adjournment thereof if you so desire.

GENERAL

It should be noted that the transactions contemplated are subject to a number of conditions, which may or may not be fulfilled. In addition, the approval of the new listing application made by the Company and the Whitewash Waiver may or may not be granted. Shareholders and potential investors should exercise caution when they deal or contemplate dealing in the Shares or other securities of the Company.

RECOMMENDATIONS

The Independent Board Committee of the Company comprising all independent non-executive Directors, namely Mr. Li Siu Yui, Mr. Ip Woon Lai and Mr. Lee Kong Leong, has been constituted to consider the Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal, and to make a recommendation to the Independent Shareholders. Somerley Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in this regard.

The Independent Board Committee, having considered the terms of the Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal and after taking into account the advice from the Independent Financial Adviser, considers that the terms of the Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal are fair and reasonable, and that the Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal are in the interests of the Company and the Shareholders as a whole. The Independent Board Committee accordingly recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal.

The executive Directors consider that the terms of the Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal are fair and reasonable, and that the Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal are in the interests of the Company and the Shareholders as a whole. The executive Directors accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal.

The text of the letter from the Independent Board Committee is set out on pages 79 to 80 of the circular. The text of the letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders and the principal factors and reasons which it has taken into account in arriving at its advice, is set out on pages 81 to 117 of the circular.

The Directors consider that the terms of the Disposal Agreement and the Disposal are fair and reasonable, and that the Disposal Agreement and the Disposal are in the interests of the Company and the Shareholders as a whole. The Directors accordingly recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Disposal Agreement and the Disposal.

FURTHER INFORMATION

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

Yours faithfully,
For and on behalf of the Board of
Warderly International Holdings Limited
Mr. Kan Che Kin, Billy Albert
Chairman

WARDERLY INTERNATIONAL HOLDINGS LIMITED
匯多利國際控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 00607)

Executive Directors:
Mr. Kan Che Kin, Billy Albert
(Chairman and Chief Executive Officer)
Ms. Li Shu Han, Eleanor Stella
Mr. Li Kai Yien, Arthur Albert
Ms. Seto Ying

Independent non-executive Directors:
Mr. Li Siu Yui
Mr. Ip Woon Lai
Mr. Lee Kong Leong

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

Principal place of business in Hong Kong:
Unit B, 8/F.
St. John's Building
33 Garden Road, Central
Hong Kong

28 October 2013

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF NANJING FULLSHARE ASSET MANAGEMENT LIMITED* (南京豐盛資產管理有限公司); (2) PROPOSED OPEN OFFER OF ORDINARY SHARES ON THE BASIS OF 4 OFFER SHARES FOR EVERY 1 SHARE HELD ON RECORD DATE; (3) SPECIFIC MANDATES IN RELATION TO THE ISSUE OF OFFER SHARES, CONVERTIBLE BONDS AND CONVERSION SHARES; (4) APPLICATION FOR WHITEWASH WAIVER; AND (5) SPECIAL DEAL

We refer to the circular issued by the Company to Shareholders dated 28 October 2013 (the "**Circular**") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

* *For identification purposes only*

The Independent Board Committee of the Company comprising all independent non-executive Directors, namely Mr. Li Siu Yui, Mr. Ip Woon Lai and Mr. Lee Kong Leong, has been constituted to, among other things, give a recommendation to the Independent Shareholders in respect of the Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal. Somerley Limited has been appointed as the Independent Financial Adviser to advise us in connection with the terms of the Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out in its letter on pages 81 to 117 of the Circular, and the additional information set out in other sections of and appendices to the Circular.

Having considered the terms of the Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal as well as the advice and recommendations of the Independent Financial Adviser as set out in its letter of advice, we consider that the terms of the Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal are fair and reasonable as far as the Independent Shareholders are concerned. The Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend that the Independent Shareholders vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal.

Yours faithfully,
Independent Board Committee
Warderly International Holdings Limited
Mr. Li Siu Yui
Mr. Ip Woon Lai
Mr. Lee Kong Leong
Independent non-executive Directors

The following is the letter of advice from Somerley Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

SOMERLEY LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

28 October 2013

To: the Independent Board Committee and the Independent Shareholders of Warderly International Holdings Limited

Dear Sirs,

(1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF NANJING FULLSHARE ASSET MANAGEMENT LIMITED* (南京豐盛資產管理有限公司); (2) PROPOSED OPEN OFFER OF ORDINARY SHARES ON THE BASIS OF 4 OFFER SHARES FOR EVERY 1 SHARE HELD ON RECORD DATE; (3) SPECIFIC MANDATES IN RELATION TO THE ISSUE OF OFFER SHARES, CONVERTIBLE BONDS AND CONVERSION SHARES; (4) APPLICATION FOR WHITEWASH WAIVER; AND (5) SPECIAL DEAL

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Wavier and the Special Deal (collectively, the "**Transactions**"), details of which are set out in the letter from the Board contained in this circular (the "**Circular**") of the Company to the Shareholders dated 28 October 2013, of which this letter forms a part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

Trading in the Shares on the Stock Exchange has been suspended since 14 May 2007 at the request of the SFC. As disclosed in the letter from the Board, the Company has taken various steps to comply with the requirements laid down by the Listing Appeals Committee to seek resumption of trading in the Shares as soon as possible.

* *For identification purposes only*

On 21 August 2012, Mighty Fame, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with Nanjing Fullshare Holding, pursuant to which Mighty Fame has conditionally agreed to acquire the entire equity interest in the Target Company at a consideration of HK$500,000,000. The Acquisition constitutes a very substantial acquisition and a reverse takeover for the Company under Chapter 14 of the Listing Rules. Under Rule 14.54 of the Listing Rules, the Company will be treated as if it were a new listing applicant and the Acquisition is therefore subject to the approval by the Listing Committee of the new listing application to be made by the Company.

On 21 August 2012, Magnolia Wealth and Mr. Kan entered into the Subscription Agreement with the Company, pursuant to which Magnolia Wealth and Mr. Kan (or one of their respective wholly-owned companies incorporated under the Hong Kong law) will subscribe for, and the Company will issue to Magnolia Wealth and Mr. Kan (or one of their respective wholly-owned companies incorporated under the Hong Kong law), the Convertible Bonds in the principal amount of HK$420,000,000 and HK$80,000,000, respectively. The Convertible Bonds are non-redeemable prior to the maturity date. The Convertible Bonds have a tenure of 5 years bearing an annual interest rate of 2% with the Conversion Price being HK$0.05 per Conversion Share.

The Company also proposed to carry out the Open Offer to raise HK$84.40 million on the basis of 4 Offer Shares for every 1 existing Share held on the Record Date at the Offer Price of HK$0.05 per Offer Share with Magnolia Wealth being the Underwriter. The Company and Magnolia Wealth entered into the Underwriting Agreement on 25 October 2013. The Offer Shares and Conversion Shares upon conversion of the Convertible Bonds will be issued pursuant to specific mandates to be obtained upon approval by the Shareholders at the EGM.

In addition, on 21 August 2012, the Company, Mighty Fame, Nanjing Fullshare Holding, Magnolia Wealth and Mr. Kan entered into the Confirmation Letter to formalise the series of arrangements in relation to the Acquisition, including the Subscription Agreement, the Open Offer and the Underwriting Agreement.

Mr. Kan is an executive Director and a substantial shareholder of the Company who is interested in 36.03% of the issued share capital of the Company. Mr. Kan is therefore a connected person of the Company and the subscription of the Convertible Bonds by Mr. Kan constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As disclosed in the letter from the Board, part of the gross proceeds from the Open Offer and issue of the Convertible Bonds will be used to fully repay the Shareholder's loan of approximately HK$19.5 million as at the Latest Practicable Date to Mr. Kan. Pursuant to Rule 25 of the Takeovers Code, The repayment of Shareholder's loan to Mr. Kan constitutes a special deal and therefore requires (i) consent by the Executive; (ii) the Independent Financial Adviser to publicly state that in its opinion the repayment is fair and reasonable; and (iii) approval by the Independent Shareholders at the EGM.

Magnolia Wealth has made an application to the Executive for the grant of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. If the Whitewash Waiver is granted by the Executive, the Concert Group would not be required to make a mandatory offer which would otherwise be required as a result of the underwriting of the Offer Shares and/or the conversion of the Convertible Bonds. If the Whitewash Waiver is not granted, the Acquisition Agreement and the Subscription Agreement will lapse, the Underwriting Agreement will not become unconditional and the Acquisition, the issue of the Convertible Bonds and the Open Offer will not proceed.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lee Kong Leong, Mr. Li Siu Yui and Mr. Ip Woon Lai, has been formed to advise the Independent Shareholders on whether terms of the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal, are fair and reasonable so far as the Independent Shareholders are concerned, and whether the entering into of the Acquisition Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Open Offer, the Underwriting Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal are in the interests of the Company and the Shareholders as a whole. We, Somerley Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on these matters. Our appointment has been approved by the Independent Board Committee.

We are not associated with the Company, Nanjing Fullshare Holding, Magnolia Wealth or their respective substantial shareholders or associates and, accordingly, are considered eligible to give independent advice on the Transactions. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or Nanjing Fullshare Holding, Magnolia Wealth or their respective substantial shareholders or associates.

BASIS OF OUR OPINION

In formulating our opinion, we have reviewed, among other things, the Acquisition Agreement, the Subscription Agreement, the Underwriting Agreement, the Confirmation Letter, annual reports of Company for each of the financial years ended 30 April 2011, 30 April 2012 and 30 April 2013, the financial information of the Target Group set out in Appendix I of the Circular, the unaudited pro forma financial information of the Enlarged Group and the Remaining Group set out in Appendix IV of the Circular, the independent property valuation report on the Enlarged Group set out in Appendix V to the Circular, the legal opinion on the properties held by the Target Group issued by the Group's PRC legal advisers King & Wood Mallesons, and the Circular.

In addition, we have relied on the information and facts supplied, and the opinions expressed, by the Company and have assumed that the information and facts provided, and the opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and will remain true, accurate and complete up to the Latest Practicable Date. Independent Shareholders will be notified of material changes to such information provided and our opinion, if any, as soon as possible after the Latest Practicable Date and until the EGM. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied and that the opinions expressed to us are not misleading in any material respect. We consider the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, nor to doubt the truth or accuracy of the information provided to us. We have not, however, conducted any independent investigation into the business and affairs of the Group in its existing state or the new business in property development after completion of the Acquisition, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion with regard to the Transactions, we have taken into account the following principal factors and reasons:

1. Information on the Group

1.1. Background of prolonged suspension of trading in the Shares

The Company was listed on the Stock Exchange in 2002. The Group is principally engaged in manufacture and sale of household appliances. At the request of the SFC, trading in the Shares on the Stock Exchange has been suspended since 14 May 2007 pursuant to sub-Rule 8(1) of the Securities and Futures (Stock Market Listing) Rules. Subsequent to the Suspension, the SFC commenced an investigation on the Group's financial records and affairs by requesting the Company to provide certain records and address the queries it raised. The Company replied all comments from the SFC and was not subject to any disciplinary actions as a result.

As disclosed in the announcement of the Company dated 15 May 2008 ("**May 2008 Announcement**"), the Company was notified by Mr. Kan that he, as the purchaser, had entered in two sale and purchase agreements dated 30 April 2008 (the "**Sale and Purchase Agreements**") with Mr. Yeung Kui Wong and Imperial Profit Enterprise Limited, a company wholly-owned by Mr. Yeung Kui Wong, in relation to the sale and purchase of in aggregate 152,050,000 Shares (representing approximately 36.03% of the issued share capital of the Company as at the date of the May 2008 Announcement) for a consideration of HK$3,500,000. Following completion of the Sale and Purchase Agreements, Mr. Kan was required under Rule 26.1 and Rule 13 of the Takeovers Code to make the conditional mandatory cash offers to acquire all the Shares and to cancel all outstanding share options of the Company (the "**Offers**"). The Offers had been open for acceptance from 5 June 2008 and lapsed on 3 July 2008.

As disclosed in the composite offer and response document dated 5 June 2008 jointly issued by the Company and Mr. Kan, the financial position of the Group has deteriorated since the year ended 30 April 2006, in particular, (i) the Group had encountered difficulties in repaying bank borrowings and settling account payables and had been involved in a number of litigations due to the lack of working capital; (ii) the properties of the Group in the PRC were sealed up by the People's Court in Dongguan City of the Guangdong Province (廣東省東莞市人民法院); and (iii) the Group had consequently become in a net liability position.

The Company received a letter from the Stock Exchange dated 24 April 2008 (the "**Letter**") stating that in view of the prolonged suspension of trading in the Shares and the Company's failure to demonstrate its compliance with Rule 13.24 of the Listing Rules, the Stock Exchange has placed the Company in the second stage of the delisting procedures pursuant to Practice Note 17 to the Listing Rules and the Company was required to submit viable resumption proposals to the Stock Exchange at least 10 business days before the expiry of the six-month period from the date of the Letter. The Stock Exchange further stated that it would, after considering any proposal to be made by the Company, determine whether to proceed to the third stage of the delisting procedures at the end of such six-month period.

Following the Company having been placed in the second stage of the delisting procedures pursuant to Practice Note 17 to the Listing Rules, on 30 September 2008, the Company submitted a resumption proposal which set out, among other things, the Company's plan in restoring its financial strength and reviving its operations, to the Stock Exchange and the SFC. In the meantime, the Company announced on 8 October 2008 a proposal to raise HK$84.4 million (before expenses) by way of the open offer by issuing convertible notes with an aggregate principal amount of HK$84.4 million at the subscription price on the basis of one convertible note with principal amount of HK$0.20 for every existing Share held on the record date for such open offer in order to fulfill the funding needs for the implementation of the Schemes and to provide general working capital for the Group's operations. Details of such open offer are set out in the Company's announcement dated 8 October 2008.

As part of such resumption proposal, the Company proposed to settle all amounts due to the creditors of the Company by the Schemes. As further disclosed in the Company's announcements dated 8 January 2009, 22 January 2009, 20 February 2009, 21 March 2009 and 6 May 2009, the Schemes were approved by the Grand Court of the Cayman Islands on 16 March 2009 and the High Court of Hong Kong on 6 May 2009, and therefore the debts of the Company will be resolved by the implementation of the Schemes.

Notwithstanding the resumption proposal submitted on 30 September 2008 and the Company's efforts to comply with the requirements laid down by the Stock Exchange to seek resumption of trading, the Stock Exchange determined that such resumption proposal was not a viable resumption proposal and, as stated in the announcement issued by the Stock Exchange on 26 November 2009 (the "**SE Announcement**"), the Company was placed into the third delisting procedures stipulated in Practice Note 17 to the Listing Rules.

Despite the decision of the Stock Exchange under the SE Announcement, the Company submitted a revised resumption proposal to the Stock Exchange on 7 May 2010 which, however, was considered by the Listing Committee not having satisfactorily demonstrated sufficiency of operation or assets as required by the Listing Rules. The Listing Committee decided that the listing of the Shares on the Stock Exchange be cancelled in accordance with Practice Note 17 of the Listing Rules (the "**Listing Decision**").

On 17 May 2011, the Company submitted an application to the Listing (Review) Committee to seek a review of the Listing Decision. The Company further submitted a submission to the Stock Exchange on 31 August 2011 and attended the review hearing with the Listing (Review) Committee to review the Listing Decision on 20 September 2011. However, the Listing (Review) Committee decided to uphold the Listing Decision that the revised Resumption Proposal had not satisfactorily demonstrated sufficiency of operation or assets as required under Rule 13.24 and that the listing of the Shares on the Stock Exchange be cancelled in accordance with Practice Note 17 of the Listing Rules.

On 11 October 2011, the Company submitted an application to the Listing Appeals Committee to seek a second review of the Listing Decision. The Company submitted a resumption submission (the "**Resumption Submission**") which includes the transactions contemplated under the Open Offer, the Acquisition, the Subscription Agreement, the Whitewash Waiver and the Special Deal, to the Stock Exchange on 22 August 2012 and attended the appeal hearing held by the Listing Appeals Committee on 7 September 2012. After the appeal hearing, the Company received a letter dated 10 September 2012 from the Stock Exchange, which states that, having considered all accepted submissions presented by the review parties, the Listing Appeals Committee decided to exercise its discretion to receive and consider the new resumption proposal set out in the Resumption Submission, and refer the matter back to the Listing Committee, and to allow the Listing Division of the Stock Exchange and the SFC to complete its usual vetting work for the proposed transactions under the Listing Rules and the Takeovers Code. The Listing Appeals Committee considered that the proposed transactions contained in the Resumption Submission constitute a reverse takeover and hence subject to the Listing Rules applicable to such transactions. In addition, the Listing Appeals Committee wishes to emphasise the following:

(1) the Company must appoint a sponsor that fulfills the requirements under the Listing Rules; and

(2) the Company must submit to the Listing Committee documentation that meets the requirements under the Listing Rules.

The Company has taken various steps to comply with the requirements laid down by the Listing Appeals Committee to seek resumption of trading in the Shares as soon as possible. CMB International Capital Limited has been appointed as the sponsor to the Company in relation to the reverse takeover involving a new listing application to fulfill the requirements under the Listing Rules.

As disclosed in the letter from the Board, as the Resumption is subject to, amongst others, the permission from the board of SFC, the Company has made an application to the SFC to seek its permission for dealings in the Shares to recommence under section 9(3)(c) of the Securities and Futures (Stock Market Listing) Rules.

As stated in the letter from the Board, pursuant to the letter from the SFC to the Company on 21 October 2013, for the purpose of section 9 of the Securities and Futures (Stock Market Listing) Rules, based on the information as stated in the Resumption Submission and the Circular, the SFC has informed the Company that dealing in the Shares may recommence after the completion of the transactions contemplated in the Resumption Submission as referred in the Circular. The Resumption Submission includes, among other elements, the Acquisition, the Open Offer, the issue of the Convertible Bonds, the Whitewash Waiver and the Special Deal. The matters stated above are not necessarily exhaustive and the SFC may raise further matters or impose conditions in connection with the recommencement of dealings in the Shares or make further comments on any draft document in relation thereto submitted to the SFC and the Stock Exchange up to the date of the recommencement, as the SFC may consider appropriate. The SFC's letter on 21 October 2013 should not be construed as a statutory notice under section 9 of the Securities and Futures (Stock Market Listing) Rules.

As such, the Company has not yet received the permission for dealings in the Shares to recommence under section 9(3)(c) of the Securities and Futures (Stock Market Listing) Rules.

The proposed transactions contemplated in the Resumption Submission include, amongst other things, the Open Offer, the Acquisition, the issue of the Convertible Bonds, the Whitewash Waiver and the Special Deal. Pursuant to the terms of the Confirmation Letter, the completion of the Acquisition is conditional upon the completion of the Open Offer and the Subscription Agreement. The subscription of the Convertible Bonds and the Open Offer is inter-conditional and both are subject to, amongst others, the Resumption.

1.2. Historical financial performance of the Group

Set out below are the highlights of the financial results of the Group for the three years ended 30 April 2013 (the "**Review Period**"), details of which are set out in Appendix II to the Circular:

	For the year ended 30 April		
	2013	**2012**	**2011**
	(audited)	*(audited)*	*(audited)*
	HK$'000	*HK$'000*	*HK$'000*
Turnover:			
— Trading of household electrical appliances	—	11,472	71,045
— Trading of audio-visual products	—	—	92,234
— Manufacturing and sale of household electrical appliances	—	52,104	8,079
	—	63,576	171,358
(Loss) for the year from continuing operation	(14,200)	(14,423)	(8,046)
Profit for the year from discontinued operations	57,418	—	—
Profit/(Loss) for the year attributable to equity shareholders of the Company	43,218	(14,423)	(8,046)

The operations of the Group dropped substantially for the year ended 30 April 2012 ("**FY2012**") as compared to that for the year ended 30 April 2011 ("**FY2011**"). The consolidated turnover of Group declined from approximately HK$171.4 million for FY2011 to approximately HK$63.6 million for FY2012, representing a decrease of approximately 62.9% due to the scale-down of the operation of the Group's trading business. As a result of the shrinking trading operations, the Group suffered from a loss attributable to equity shareholders of the Company of approximately HK$14.4 million for FY2012 as compared to a profit for FY 2011.

The Group ceased the operations of its trading business in around April 2012. On 18 January 2013, the Company completed the disposal of the entire interests in three subsidiaries (the "**Disposal Subsidiaries**") which are principally engaged in investment holdings and manufacturing and trading of household electrical appliances respectively. And further on 5 April 2013, the Company entered into the Disposal Agreement to dispose of the Disposed Group, whose principal activities are manufacturing and trading of household electrical appliances and audio-visual products. The Disposal is subject to, among other things, the completion of the

Acquisition. As stated above, the Company recorded profit from discontinued operations of approximately HK$57.4 million, which mainly comprised operating loss of the Disposal Subsidiaries and the Disposed Group of approximately HK$4.4 million and gain on disposal of the Disposal Subsidiaries of approximately HK$61.9 million, for the year ended 30 April 2013 ("**FY2013**"). Because of the profit from discontinued operations, the consolidated financial results of the Company turned around from a loss for FY2012 to a profit attributable to equity shareholders of approximately HK$43.2 million for FY2013. We note that, however, the Group recorded a net loss from continuing operation of approximately HK$14.2 million for FY2013 and following the disposal of the Disposed Group, all the existing businesses of the Group will be discontinued.

1.3. Financial position of the Group

Set out below is the summary of the consolidated assets and liabilities of the Group as at 30 April 2011, 30 April 2012, 30 April 2013 respectively, details of which are set out in Appendix II to the Circular:

	As at 30 April		
	2013	**2012**	**2011**
	(audited)	*(audited)*	*(audited)*
	HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT ASSET			
Plant and equipment	—	6,042	4,019
CURRENT ASSETS			
Inventories	—	3,670	9,322
Trade receivables, deposits and other receivables	290	6,748	39,265
Bank balances and cash	62	1,657	17,749
Asset classified as held for sale	13,500	—	—
	13,852	12,075	66,336

	As at 30 April		
	2013	**2012**	**2011**
	(audited)	*(audited)*	*(audited)*
	HK$'000	*HK$'000*	*HK$'000*
CURRENT LIABILITIES			
Trade and other payables	38,001	38,259	75,792
Guarantor's liability and accrued liability for potential claims	347,989	340,346	340,346
Bank borrowings	—	22,948	22,948
Unsecured bank overdrafts	26	3,710	2,104
Taxation payable	—	32,529	34,667
Liabilities directly associated with assets held for sale	4,135	—	—
	390,151	437,792	475,857
NET CURRENT LIABILITIES	(376,299)	(425,717)	(409,521)
NET LIABILITIES	(376,299)	(419,675)	(405,502)
CAPITAL AND RESERVES			
Share capital	4,220	4,220	4,220
Reserves	(380,519)	(423,895)	(409,722)
CAPITAL DEFICIENCIES	(376,299)	(419,675)	(405,502)

The Group recorded net liability as at 30 April 2011, 30 April 2012 and 30 April 2013. The Group's net liability amounted to approximately HK$376.3 million as at 30 April 2013. As at the 31 August 2013, the Group had guarantor's liability of approximately HK$348.0 million.

1.4. Reasons for entering into the Transactions

As stated in the letter from the Board, the Acquisition, the Open Offer and the issue of Convertible Bonds form part of the proposed resumption of trading in the Shares, which has been suspended since 14 May 2007. Upon completion of the Acquisition, the Group will have a sufficient level of operation while the proceeds from the Open Offer and the issue of the Convertible Bonds and the implementation of the Schemes will substantially improve the capital base and the financial liquidity position of the Group. Also as stated in the letter from the Board, the Directors believe that the Open Offer is in the best interests of both the Company and its Shareholders as a whole as it provides the Qualifying Shareholders the opportunity to participate in the new prospects of the Group in the property market in the PRC.

As discussed under the sub-section headed "1.2 Historical financial performance of the Group" above, the trading business of the Group ceased in 2012 and the operations of the manufacturing and trading of household electrical appliances and audio-visual products has either been disposed or proposed to be disposed in early 2013. In addition, the Group recorded net liability of approximately HK$376.3 million as at 30 April 2013. Given the Group's existing loss-making position and in the absence of a principal business activity, it will be difficult for the Group to turnaround its financial performance and to retain its listing status without external financing and injection of new businesses. The Acquisition, the Open Offer and the issue of Convertible Bonds are therefore a viable option for the Company to rebuild its business operation and to replenish its capital quickly in order to fulfill the sufficiency of operation and assets requirements under Rule 13.24 of the Listing Rules.

2. The Acquisition

2.1. Information on the Target Group

The Target Company is an investment holding company which owns the entire equity interest in Jiangsu Fullshare Property. Jiangsu Fullshare Property owns 90% of the equity interest, and Chongqing Huangfan owns the remaining 10% equity interest, in Chongqing Tongjing. Both Jiangsu Fullshare Property and Chongqing Tongjing are primarily engaged in residential property development and sale in the PRC. Save as these equity interests, the Target Company has no other substantial assets or liabilities.

The Target Group is a property developer primarily focusing on developing and selling residential properties in the Target Cities (i.e. Yancheng and Chongqing in the PRC) through its two project companies, namely Jiangsu Fullshare Property and Chongqing Tongjing. For the property development, the Target Group focuses on city and site selection, land acquisition, project planning and positioning, and sales and marketing strategy formulation. The Target Group outsources its design, construction, sales and marketing and property management services to qualified contractors, agencies and property management companies, supervises their performance and manages the overall project development process.

All the projects currently being developed by the Target Group are located in either Yancheng or Chongqing. Jiangsu Fullshare Property owns the three property development projects in Yancheng with an aggregate GFA of approximately 253,365 sq.m. completed, approximately 246,876 sq.m. under development and approximately 569,127 sq.m. held for future development as of 31 July 2013. Chongqing Tongjing owns the two property development projects in Chongqing with an aggregate GFA of approximately 90,739 sq.m. completed and an aggregate GFA of approximately 167,945 sq.m under development as of 31 July 2013. The GFA attributable to Chongqing Tongjing, which is based on Chongqing Tongjing's 90% of equity interest in the relevant projects, comprised an aggregate GFA of approximately 81,665 sq.m. completed and an aggregate GFA of approximately 151,151 sq.m.

under development as of 31 July 2013. More details on the business of the Target Group are set out in the section headed "Business of the Target Group" in the Circular.

Set out below are the highlights of the financial results of the Target Group for the three years ended 31 December 2012, and for the six months ended 30 June 2012 and 2013, details of which are set out in Appendix I to the Circular:

	For the six months ended 30 June		**For the year ended 31 December**		
	2013	**2012**	**2012**	**2011**	**2010**
	(unaudited)	*(unaudited)*	*(audited)*	*(audited)*	*(audited)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	303,107	363,130	399,140	310,933	111,634
Gross Profit	111,555	141,842	154,089	118,363	33,175
Profit before tax	92,765	114,357	107,391	125,500	20,760
Profit/(loss) and total comprehensive income (expense) for the year attributable to:					
— Owner of the Target Company	29,580	40,112	30,466	76,693	12,915
— Non-controlling interests	4,872	4,151	2,931	1,197	(182)

The Target Group's revenue increased by approximately 178.6% from approximately RMB111.6 million for the financial year ended 31 December 2010 to approximately RMB310.9 million for the financial year ended 31 December 2011, primarily due to an increase in total GFA of residential units sold and to a lesser extent, an increase in ASP. The Target Group's total GFA of residential units sold increased significantly from approximately 26,921 sq.m. in 2010 to approximately 67,107 sq.m. in 2011, primarily due to the completion and delivery of certain buildings of Phase 2 of XiChengYiPinHuaYuan (西城逸品花園). The Target Group's ASP increased by 11.7% from approximately RMB4,147 per sq.m. in 2010 to approximately RMB4,633 per sq.m. in 2011, primarily due to a general increase in property price in Yancheng. Because of the increase in ASP of the Target Group and decrease in average cost of the Target Group from 2010 to 2011, profit and total comprehensive income attributable to owner of the Target Company increased substantially from approximately RMB12.9 million for the financial year ended 31 December 2010 to approximately RMB76.7 million for the financial year ended 31 December 2011.

Revenue of the Target Group increased further by approximately 28.4% from approximately RMB310.9 million for the financial year ended 31 December 2011 to approximately RMB399.1 million for the financial year ended 31 December 2012, primarily due to an increase in total GFA of residential units sold and to a lesser extent, an increase in ASP. The Target Group's total GFA of residential units sold increased by 23.9% from approximately 67,107 sq.m. in 2011 to approximately 83,143 sq.m. in 2012, primarily due to the completion and delivery of certain buildings of Phase 3 of XiChengYiPinHuaYuan (西城逸品花園). The Target Group's ASP per sq.m. of residential units increased slightly from approximately RMB4,633 per sq.m. in 2011 to approximately RMB4,801 per sq.m. in 2012, primarily due to a general increase in property price in Yancheng. However, the Target Group's income tax expenses increased significantly from approximately RMB47.6 million in 2011 to approximately RMB74.0 million in 2012, primarily due to an increase in PRC LAT as a result of a significant increase in property sales and an increase in applicable PRC LAT rate as PRC LAT is levied at progressive rates. As the result, profit and total comprehensive income attributable to owner of the Target Company decreased from approximately RMB76.7 million for the financial year ended 31 December 2011 to approximately RMB30.5 million for the financial year ended 31 December 2012.

The Target Group's revenue decreased by 16.5% from approximately RMB363.1 million in the six months ended 30 June 2012 to approximately RMB303.1 million in the six months ended 30 June 2013, primarily due to a decrease in total GFA sold, partially offset by an increase in ASP. The Target Group's total GFA sold decreased by 23.1% from approximately 70,151 sq.m. in the six months ended 30 June 2012 to approximately 53,960 sq.m. in the six months ended 30 June 2013, primarily due to the decrease in sales of Stage 1 of Phase 3 of XiChengYiPinHuaYuan (西城逸品花園), partially offset by sales of Buildings 2 to 5 and 7 of TongJingYueCheng (同景•躍城) which the Target Group completed in June 2013. The Target Group's ASP increased by 8.5% from approximately RMB5,176 per sq.m. in the six months ended 30 June 2012 to approximately RMB5,617 per sq.m. in the six months ended 30 June 2013, primarily due to an increase in the proportion of the sales of properties of TongJingYueCheng (同景•躍城) in the total sales of properties as the ASP of TongJingYueCheng (同景•躍城) was higher than that of XiChengYiPinHuaYuan (西城逸品花園). Profit and total comprehensive income attributable to owner of the Target Group decreased significantly from approximately RMB40.1 million for the six months ended 30 June 2012 to approximately RMB29.6 million for the six months ended 30 June 2013.

For each of the three financial year ended 31 December 2012, the overall gross margin of the Target Group was approximately 29.7%, 38.1% and 38.6% respectively. The gross margin of the Target Group was approximately 39.1% and 36.8% for the six months ended 30 June 2012 and 2013 respectively.

Set out below is the summary of the consolidated assets and liabilities of the Target Group as at 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013 respectively, details of which are set out in Appendix I to the Circular:

	As of 30 June 2013 (RMB'000)	As of 31 December 2012 (RMB'000)	2011 (RMB'000)	2010 (RMB'000)
Current assets				
Properties under development	1,322,084	1,367,338	1,061,489	765,158
Properties held for sale	184,484	57,723	302,774	2,857
Other current assets	267,785	253,806	378,017	912,241
	1,774,353	1,678,867	1,742,280	1,680,256
Non-current assets	5,342	2,229	1,999	5,506
Total assets	1,779,695	1,681,096	1,744,279	1,685,762
Current liabilities	1,225,534	1,191,387	1,358,701	1,366,573
Non-current liabilities	130,000	100,000	155,000	160,000
Total liabilities	1,355,534	1,291,387	1,513,701	1,526,573
Equity attributable to:				
Owners of the Target Company	399,826	370,246	188,455	129,117
Non-controlling interests	24,335	19,463	42,123	30,072
Total equity	424,161	389,709	230,578	159,189

The carrying value of the Target Group's properties under development was approximately RMB765.2 million, RMB1,061.5 million, RMB1,367.3 million and RMB1,322.1 million, respectively, as of 31 December 2010, 2011 and 2012 and 30 June 2013. The value of the Target Group's properties under development increased from 31 December 2010 to 31 December 2012, primarily due to the Target Group's continued property development activities during the period. The value of the Target Group's properties under development remained relatively stable from 31 December 2012 to 30 June 2013. The carrying value of the Target Group's properties held for sale was approximately RMB2.9 million, RMB302.8 million, RMB57.7 million and RMB 184.5 million, respectively, as of 31 December 2010, 2011 and 2012 and 30 June 2013. During the Track Record Period, the value of the Target Group's properties held for sale generally increased in line with the Target Group's continued property development activities, except for a period of time when there was significant delivery of completed properties. In addition, as disclosed in the section headed "Financial Information of the Target Group" in the Circular, the carrying value of the Target Group's properties under development was approximately RMB1,375.7 million and the carrying value of the Target Group's properties held for sale was approximately RMB165.2 million as at 31 August 2013.

For further information on the Target Group, please refer to the sections headed "Business of the Target Group" and "Financial information of the Target Group" in the Circular.

2.2. Information on the PRC real estate market

2.2.1 Overview on the PRC economy

As discussed under the section headed "Industry Overview" in the Circular, since the PRC government introduced an "open door policy" in late 1970's, as well as its accession to the World Trade Organisation in 2001, its economy has experienced significant growth. Nominal GDP of the PRC increased from approximately RMB18,494 billion in 2005 to approximately RMB51,932 billion in 2012, representing a CAGR of approximately 15.9%. The purchasing power of the PRC population increased significantly from 2005 to 2012, which is demonstrated by the increase in disposable income for urban household per capita. Disposable income for urban household per capita increased at a CAGR of 12.9% from approximately RMB10,493 in 2005 to approximately RMB24,565 in 2012.

The cities where the Target Group's existing developments are situated, namely Yancheng and Chongqing, also experienced significant growth in terms of disposable income for urban households per capita from 2005 to 2012. The following table as extracted from the section headed "Industry Overview" in the Circular sets forth selected economic indicators of Chongqing between 2005 and 2012:

	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2005–2012 CAGR**
Total registered population (persons million)	31.7	32.0	32.4	32.6	32.8	33.0	33.3	33.4	0.8%
Nominal GDP (RMB billion)	346.8	390.7	467.6	579.4	653.0	792.6	1,001.1	1,145.9	18.6%
Nominal GDP per capita (RMB)	12,404	13,939	16,629	20,490	22,920	27,596	34,500	39,083	17.8%
Estimated real GDP (RMB billion) *(Note 1)*	344.0	381.5	446.6	548.7	663.6	768.0	950.7	1,116.9	18.3%
Estimated real GDP per capita (RMB)	12,304	13,611	15,882	19,404	23,292	26,740	32,763	38,092	17.5%
Consumer price index	100.8	102.4	104.7	105.6	98.4	103.2	105.3	102.6	-1.1%
Savings deposit per capita (RMB)	8,033.2	9,219.0	9,978.0	12,247.2	14,986.0	17,677.0	20,993.0	N/A	N/A
Total sale of social retail goods (RMB billion)	122.8	143.2	171.1	214.7	247.9	293.9	348.7	396.1	18.2%
Per capita annual consumption expenditure of urban households on housing (RMB)	365.6	302.5	347.1	437.2	385.7	460.7	336.3	N/A	N/A

Notes:

1. The real GDP figures are estimated based on the consumer price index of Chongqing.

2. The figures contained in the table above are sourced from Statistical Bureau of Chongqing (information relating to the year ended 31 December 2012 is estimated figures published in the statistical communique of Statistical Bureau of Chongqing)

As disclosed under the section headed "Industry Overview" in the Circular, the registered population of Chongqing increased steadily from 31.7 million in 2005 to 33.4 million in 2012. As shown in the table above, Chongqing's estimated real GDP increased significantly from approximately RMB344.0 billion in 2005 to approximately RMB1,116.9 billion in 2012 and Chongqing's estimated real GDP per capita increased from approximately RMB12,304 in 2005 to approximately RMB38,092 in 2012. The purchase power of residents in Chongqing also increased significantly from 2005 to 2012, which is demonstrated by increase in per capita disposable income for urban households, savings deposit and total sale of social retail goods.

The table below as extracted from the section headed "Industry Overview" in the Circular sets forth selected economic indicators of Yancheng between 2005 and 2012:

	2005	2006	2007	2008	2009	2010	2011	2012	2005–2012 CAGR
Total registered population (persons million)	7.99	8.05	8.10	8.12	8.12	8.16	8.21	8.22	0.4%
Nominal GDP (RMB billion)	100.5	117.4	137.1	160.3	191.7	233.3	277.1	312.0	15.6%
Nominal GDP per capita (RMB)	13,529	15,939	18,879	22,359	25,553	30,738	38,222	37,938	15.9%
Estimated real GDP (RMB billion) *(Note 1)*	99.1	116.2	132.1	152.8	193.6	225.4	263.9	269.6	15.4%
Estimated real GDP per capita (RMB)	13,342	15,781	18,188	21,315	25,811	29,699	36,402	36,905	15.6%
Consumer price index	101.4	101.0	103.8	104.9	99.0	103.5	105.0	102.8	0.2%
Disposable income for urban households per capita (RMB)	10,580	12,052	13,857	15,862	17,664	20,003	22,851	25,867	13.6%
Savings deposit per capita (RMB)	7,429	8,004	8,662	10,678	13,301	13,868	15,452	18,524	13.9%
Total sale of social retail goods (RMB billion)	31.7	36.8	43.4	54.3	64.5	76.0	85.9	102.3	18.2%
Per capita annual consumption expenditure of urban households on housing (RMB)	529	338	419	184	333	1,535	N/A	N/A	N/A

Notes:

1. The real GDP figures are estimated based on the consumer price index of Yancheng.

2. The figures contained in the table above are sourced from Statistical Bureau of Yancheng (information relating to the year ended 31 December 2012 is estimated figures published in the statistical communique of Statistical Bureau of Yancheng).

Based on the information stated under the section headed "Industry Overview" in the Circular, the registered population of Yancheng increased steadily from 7.99 million in 2005 to 8.22 million in 2012. As stated in the table above, Yancheng's estimated real GDP increased significantly, from approximately RMB99.1 billion in 2005 to approximately RMB269.6 billion in 2012. Yancheng's estimated real GDP per capital increased from approximately RMB13,342 in 2005 to approximately RMB36,905 in 2012. The overall purchasing power of residents in Yanchang was enhanced significantly, which is demonstrated by the increase in per capita disposable income for urban households, savings deposit and total sale of social retail goods.

2.2.2 The development of the PRC real estate industry

As stated under the section headed "Industry Overview" in the Circular, the total investment in the real estate industry in the PRC has increased from approximately RMB1,590.9 billion in 2005 to approximately RMB7,180.4 billion in 2012, and the total GFA of commercialised residential properties completed per year increased from 436.8 million sq.m. in 2005 to 716.9 million sq.m. in 2011. The total sales of commercialised residential properties increased from approximately RMB1,456.4 billion in 2005 to approximately RMB5,911.9 billion in 2011 and the average selling price per sq.m. of commercialised residential properties also increased from approximately RMB2,937.0 in 2005 to approximately RMB5,379.3 in 2011.

In respect of the two cities where the Target Group's existing developments are situated, the total real estate investment in Chongqing increased to approximately RMB250.8 billion in 2012 from approximately RMB51.8 billion in 2005. The total GFA of commercialised residential properties completed per year increased from 17.1 million sq.m. in 2005 to 33.9 million sq.m. in 2012, while the total GFA of commercialised residential properties sold per year increased significantly from 17.9 million sq.m. in 2005 to 41.1 million sq.m. in 2012. Total sales of commercialised residential properties increased from approximately RMB34.1 billion in 2005 to approximately RMB197.2 billion in 2012, representing a growth more than five times. The average selling price per sq.m. also increased significantly from approximately RMB1,901.0 in 2005 to approximately RMB4,805.0 per sq.m. in 2012.

The total real estate investment in Yancheng also increased to approximately RMB27.3 billion in 2012 from approximately RMB5.2 billion in 2005. The total GFA of commercialised residential properties completed per year increased from 2.1 million sq.m. in 2005 to 3.3 million sq.m. in 2010, and the total GFA of commercialised residential properties sold per year increased significantly from 1.6 million sq.m. in 2005 to 5.5 million sq.m. in 2012. Total sales of commercialised residential properties increased significantly from approximately RMB2.7 billion in 2005 to approximately RMB17.0 billion in

2010, representing a growth more than six times. The average selling price per sq.m. also increased significantly from approximately RMB1,679.9 in 2005 to approximately RMB3,459.6 in 2010.

Having considered the above, we consider that demand for commercialised residential properties in the PRC is expected to be supported by the double-digit annual growth rate of per capita disposable income and the growing overall purchasing power of local residents in the PRC. Therefore, we are of the view that the outlook of the real estate industry in the PRC would remain positive in the near future.

2.3. Key terms of the Acquisition Agreement

2.3.1 Conditions precedent of the Acquisition

Completion of the Acquisition is conditional upon certain conditions being fulfilled pursuant to the terms of the Acquisition Agreement on or before the 28 February 2013. The long stop date has been extended to 31 December 2013 pursuant to the written agreements by the parties to the Acquisition Supplemental Agreements on 27 February 2013, 28 June 2013 and 25 October 2013, respectively. Details of the conditions precedent to the completion of the Acquisition are set out in the paragraph headed "Conditions precedent" in the letter from the Board.

Also pursuant to the terms of the Confirmation Letter, the completion of the Acquisition is conditional on the completion of the Open Offer and the Subscription Agreement.

2.3.2 Valuation of property interests held by the Target Group

The property interests held by the Target Group (the "**Properties**") has been valued by an independent and duly qualified Hong Kong valuer, namely CBRE HK Limited (the "**Valuer**"). The full text of the valuation report and certificate of Properties for their respective capital value in existing state as at 31 July 2013 (the "**Valuation Report**") formed part of the property valuation report of the Enlarged Group which is set out in Appendix V to the Circular. According to the Valuation Report, as at 31 July 2013, the capital value in existing state of the Properties attributable to the Enlarged Group is RMB1,622.5 million (or RMB1,679.5 million assuming all relevant title certificates of the Properties have been obtained, the "**Valuation**").

We have reviewed the Valuation Report and discussed with the Valuer regarding the methodology of, and bases and assumptions adopted for the valuations and adjustments made to arrive at the Valuation. We note that the Valuer has carried out inspections, made relevant enquiries and searches for the purpose of the Valuation. We also noted that the property interests that are held for sale by the Target Group in the PRC are valued by the direct comparison method on the assumption that each property can be sold 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, character 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 that are held by the Target Group for development in the PRC, they are valued on the basis that each of these properties will be developed and completed in accordance with the Target Group's latest development schemes. Such properties are valued by the direct comparison method by making reference to comparable land sale evidences as available in the relevant markets and have also taken into account of the development costs spent.

For the property interests which are contracted to be held by the Target Group in the PRC, the Target Group has entered into agreements with the relevant government authority to acquire the property interests, but have not obtained the State-owned Land Use Rights Certificate and/or the land premium has not been settled yet as at the date of valuation, and therefore no commercial value has been attributed to these property interests in the Valuation Report. However, for reference only, the Valuer is of the view that assuming the Target Group paid all the land premium and obtained the appropriate State-owned Land Use Rights Certificate of the properties, the capital value of such properties at their existing state as at 31 July 2013 were in the sum of RMB57,000,000.

For the property interests which are rented and occupied by the Target Group in the PRC, the Valuer have attributed no commercial value to such Property interests due to the nature of short term leases and/or prohibition against sub-letting or assignment and/or lack of substantial profit rent.

The above valuation methodologies are, in our opinion, commonly used and reasonable approaches in establishing the capital value of the Properties. Furthermore, we preformed works as required under note (1)(d) to the Listing Rules 13.80 in relation to the Valuer and its work as regards the Valuation.

In addition, we noted that there are customary assumptions in the Valuation Report, which including (i) the Valuation does not make any allowance for contamination or pollution of the land, if any, which may have occurred as a result of past usage; and (ii) the Valuer has not carried out any structural survey nor any tests were made on the building services. Given the Valuer is not in the capacity to carry out structural survey and environmental evaluation, we consider above assumptions are line with the market practices. We have discussed with the Directors (together with the proposed executive Directors) and been given to understand that the Properties are not situated in polluted/contaminated land and the Directors (together with the proposed executive Directors) are not aware of any structural defects in the Properties as at the Latest Practicable Date.

2.3.3 Consideration of the Acquisition

As disclosed in the letter from the Board of the Circular, the consideration for the Acquisition is HK$500,000,000 (the "**Consideration**") and was arrived at after arm's length negotiations between the parties to the Acquisition Agreement and was determined by reference to (i) the unaudited combined total asset value and the unaudited combined net asset value of the Target Group of approximately RMB1,675.6 million (equivalent to approximately HK$2,121.0 million) and RMB294.9 million (equivalent to approximately HK$373.3 million), respectively, as at 30 June 2012; (ii) a shareholder's loan of RMB300 million (equivalent to approximately HK$379.7 million) owed by a member of the Target Group to Nanjing Fullshare Holding as at 30 June 2012 having been capitalised to enlarge its registered capital on 9 August 2012; (iii) the valuation of the Properties of RMB1,379 million (equivalent to approximately HK$1,745.6 million) as at 30 June 2012 in accordance with the Valuation Report prepared by the Valuer; and (iv) the development prospects of the Target Group. The Consideration shall be satisfied in cash upon completion of the Acquisition and within 3 months after the issuance of the Renewed Business License which corresponds to the requirement on timing for payment consideration by foreign investors under the Acquisition Rules.

In order to access the fairness and reasonableness of the Consideration, we have conducted the following analyses:

a. Reassessed NAV of the Target Group

We have considered the adjusted audited consolidated net assets attributable to the owners of Target Company (the "**Reassessed NAV**") based on the audited consolidated financial statements of Target Group as at 30 June 2013 set out in Appendix I to the Circular and adjusted with reference to the latest valuation of the Properties in the Valuation Report and the relevant tax liabilities. Set out below is the calculation of the Reassessed NAV provided by the Company:

	RMB'000
Audited consolidated net asset value attributable to owners of Target Company as at 30 June 2013	399,826
Add: Revaluation surplus arising from the valuation of the Properties as at 31 July 2013 *(Note)*	134,398
Reassessed NAV	534,224
	(Equivalent to approximately ***HK$676,232,911****)*

Note:

This represents a revaluation surplus calculated after taking into account the capital value of the Properties attributable to the Target Group as at 31 July 2013 as shown in the Valuation Report, net book value of the Properties as of 30 June 2013 and relevant potential PRC tax liability.

The Consideration, therefore, represents a discount of approximately HK$176.2 million, or around 26.1%, to the Reassessed NAV.

b. Comparable transactions

For the purposes of assessing the Consideration, we have also reviewed a number of comparable transactions which involved the acquisition of the target group which is principally engaged in property development and/or investment in the PRC (the "**Comparable Acquisitions**") in the past one year (from 1 October 2012 up to the Latest Practicable Date). The Comparable Acquisitions are selected based on the following criteria: (i) the issuers are listed on the Stock Exchange and such transactions were publicly announced by way of announcement made pursuant to the Listing Rules; (ii) the circulars of such transactions have been published; and (iii) the analyses of the reassessed net asset value of the target group after adjusting for the relevant valuation surpluses/deficits with reference to the latest valuation of the properties of the target group have been included in the respective circulars of the Comparable Acquisitions. On the best effort basis, we have identified all the Comparable Acquisitions based on the said criteria above. The results are set out below.

Date of circular	Company name	Consideration	Reassessed net asset value attributable to owners of the target group	Discount of the consideration to the reassessed net asset value attributable to owners of the target group
		(HK$'million)	*(HK$'million)*	*approx. %*
10-Oct-13	Tonic Industries Holdings Limited (Stock code: 978)	6,688.0	7,819.6	14.5
30-Sep-13	Gemdale Properties and Investment Corporation Limited (Stock code: 535)	1,272.7	1,686.8	24.5

Date of circular	Company name	Consideration	Reassessed net asset value attributable to owners of the target group	Discount of the consideration to the reassessed net asset value attributable to owners of the target group
		(HK$'million)	*(HK$'million)*	*approx. %*
30-Aug-13	Lai Fung Holdings Limited (stock code: 1125)	217.2	293.9	26.1
13-Jun-13	CCT Tech International Limited (stock code: 261)	900.0	974.0	7.6
28-Mar-13	Shenzhen Investment Limited (stock code: 604)	5,170.9	5,852.0	11.6
30-May-13	Hsin Chong Construction Group Limited (stock code: 404)	975.0	1,175.0	17.0
11-Dec-12	EVOC Intelligent Technology Company Limited (Stock code: 2308)	403.8	434.0	7.0
16-Nov-12	EC-Founder (Holdings) Company Limited (stock code: 618)	537.0	566.3	5.2
			Max	**26.1**
			Min	**5.2**
			Average	**14.2**
	the Acquisition	**500**	**676.2**	**26.1**

As shown in the table above, the consideration of the Comparable Acquisitions represented discounts to reassessed net asset value of the respective target group ranged from 5.2% to 26.1% and with an average of approximately 14.2%. The discount of the Consideration to the Reassessed NAV of approximately 26.1% is higher than that of the average of the Comparable Acquisitions, which is considered to be favourable.

Having considered the above, in particular, (i) the Consideration represents a discount of approximately HK$176.2 million, or around 26.1%, to the Reassessed NAV; (ii) the discount of the Consideration to the Reassessed NAV is higher than that of the average of the Comparable Acquisitions; and (iii) having discussed with the Valuer and understood that the valuation methodologies in arriving at the capital value of the Properties are commonly used and reasonable approaches, we are of the view that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned and in the interested of the Company and the Shareholders as a whole.

2.3.4 Non-Competition Undertaking

As disclosed in the letter from the Board, it is Magnolia Wealth's intention to maintain more than 50% of the enlarged issued share capital of the Company at the relevant time of the Resumption. As such, Mr. Ji and Magnolia Wealth (a company which is wholly owned by Mr. Ji) will constitute the Controlling Shareholders at Resumption.

As stated in the section headed "Relationship with Controlling Shareholders" in the Circular, the Controlling Shareholders are engaging in the development of the Excluded Projects through the Excluded Companies. As at the Latest Practicable Date, the Excluded Projects include six property projects located in the Excluded Cities (i.e. Kunshan, Nanjing, Wenchang and Dujiangyan) and ten property projects located in Australia and Canada, comprising villas, office buildings, hotels, shopping malls, apartment buildings and commercial ancillary facilities. An aggregate GFA of property projects developed by the Excluded Companies in the aforesaid Excluded Cities upon completion is approximately 2,036,893 sq.m.. As advised by the Controlling Shareholders, after completion of the Acquisition, subject to the terms of Non-Competition Undertaking entered into between them and the Company, they will cease to engage in any residential property (including villas) and mixed-use property (as defined in the section headed "Glossary of Technical Terms" of the Circular) development business in the PRC once the Excluded Projects are completed and they will only be involved in the commercial property development business. Therefore, there is no overlap between the Target Cities and the Excluded Cities.

In order to minimise the direct competition between the Controlling Shareholders and the Enlarged Group in the future, the Company entered into a Non-Competition Undertaking with Mr. Ji and Magnolia Wealth on 25 October 2013 for the benefit of the Company (for itself and on behalf of each other member of the Enlarged Group) following completion of the Acquisition, pursuant to which Mr. Ji and Magnolia Wealth have undertaken to the Company that, conditional upon completion of the Acquisition and during the Non-Compete Period (as defined below), other than the Excluded Projects, they will not, and will procure that their respective associates (other than the Enlarged Group) will not, directly or indirectly, whether on their own or jointly with another person or company, own, invest in, participate in, develop, operate or engage in any business or company which directly or indirectly competes or may compete with any business (the "**Restricted Business**") of the real estate development of residential properties and the mixed use properties (as defined in the section headed "Glossary of Technical Terms" of the Circular) in the PRC (including the Target Cities, the Excluded Cities and the Unoccupied Cities).

Notwithstanding the foregoing, each of Mr. Ji and Magnolia Wealth may either himself or itself or through their respective associates:

i. hold and/or be interested in any shares or other securities in any company which is listed on a recognised stock exchange and engages or is involved in any activity or business which directly or indirectly competes with the Restricted Business, provided that the aggregate shareholding held by him or it, together with his or its associates in such company, whether directly or indirectly, does not exceed five (5) per cent. of the issued share capital of such listed company, and provided further that Mr. Ji, Magnolia Wealth, together with their respective associates would not participate in or be otherwise involved in the management of the listed company; and

ii. hold and/or be interested in any shares and other securities in any member of the Enlarged Group.

As disclosed in the section headed "Relationship with Controlling Shareholders" in the Circular, the Controlling Shareholders have also undertaken in the Non-Competition Undertaking that during the term of the Non-Competition Undertaking if the Controlling Shareholders or any of their respective associates (other than the Enlarged Group) becomes aware of any business opportunity to own, invest in, participate in, develop, operate or engage in any business or company which directly or indirectly competes with the Restricted Business (the "**Business Opportunity**"), they or any of their respective associates (other than the Enlarged Group) shall first refer the Business Opportunity to the Company in writing immediately upon becoming aware of it. Any decision on whether to take up the Business Opportunity shall be decided by the independent non-executive Directors within 30 days (or such other period as may be agreed between the parties if Shareholders' approval is required) after receiving the written notice. Even if the Company has issued a written confirmation signed by the independent non-executive Directors confirming that the Company has decided not to take up the Business Opportunity, Mr. Ji or Magnolia Wealth or their respective associates will not take up the Business Opportunity.

Pursuant to the Non-Competition Undertaking, the Company has been granted a right of first refusal (the "**Right**") to acquire the land use right of non-villa residential portion of WenChangQingLanBanDao (文昌清瀾半島) held by the Controlling Shareholder. The exercise of the Right by the Company is subject to the following conditions: (i) the legal restriction on 25% of the total investment has been satisfied; (ii) approvals from relevant PRC authorities have been obtained; and (iii) the villas has been disposed of and no longer form part of WenChangQingLanBanDao (文昌清瀾半島)). Once the above conditions are satisfied, the Controlling Shareholder shall forthwith give written notice to the Company. The Company's Right shall become exercisable after receipt of such notice. Any decision to exercise or not to exercise the Right granted to the Company under the Non-Competition Undertaking shall be made by the independent non-executive Directors.

Pursuant to the Non-Competition Undertaking and relevant arrangements as set out above, after completion of the Acquisition, save for continuing their engagements in the Excluded Projects, the Controlling Shareholders will not be allowed to engage in any residential property (including villas) and mixed-use property (as defined in the section headed "Glossary of Technical Terms" of the Circular) development business in the PRC unless any of the circumstances (i) to (ii) under the Non-Competition Undertaking arises as set out above and they will only involved in commercial property development business. Further details of the Non-Competition Undertaking and the Excluded Projects are set out under the section headed "Relationship with Controlling Shareholders" in the Circular.

The Non-Competition Undertaking took effect on 25 October 2013 and shall remain effective until the earlier of (a) the date on which the Controlling Shareholders, in aggregate, directly or indirectly beneficially holds less than 30% of the issued share capital of the Company; and (b) the date on which the Shares cease to be listed on the Hong Kong Stock Exchange (the "**Non-Compete Period**").

Given the arrangements under the Non-Competition Undertaking, we concur with the Director's view that the potential competition among the Enlarged Group, Mr. Ji, Magnolia Wealth would be minimised effectively and the interests of the Enlarged Group will be protected.

3. The Subscription Agreement and the Open Offer

3.1. Principal terms of the Subscription Agreement and the Convertible Bonds

As stated in the letter from the Board, under the Subscription Agreement and subject to the fulfillment of the certain conditions precedent on or before 28 February 2013, Magnolia Wealth and Mr. Kan (or one of their respective wholly-owned companies incorporated under the Hong Kong law) will subscribe for, and the Company will issue to Magnolia Wealth and Mr. Kan (or one of their respective wholly-owned companies incorporated under the Hong Kong law), the Convertible Bonds in the principal amount of HK$420,000,000 and HK$80,000,000, respectively. As disclosed in the letter from Board, the long stop date of the Subscription Agreement has been extended to 31 December 2013 pursuant to the Extension

Agreements. Details of the conditions precedent to the Subscription Agreement are set out in the paragraph headed "Subscription Agreement" in the letter from the Board.

The Convertible Bonds are non-redeemable prior to the maturity date. The Convertible Bonds have a tenure of 5 years bearing an annual interest rate of 2% with the Conversion Price being HK$0.05 per Conversion Share. Unless previously converted, redeemed, purchased or cancelled in accordance with its conditions, the Convertible Bonds will be redeemed by the Company on the maturity date at its principal amount outstanding. Further detailed terms of the Convertible Bonds are set out in the paragraph headed "Subscription Agreement" in the letter from the Board.

Assuming full conversion of the Convertible Bonds in the aggregate principal amount of HK$500 million, the 10,000,000,000 Conversion Shares to be issued represent:

(a) approximately 2,369.67% of the existing issued share capital of the Company;

(b) approximately 473.93% of the issued share capital of the Company upon completion of the Open Offer; and

(c) approximately 82.58% of the issued share capital of the Company upon completion of the Open Offer and full conversion of the Convertible Bonds.

In assessing the terms of the Convertible Bonds, we have reviewed a number of comparable transactions which involved the issue of convertible notes/bonds (the "**Comparable Transactions**"). The Comparable Transactions are selected based on the following criteria: (i) the issuer are listed on the Stock Exchange and such transactions were publicly announced by way of announcement and/or circular made pursuant to the Listing Rules; (ii) the historical financial performance of the issuers of the Comparable Transactions is comparable to that of the Company (i.e. they suffered net losses and/or net liabilities for the most recent financial year prior to the date of announcement and/or circular); and (iii) such transactions involve the issue of convertible bonds/notes during 2013 (up to the Latest Practicable Date). On the bases that (i) the review period up to the Latest Practicable Date covered all the issues of convertible securities based on the above criteria in the prevailing market conditions; and (ii) these 49 Comparable Transactions represent a reasonable sample size for analysis, we consider the review period from 1 January 2013 up to the Latest Practicable Date reasonable for our analysis on the terms of the Convertible Bonds. We consider the Comparable Transactions an exhaustive list of relevant comparable transactions based on the said criteria above.

Details of the Comparable Transactions are set forth in the following table:

Date of announcement/ circular	Name of the issuer	Stock code	Maturity *(year)*	Interest rate *(per annum)*	Redemption on maturity
1-Feb-13	Chinese Food and Beverage Group Limited	8272	3	0.00	100.00
1-Feb-13	New Times Energy Corporation Limited	166	1	5.00	100.00
1-Feb-13	Prosperity International Holdings (HK) Limited	803	3	8.25	100.00
6-Feb-13	China Fortune Financial Group Limited	290	3	5.00	100.00
18-Feb-13	United Gene High-Tech Group Limited	399	10	0.10	100.00
22-Feb-13	China Eco-Farming Limited	8166	3.5	5.00	100.00
26-Feb-13	EPI (Holdings) Limited	689	2	8.00	110.00
28-Feb-13	Hong Kong Building and Loan Agency Limited	145	4	0.00	100.00
5-Mar-13	Honbridge Holdings Limited	8137	5	0.00	100.00
16-Apr-13	Applied Development Holdings Limited	519	5	0.00	100.00
16-Apr-13	National Arts Entertainment and Culture Group Limited	8228	2	7.50	100.00
29-Apr-13	Mongolia Investment Group Limited	402	5	0.00	100.00
1-May-13	King Stone Energy Group Limited	663	3	0.00	100.00
15-May-13	United Gene High-Tech Group Limited	399	10	0.00	100.00
24-May-13	C Y Foundation Group Limited	1182	3	3.00	100.00
30-May-13	Mobile Telecom Network (Holdings) Limited	8266	2	4.00	100.00
31-May-13	Hua Lien International (Holding) Co. Ltd.	969	5	0.00	100.00
6-Jun-13	Chinese Food and Beverage Group Limited	8272	3.5	3.00	100.00
7-Jun-13	Hao Tian Resources Group Limited	474	3	5.00	100.00
7-Jun-13	New Times Energy Corporation Limited	166	2	8.00	100.00
10-Jun-13	Chinlink International Holdings Limited	997	2	7.50	100.00
14-Jun-13	China Resources and Transportation Group Limited	269	2	9.00	100.00
20-Jun-13	China Oriental Culture Group Limited	2371	2	8.00	100.00
20-Jun-13	Dingyi Group Investment Limited	508	1.5	5.00	100.00
26-Jun-13	New Focus Auto Tech Holdings Limited	360	5	0.00	105.00
26-Jun-13	Phoenitron Holdings Limited	8066	2	10.00	100.00
28-Jun-13	Pearl Oriental Oil Limited	632	3	0.00	100.00
28-Jun-13	Shunfeng Photovoltaic International Limited	1165	10	8.00	100.00
28-Jun-13	Dingyi Group Investment Limited	508	2	0.00	100.00
5-Jul-13	Great Harvest Maeta Group Holdings Limited	3683	5	4.00	100.00
5-Jul-13	Longlife Group Holdings Limited	8037	3	7.00	100.00
8-Jul-13	Pizu Group Holdings Limited	8053	3	0.00	100.00
9-Jul-13	National Arts Entertainment and Culture Group Limited	8228	3	4.00	100.00
19-Jul-13	Hoifu Energy Group Limited	7	1	0.00	100.00
26-Jul-13	China Household Holdings Limited	692	3	0.00	100.00
31-Jul-13	China Rongsheng Heavy Industries Group Holdings Limited	1101	2.5	7.00	100.00
1-Aug-13	Culture Landmark Investment Limited	674	3	4.60	100.00
7-Aug-13	China Household Holdings Limited	692	3	2.00	100.00
15-Aug-13	Asia Resources Holdings Limited	899	2	0.00	*(Note)*
15-Aug-13	Asia Resources Holdings Limited	899	2	5.00	*(Note)*
30-Aug-13	Grand Field Group Holdings Limited	115	3	17.00	100.00
3-Sep-13	Suncorp Technologies Limited	1063	2	1.00	100.00
11-Sep-13	China Resources and Transportation Group Limited	269	3	9.00	100.00
13-Sep-13	Goldpoly New Energy Holdings Limited	686	5	0.00	100.00
18-Sep-13	Yanchang Petroleum International Limited	346	3	0.00	100.00
23-Sep-13	China Household Holdings Limited	692	3	3.00	100.00
29-Sep-13	Goldpoly New Energy Holdings Limited	686	3	5.00	135.00
3-Oct-13	Hoifu Energy Group Limited	7	1	0.00	100.00
17-Oct-13	Simsen International Corporation Limited	993	3	0.00	100.00
			Max	17.00	135.00
			Min	0.00	100.00
			Average	3.63	n/a
	The Convertible Bonds			**2.00**	**100.00**

Note:

Pursuant to the terms and conditions of the convertible notes, any convertible note which remains outstanding by 4:00 p.m. (Hong Kong time) on the maturity date will be converted automatically into shares of the company.

As set out in the table above, the interest rate of the Convertible Bonds of 2.00% per annum is lower than the average of 3.63% of the Comparable Transactions. The convertible bonds/notes under the Comparable Transactions will be redeemed by the respective issuer on the maturity date at the range of 100.00% to 135.00% to the principal amount outstanding. Therefore, the redemption value of the Convertible Bonds, being equivalent to the principal amount of the Convertible Bonds outstanding at the maturity, is considered to be reasonable.

Based on the principal amount of HK$500 million and interest rate of 2.00% per annum of the Convertible Bonds, the annual interest payment for the Convertible Bonds would be approximately HK$10 million. As stated in the unaudited pro forma consolidated statement of cash flow of the Enlarged Group (assuming the completion of the Open Offer, the issue of Convertible Bonds, the debt restructuring, the Acquisition and the repayment of the Shareholder's Loan have been taken place on 1 May 2012 but without taking into account the Disposal, details of which are set out in Appendix IV of the Circular), the Enlarged Group would have net cash generated from operating activities of approximately HK$79.5 million. In view of above, we consider that the Enlarged Group would have sufficient financial resources to meet the interest payment for the Convertible Bonds of approximately HK$10 million per annum. It is also disclosed in the paragraph headed "Working Capital" in the section headed "Financial Information of the Target Group" in the Circular that the Directors (together with the proposed executive Directors) are of the opinion that, in the absence of unforeseeable circumstances, after taking into account the Remaining Group's business prospects, internal resources, available credit facilities and the completion of the Transactions, the Remaining Group has sufficient working capital for its requirements for at least twelve months from the date of the Circular.

Having considered the above, we concur with the Directors' view that the terms of the Convertible Bonds (except for the Conversion Price which will be discuss further under the sub-heading "Conversion Price and Offer Price" below) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Subscription Agreement and the transactions contemplated under the Subscription Agreement are in the interests of the Company and the Shareholders as a whole.

3.2. Principal terms of the Open Offer

As disclosed in the letter from the Board, the Company also proposes to carry out the Open Offer to raise HK$84.40 million on the basis of 4 Offer Shares for every 1 existing Share held on the Record Date at the Offer Price of HK$0.05 per Offer Share with Magnolia Wealth being the underwriter. The Open Offer is conditional upon, inter alia, the fulfillment of the conditions set out in the paragraph headed "Conditions of the Underwriting Agreement" in the Circular. Therefore, the Open Offer may or may not proceed.

The number of 1,688,000,000 Offer Shares, representing:

(a) 400% of the existing issued share capital of the Company;

(b) 80% of the issued share capital of the Company upon completion of the Open Offer; and

(c) approximately 13.94% of the issued share capital of the Company upon completion of the Open Offer and full conversion of the Convertible Bonds.

As disclosed in the letter from the Board, Mr. Kan has confirmed that he will not subscribe for any of his entitlements under the Open Offer.

As stated in the letter from the Board, after arm's length negotiation with the Underwriter, the Company decided that the Qualifying Shareholders are not entitled to apply for any Offer Shares which are in excess of their assured entitlements. Having considered that each Qualifying Shareholders will be given an equal and fair opportunity to participate in the Company's future development by subscribing for their assured entitlements under the Open Offer and additional costs will be incurred for administering the excess application procedures, we concur with the view of the Company that it is justifiable not making the excess application arrangement.

3.3. Use of proceeds

The total gross proceeds from the Open Offer and the issue of Convertible Bonds amount to HK$584.4 million, which will be used (i) to pay for the consideration of HK$500 million pursuant to the Acquisition Agreement; (ii) to settle the amounts of HK$37 million due to the Scheme Creditors who are not the Shareholders; (iii) to fully repay the outstanding Shareholder's loan of approximately HK$19.5 million as at the Latest Practicable Date to Mr. Kan, which has been used as general working capital of the Group; and (iv) the remaining balance of approximately HK$27.9 million as the general working capital of the Enlarged Group.

3.4. Conversion Price and Offer Price

The Conversion Price and Offer Price being the same at HK$0.05 each represent:

(i) a discount of approximately 89.58% to the closing price of HK$0.48 per Share as quoted on the Stock Exchange on 11 May 2007, being the Last Trading Date before Suspension;

(ii) a discount of approximately 89.36% to the average closing price of approximately HK$0.47 per Share as quoted on the Stock Exchange for the last five trading days up to 11 May 2007, being the Last Trading Date before Suspension;

(iii) a discount of approximately 89.58% to the average closing price of approximately HK$0.48 per Share as quoted on the Stock Exchange for the last ten trading days up to 11 May 2007, being the Last Trading Date before Suspension;

(iv) a premium of HK$1.04 over the audited consolidated net liabilities per Share of approximately HK$0.99 as at 30 April 2012 (based on the Company's audited consolidated net liabilities of approximately HK$419,675,000 at 30 April 2012 and 422,000,000 Shares in issue as at the Latest Practicable Date; and

(v) a premium of HK$0.94 over the audited consolidated net liabilities per Share of approximately HK$0.89 as at 30 April 2013 (based on the Company's latest published audited consolidated net liabilities of approximately HK$376,299,000 at 30 April 2013 and 422,000,000 Shares in issue as at the Latest Practicable Date.

The Conversion Price and the Offer Price were determined after arm's length negotiation by taking into account the (i) the deteriorating financial performance and financial position of the Group since 30 April 2006; and (ii) the fact that trading in the Shares on the Stock Exchange has been suspended since 14 May 2007. The Conversion Price and the Offer Price are set equal to the previously proposed open offer as stated in the Company's announcement dated 8 October 2008, which has lapsed as at 21 March 2013.

Given that the Shares were suspended from trading for more than five years, we consider that the closing price of the Shares prior to the suspension of trading cannot reflect the current financial condition and valuation of the Company and will not provide a fair basis for the evaluation of the Offer Price and the Conversion Price.

In view of (i) the prolonged suspension of trading in the Shares, the significant net liability position of the Group as at 30 April 2013 and the Group's continuous loss-making history; (ii) the Offer Price being the same as the Conversion Price, i.e. the price per Share to be paid by the Qualifying Shareholders through the Open Offer is no less favourable than that to be paid by Magnolia Wealth and Mr. Kan through the Subscription, should they wish to participate in the Open Offer; (iii) each Qualifying Shareholder will be given an equal opportunity to participate in the Company's future development by subscribing for his/her/its assured entitlements under the Open Offer; and (iv) funding required for the implementation of the Schemes and to satisfy the Company's financial obligations due to Mr. Kan, we are of the view that the Open Offer, including the Offer Price, is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

Having considered (i) the prolonged suspension of trading in the Shares, the significant net liability position of the Group as at 30 April 2013 and the Group's continuous loss-making history; and (ii) the financial and operational situation of the Group, there is no certainty that the Company is able to seek for other investor(s) who will agree and is capable to provide the necessary funding for, among other things, the Acquisition which will allow the Company to restore a sufficient level of operation to sustain its listing status following the Resumption, we are of the view that the issue of the Convertible Bonds, including the Conversion Price, is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

3.5. Underwriting Agreement

The Company and Magnolia Wealth entered into the Underwriting Agreement on 25 October 2013 pursuant to which Magnolia Wealth will fully underwrite the Offer Shares. Terms of the Underwriting Agreement were determined after arm's length negotiations between the Company and Magnolia Wealth. The Underwriting Agreement is conditional upon certain conditions being fulfilled on or before the 31 December 2013 (or such other time and/or date as the Company and Magnolia Wealth may determine in writing). Details of the conditions precedent to the Underwriting Agreement are set out in the paragraph headed "Conditions of Underwriting Agreement" in the letter from the Board. As stated in the letter from the Board, the maximum number of the Offer Shares to be underwritten by Magnolia Wealth is 1,688,000,000 Offer Shares.

Pursuant to the Underwriting Agreement, Magnolia Wealth agreed not to receive any underwriting commission for the underwriting arrangement. We also noted that, unlike other underwriting agreements, there is no provision under the Underwriting Agreement allowing Magnolia Wealth (as the underwriter) the discretion to terminate the Underwriting Agreement in case of any changes in, among other things, market conditions or financial, political or economic conditions that is materially adverse in the context of the Open Offer. These features are, in our view, favourable to the Company.

Given that (i) the Qualifying Shareholders have the right to decide whether to accept the Open Offer and are offered with the same terms under the Open Offer; (ii) the Underwriting Agreement ensures the Group to secure the required funding; and (iii) Magnolia Wealth agreed not to receive any underwriting commission, we are of the view that the underwriting arrangement is in the interest of the Independent Shareholders and the Company as a whole.

Shareholders and potential investors of the Company should note that the Open Offer is conditional upon, inter alia, the fulfillment of the conditions set out in the paragraph headed "Conditions of the Underwriting Agreement" in the letter from the Board. Therefore, the Open Offer may or may not proceed. The Shareholders and/or other persons contemplating dealings in the Shares should therefore exercise extreme caution when dealing in the Shares.

4. Confirmation Letter

As the Acquisition, the issue of the Convertible Bonds and the Open Offer form part and parcel of the whole proposed restructuring of the Company, the Confirmation Letter was entered into on 21 August 2012 among the Company, Mighty Fame, Nanjing Fullshare Holding, Magnolia Wealth and Mr. Kan. The Confirmation Letter is used to ensure the Acquisition Agreement, the Subscription Agreement, the proposed underwriting arrangements in relation to the Open Offer and the application for Whitewash Waiver will be carried out by the relevant parties in accordance with arrangements as stated therein. Pursuant to the terms of the Confirmation Letter, the completion of the Acquisition is conditional on the completion of the Open Offer and the Subscription Agreement.

Moreover, pursuant to the Confirmation Letter, Nanjing Fullshare Holding undertakes to maintain the ordinary operation of the Target Group and procure the Target Group from 30 June 2012 until the completion of the Acquisition:

(a) not to borrow any loans or provide any security over its assets out of its ordinary course of business;

(b) when in the ordinary course of business the aggregate amount of loans borrowed by the Target Group exceeds RMB150,000,000, to present the relevant loan agreements to the Company; and

(c) if the audited consolidated net asset value of the Target Company as at the date of completion of Acquisition prepared in accordance with the Hong Kong Financial Reporting Standards is less than HK$500 million, it shall refund the shortfall amount, on a dollar to dollar basis, to the Company.

The Confirmation Letter has rationalised the arrangement with respect to the Acquisition, the Subscription Agreement, the Open Offer, the underwriting arrangements and the Whitewash Waiver application such that, among other things, the Company will have sufficient fund following the completion of the Subscription Agreement and the Open Offer to proceed with the Acquisition. In particular, the Confirmation Letter also sets out further safeguard measures to monitor and limit additional borrowings of the Target Group to be incurred during the period before completion of the Acquisition. Furthermore, the provision of the compensation mechanism with respect to the audited consolidated net asset value of the Target Company as at the date of completion of Acquisition being less than HK$500 million serves as a downside protection to the Group for its proposed investment in the Target Group which is beneficial to the Company. Having considered the above, we are of the opinion that the entering into of the Confirmation Letter, as well as the terms thereunder, are in the interested of the Company and the Shareholders as a whole.

5. Dilution to shareholding of the existing Shareholders

As illustrated in the paragraph headed "Change in shareholding structure of the Company" set out in the letter from Board, upon completion of the Open Offer, placing down and full conversion of Convertible Bonds by Magnolia Wealth and Mr. Kan, we noted that the shareholding of the Independent Shareholders (comprising The Cathay Investment Fund Limited and the public Shareholders as of the Latest Practicable Date) would reduce from approximately 63.97% as at the Latest Practicable Date to:

(i) approximately 11.15% assuming all of the existing Shareholders (except for Mr. Kan) take up their respective entitlements to the Offer Shares under the Open Offer; and

(ii) approximately 2.23% assuming none of the existing Shareholders takes up their respective entitlements to the Offer Shares under the Open Offer and the Underwriter takes up the Offer Shares in full.

After the issue of the Offer Shares, Magnolia Wealth may hold more than 75% of the issued share capital of the Company (assuming none of the existing Shareholders takes up their respective entitlements to the Offer Shares under the Open Offer) as enlarged by the issue of the Offer Shares. As disclosed in the letter from the Board, in order to attain the Public Float (as the case may require), Magnolia Wealth has entered into the non-binding memorandums of understanding with two placing agents and the two placing agents have expressed their interest in entering into placing agreements with Magnolia Wealth on a "full-underwriting basis", if taking place, for an aggregate of a maximum of 257,550,000 Offer Shares, representing approximately 12.21% of the enlarged issued share capital of the Company as enlarged by the Open Offer. However, there is still a risk that the Company may not be able to attain the Public Float if Magnolia Wealth fails to enter into placing agreements with these placing agents in time and the Resumption will only take place when the Public Float requirement is met. The proposed placing, if taking place, will not be conditional upon any of the proposed transactions contemplated in the Circular or the Resumption taking place.

We noted the aforementioned potential dilution to the Independent Shareholders' shareholding interests in the Company. However, we consider such potential dilution acceptable on the bases that:

(i) the Company is under prolonged suspension of trading in the Shares since 14 May 2007 and the Resumption is expected if, among others, the Acquisition, the Subscription Agreement and the Open Offer can be completed;

(ii) the Group, which recorded net liability as at 30 April 2013, is unlikely to have the ability to repay its indebtedness with internal resources in the absence of the proceeds from Convertible Bonds and the Open Offer and might eventually be wound up. In such case Shareholders will be unlikely to receive any return from their investments in the Company; and

(iii) following completion of the Acquisition, the Subscription Agreement and the Open Offer, and based on the unaudited pro forma statement of assets and liabilities of the Enlarged Group (details of which are set out in Appendix IV of the Circular), the Group would be returned into a net asset position.

6. Whitewash Wavier

As stated in the letter from the Board, in the event that no Shareholders take up any Offer Shares, upon completion of the Open Offer but before conversion of the Convertible Bonds and any placing down for the Public Float, the Concert Group will be interested in up to 80.00% of the enlarged issued share capital of the Company. Upon full conversion of any Convertible Bonds subscribed by Magnolia Wealth at the Conversion Price and after placing down to attain the Public Float, the Concert Group would be interested in approximately 93.53% of the total issued share capital of the Company as enlarged by the issue of the Offer Shares and the Conversion Shares as converted from the Convertible Bonds subscribed by Magnolia Wealth. In the event that all existing Shareholders (except for Mr. Kan) take up their respective entitlements to the Offer Shares, upon completion of the Open Offer but before conversion of any Convertible Bonds, the Concert Group will be interested in approximately 28.82% of the enlarged issued share capital of the Company. If following completion of the Open Offer and/or Mr. Kan converts all or part of his Convertible Bonds into the Conversion Shares resulting in the Concert Group's shareholding in the Company being less than 50% of the issued share capital of the Company as enlarged by the issue of the Offer Shares and the Conversion Shares, Magnolia Wealth will simultaneously convert the corresponding amount of Convertible Bonds into the Conversion Shares so that it will always be interested in more than 50% of the enlarged issued share capital of the Company at Resumption.

Under any of the above scenarios, the Concert Group would be required to make a mandatory general offer for all the issued Shares (not already owned or agreed to be acquired by the Concert Group) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

As mentioned in the letter from the Board, Magnolia Wealth has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

The Whitewash Waiver, if granted by the Executive, will be subject to the Independent Shareholders approving it by way of a poll at the EGM. Mr. Kan and his associates and concert parties who are interested in and involved in the Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Confirmation Letter, the Whitewash Waiver and the Special Deal will abstain from voting on the relevant resolutions.

We note that the granting of the Whitewash Waiver by the Executive is one of the non-waivable conditions precedent to each of the Subscription Agreement and the Underwriting Agreement, whilst the completion of the Acquisition is conditional on the completion of the Subscription Agreement and the Open Offer. It was also stated in the letter from the Board that if the Whitewash Waiver is not granted, the Acquisition Agreement and the Subscription Agreement will lapse, the Underwriting Agreement will not become unconditional and the Acquisition, issue of the Convertible Bonds and the Open Offer will not proceed.

The implementation of, among other things, the Acquisition, the Subscription Agreement and the Open Offer are crucial for the Company and the Shareholders as a whole as addressed earlier. On such basis and in particular, the granting of the Whitewash Waiver is one of the non-waivable conditions precedent to each of the Subscription Agreement and the Underwriting Agreement, and is a common feature in similar rescue proposals for companies which are in grave financial difficulties and revived as a result of injection of funds or assets by new investors, we consider the grant of the Whitewash Waiver is fair and reasonable.

7. Special Deal

As stated in the letter from the Board, a portion of the proceeds from the Open Offer and the issue of Convertible Bonds will be used to fully repay the Shareholder's loan of approximately HK$19.5 million (the "**Shareholder's Loan**") as at the Latest Practicable Date to Mr. Kan. Since Mr. Kan is a substantial shareholder of the Company who is interested in 36.03% of the issued share capital of the Company as at the Latest Practicable Date, the repayment of Shareholder's Loan to Mr. Kan constitutes a special deal under Rule 25 of the Takeovers Code. Accordingly, the Special Deal requires, among other things, (i) consent by the Executive; (ii) the Independent Financial Adviser to publicly state that in its opinion the repayment is fair and reasonable; and (iii) approval by the Independent Shareholders at the EGM.

The Company has faced liquidity issue and required funding for its financial and operational obligations when since mid-2008. Since early 2009, Mr. Kan has advanced from time to time Shareholder's loans which amounted to approximately HK$19.5 million as at the Latest Practicable Date to the Group for general working capital and settlement of professional fees and costs in relation to, among other things, the Schemes. The Shareholder's Loan is unsecured, interest-free and repayable on demand.

Taking into account (i) the Shareholder's Loan was provided to support the resumption proposal of the Company and preserve the Company's ability to continue as a going concern; (ii) the repayment of the Shareholder's Loan will only be made following the completion of the Open Offer and the issue of Convertible Bonds; and (iii) Mr. Kan and his associates and concert parties will abstain from voting at the EGM on the resolution to approve the Special Deal, we are of the view that the proposed repayment of the Shareholder's Loan is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

8. Financial effects

Set out below are the highlights of the pro forma financial information of the Group assuming the completion of the Open Offer, the issue of Convertible Bonds, the debt restructuring, the Acquisition and the repayment of the Shareholder's Loan but without taking into account the Disposal (the "**Completion**"), according to the unaudited pro forma financial information of the Enlarged Group contained in Appendix IV to the Circular:

	Before Completion	After Completion Scenario I[1]	Scenario II[2]
Equity attributable to owners of the Company *(HK$'million)*	(376.30)[5]	19.22[3]	519.22[3]
Cash and bank balance *(HK$'million)*	0.06[5]	228.30[3]	228.30[3]
Profit for the year *(HK$'million)*	43.22[6]	332.91[4]	720.35[4]
Number of issued Shares *(million)*	422	2,110	12,110
Equity attributable to owners of the Company per Share *(HK$)*	(0.892)[5]	0.009[3]	0.043[3]
Profit for the year per Share *(HK$)*	0.102[6]	0.158[4]	0.059[4]
Current ratio *(times)*	0.035[5]	1.453[3]	1.453[3]

Notes:

1. assuming that none of the existing Shareholders takes up their respective entitlements to the Offer Shares under the Open Offer and the Underwriter takes up the Offer Shares in full.

2. assuming all of the existing Shareholders (except for Mr. Kan) take up their respective entitlements to the Offer Shares under the Open Offer and conversion of all Convertible Bonds immediately.

3. assuming that Completion has taken place on 30 April 2013 but without taking into account the completion of the Disposal.

4. as if Completion has taken place on 1 May 2012 but without taking into account the completion of the Disposal.

5. as at 30 April 2013.

6. for the year ended 30 April 2013.

8.1. Net assets

According to the unaudited pro forma financial information of the Enlarged Group contained in Appendix IV to the Circular, assuming that Completion has taken place on 30 April 2013 (without taking into account the completion of the Disposal), the Group's equity attributable to owners of the Company would be improved from the deficit of approximately HK$376.30 million to (i) a net asset position of approximately HK$19.22 million under Scenario I assuming none of the existing Shareholders takes up their respective entitlements to the Offer Shares under the Open Offer and the Underwriter takes up the Offer Shares in full; or (ii) a net asset position of approximately HK$519.22 million under Scenario II assuming all of the existing Shareholders (except for Mr. Kan) take up their respective entitlements to the Offer Shares under the Open Offer and conversion of all Convertible Bonds immediately. Accordingly, the equity attributable to owners of the Company per Share would also be enhanced from a deficit of HK$0.892 per Share to (i) net assets of HK$0.009 per Share under Scenario I; or (ii) net assets of HK$0.043 per Share under Scenario II.

8.2. Earnings

Based on the unaudited pro forma financial information of the Enlarged Group contained in Appendix IV to the Circular and as if Completion has taken place on 1 May 2012 (without taking into account the completion of the Disposal), the results of the Group for the year would increase from a net profit of approximately HK$43.22 million to (i) a net profit of approximately HK$332.91 million which represents a net profit per Share of around HK$0.158 under Scenario I; or (ii) a net profit of approximately HK$720.35 million which represents a net profit per Share of around HK$0.059 under Scenario II.

8.3. Indebtedness and liquidity

Based on the unaudited pro forma financial information of the Enlarged Group contained in Appendix IV to the Circular, by the implementation of the Scheme, all amounts due to certain creditors of the Company, which amounted to approximately HK$354.8 million as at 30 April 2013, are expected to be settled and discharged (assuming that the discharge has been taken place on the date of completion of the Transactions (i.e. 1 May 2012 or 30 April 2013)) for a cash payment of HK$37.0 million. Based on the audited consolidated balance sheet of the Group as at 30 April 2013, the Group had current assets of approximately HK$13.85 million and current liabilities of approximately HK$390.15 million, representing a current ratio of 0.035 times. Based on the unaudited pro forma financial information of the Enlarged Group contained in Appendix IV to the Circular, the current ratio would be improved to around 1.453 times following Completion.

8.4. Working capital

According to the unaudited pro forma financial information of the Enlarged Group contained in Appendix IV to the Circular, assuming that Completion has taken place on 30 April 2013 (without taking into account the completion of the Disposal), the Group's cash and bank balances would increase substantially from around HK$62,000 to approximately HK$228.30 million under both Scenarios I and II and hence, it is expected that the Group's working capital position will be strengthened following Completion.

Based on the above analysis where the Open Offer, the issue of Convertible Bonds, the debt restructuring, the Acquisition and the repayment of the Shareholder's Loan would improve the overall financial position of the Group, we are of the view that, in this respect, it is beneficial to the Group and the Shareholders as a whole.

RECOMMENDATION

Based on the above principal factors and reasons, we consider the terms of each of the Transactions to be fair and reasonable as far as the Company and the Independent Shareholders are concerned and accordingly, we recommend that the Independent Board Committee to advise, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to approve the Transactions in the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
Kenneth Chow
Managing Director — Corporate Finance

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

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

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

- the performance of the PRC property market;
- the Enlarged Group's ability to successfully complete and realise benefits from its development projects;
- the Enlarged Group's ability to obtain adequate financing on terms acceptable to it;

- the Enlarged Group's levels of indebtedness and interest payment obligations;
- the Enlarged Group's ability to effectively manage its planned expansion;
- the performance of the Target Group's independent contractors;
- the Enlarged Group's ability to stay abreast of market trends;
- the Enlarged Group's ability to continue to use certain properties in an undisrupted manner;
- the Enlarged Group's ability to effectively manage its operational and project development costs;
- the Enlarged Group's ability to retain core team members and attract qualified and experienced personnel;
- the Enlarged Group's ability to liquidate assets in response to changes in economic and financial conditions, as necessary;
- the Enlarged Group's ability to maintain and renew the permits and licences it required for undertaking its business operations;
- prospective financial information of Enlarged Group; and
- other factors beyond the control of the Company and the Target Company.

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

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

You should carefully consider all of the information in the circular including the risk factors described below. The business, financial condition or results of operations of the Enlarged Group could be materially adversely affected by any of these risk factors. In addition to the risk factors described below, other risks and uncertainties not presently known to the Enlarged Group, or not expressed or implied below, or that the Enlarged Group currently deems immaterial, may also adversely affect the business, operating results and financial condition of the Enlarged Group in a material respect.

The Enlarged Group considers that there are certain risks involved in its business and operations and in connection with the Acquisition. Such risks can be categorised into: (i) risks relating to the Acquisition, the Open Offer and the Subscription Agreement, (ii) risks relating to the Enlarged Group, (iii) risks relating to the business and industry of the Target Group, (iv) risks relating to the PRC in general and (v) risks relating to the circular.

RISKS RELATING TO THE ACQUISITION, THE OPEN OFFER AND THE SUBSCRIPTION AGREEMENT

The Resumption is subject to the permission from the SFC, so the Resumption may not take place if the Company cannot obtain the permission from the SFC.

Trading in the Shares on the Stock Exchange has been suspended since 14 May 2007 at the direction of the SFC upon exercise of its power under Rule 8(1) of the Securities and Futures (Stock Market Listing) Rules. Therefore, the Resumption is subject to, amongst others, the permission from the SFC. The Company has made an application to the SFC to seek its permission for dealings in the Shares to recommence under section 9(3)(c) of the Securities and Futures (Stock Market Listing) Rules. Pursuant to the letter from the SFC to the Company on 21 October 2013, for the purpose of section 9 of the Securities and Futures (Stock Market Listing) Rules, based on the information as stated in the Resumption Submission and this circular, the SFC has informed the Company that dealing in the Shares may recommence after the completion of the transactions contemplated in the Resumption Submission as referred in this circular. The Resumption Submission includes, among other elements, the Acquisition, the Open Offer, the issue of the Convertible Bonds, the Whitewash Waiver and the Special Deal. The matters stated above are not necessarily exhaustive and the SFC may raise further matters or impose conditions in connection with the recommencement of dealings in the Shares or make further comments on any draft document in relation thereto submitted to the SFC and the Stock Exchange up to the date of the recommencement, as the SFC may consider appropriate. The SFC's letter on 21 October 2013 should not be construed as a statutory notice under section 9 of the Securities and Futures (Stock Market Listing) Rules.

As such, the Company has not yet received the permission for dealings in the Shares to recommence under section 9(3)(c) of the Securities and Futures (Stock Market Listing) Rules. Therefore, if the Company cannot obtain the permission from the SFC, the Resumption may not take place.

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

A number of the conditions precedent to completion of the Acquisition as set out in the paragraphs headed "The Acquisition Agreement — Conditions Precedent" and "The Confirmation Letter" in the section headed "Letter from the Board" of the circular involve the decisions of third parties, including approvals by the Shareholders at the EGM of the Company, issue of the Approval Document by the Approval Authority, issue of the Renewed Business License by Registration Authority and completion of the Open Offer and the Subscription Agreement. As fulfillment of such conditions precedent is not within the control of the parties involved in the Acquisition, there is no assurance that the Acquisition will be completed in a timely manner as contemplated, or at all.

The shareholding percentages of the existing Shareholders in the Company will be substantially diluted immediately following the completion of the Open Offer and the transactions contemplated in the Subscription Agreement.

Pursuant to the Underwriting Agreement, the Company will issue an aggregate of 1,688,000,000 Shares by way of the Open Offer with Magnolia Wealth as the Underwriter. In addition, pursuant to the Subscription Agreement, the Company will issue the Convertible Bonds in the principal amount of approximately HK$420,000,000 to Magnolia Wealth and in the principal amount of approximately HK$80,000,000 to Mr. Kan. The Offer Shares and Conversion Shares represent approximately 96.53% of the total issued share capital of the Company as enlarged by issue of the Offer Shares and full conversion of the Convertible Bonds. As a result, the shareholding percentages of the existing Shareholders in the Company would be substantially diluted. Any value enhancement of the Shares as a result of the Acquisition may not necessarily be reflected in their market price and may not offset the dilution effect to the Shareholders.

The Company may not be able to attain the Public Float immediately following the completion of the Open Offer if no sufficient Independent Shareholders participate in the Open Offer.

Assuming none of the existing Shareholders takes up their respective entitlements to the Offer Shares under the Open Offer and the Underwriter takes up the Offer Shares in full, the Company will only attain a public float of approximately 12.79%. In order to attain the Public Float, Magnolia Wealth has entered into the non-binding memorandums of understanding with two placing agents and the two placing agents have expressed their interest in entering into placing agreements with Magnolia Wealth on a "full-underwriting basis" for an aggregate of a maximum of 257,550,000 Offer Shares, representing approximately 12.21% of the enlarged issued share capital of the Company as enlarged by the Open Offer. However, there is still a risk that the Company may not be able to attain the Public Float if Magnolia Wealth fails to enter into placing agreements with these placing agents in time and the Resumption will only take place when the Public Float requirement is met.

Existing Shareholders will experience further dilution if the Company issues additional Shares in the future.

In order to expand the business of the Company, the Company may consider offering and issuing additional Shares in the future. Shareholders may experience further dilution in the net tangible asset book value per Share of their Shares, if the Company issues additional Shares in the future at a price which is lower than the net tangible asset book value per Share.

The property valuation reports may materially differ from prices that can be achieved.

The valuations of the Target Group's properties as 31 July 2013, prepared by CBRE Limited, are contained in the Property Valuation Reports included in Appendix V to the circular. The valuations are based upon certain assumptions, which, by their nature, are subjective and uncertain and may materially differ from actual values. With respect to the properties under development and properties held for future development, the valuations are based on the assumptions that (i) 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 values of the property interests; (ii) all the property interests are valued by the comparison method on the assumption that each property can be sold with the benefit of vacant possession; (iii) comparison is based on prices realised on actual acquisition or asking prices of comparable properties; and (iv) comparable properties with similar sizes, character 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 properties owned by the subsidiaries of the Target Company in which the Target Company has an attributable interest of less than 100%, the valuation assumes that the Target Company's interest in the aggregate market value of the properties is equal to its proportionate attributable interest in such properties. These valuations are not a prediction of the actual value of the Target Group may achieve from its properties in a public market transaction as of the date of valuation. Unforeseen changes in a particular property development or in general or local economic conditions, and other factors, could affect the value of the Enlarged Group's properties.

Immediately following completion of the Open Offer and the transactions contemplated in the Subscription Agreement, the Controlling Shareholders will have substantial influence over the Company and their interests may not be aligned with the interests of the other Shareholders.

With reference to the paragraph headed "Change in Shareholding Structure" in the section headed "Letter from the Board" of the circular, it is Magnolia Wealth's intention to maintain more than 50% of the enlarged issued share capital of the Company at the relevant time of the Resumption. Mr. Ji may through Magnolia Wealth increase his indirect shareholding in the Company without triggering any general offer obligation under the Takeovers Code.

This concentration of ownership may discourage, delay or prevent a change in control of the Company following the CB Completion, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of the Company and might reduce the price of the Shares. These events may occur even if they are opposed by the other Shareholders. In addition, the interests of Mr. Ji and Magnolia Wealth may differ from the interests of the other Shareholders. Mr. Ji and Magnolia Wealth will have substantial influence over the Enlarged Group's business, including matters relating to its management and policies and decisions regarding mergers, expansion plans, consolidations and the sale of all or substantially all of the Enlarged Group's assets, election of directors and other significant corporate actions. It is possible that Mr. Ji and Magnolia Wealth may exercise their substantial influence over the Enlarged Group and cause it to enter into acquisitions or take, or fail to take, other actions or make decisions which conflict with the best interests of the other Shareholders.

RISKS RELATING TO THE ENLARGED GROUP

The growth prospects of the Enlarged Group depend on continual and successful operation and growth of the Target Group.

The Target Group will become operating subsidiaries of the Company upon the completion of the Acquisition. The Company is a holding company and currently conducts substantially all of its business through its operating subsidiary, Dongguan Up Stand. Upon the completion of the Disposal, the Company will dispose of all the equity interest in Dongguan Up Stand by the way of disposing of the holding company of Dongguan Up Stand, namely, Up Stand Holdings Limited, which is a wholly-owned subsidiary of the Company. For more details of the transaction, please refer to the section headed "Letter from the Board" in the circular. Accordingly, upon the completion of the Disposal, results of operations, financial condition and business prospects of the Enlarged Group will depend solely on those of the Target Group and may be materially and adversely impacted if the Target Group is not able to maintain the continual and successful operation and growth of its business.

RISKS RELATING TO THE BUSINESS AND INDUSTRY OF THE TARGET GROUP

The Target Group's operating history may not serve as an adequate basis on which to evaluate its current business and future prospects and results of operations.

All revenue generated from the Target Group's property development business during the Track Record Period was derived from the sales of properties in XiChengYiPinHuaYuan (西城逸品花園) in Yancheng and TongJingYueCheng (同景•躍城) in Chongqing. The Target Group is developing other projects in Yancheng and Chongqing and may expand to other cities. Therefore, the revenue attained by the Target Group during the Track Record Period may not be taken as a reference or indication of its results of operations in the future. There is also no assurance that the gross profit margin of the Target Group will remain at a level similar to those in the Track Record Period or that the Target Group will be successful in meeting all challenges and addressing the risks and uncertainties it may face in developing its projects in other cities. Should the Target Group fail in overcoming such challenges or addressing such risks and uncertainties in the future, its business, results of operations, financial condition and prospects may be adversely affected.

The Target Group's business and prospects significantly depend on the performance of the PRC property market, particularly the property market in Yancheng and Chongqing.

The Target Group is a property developer primarily focusing on developing and selling residential properties in Yancheng and Chongqing in the PRC through its two project companies, namely, Jiangsu Fullshare Property and Chongqing Tongjing. As a result, the Target Group's business and prospects significantly depend on the performance of the PRC property market, particularly the property market in Yancheng and Chongqing. The PRC property market is volatile and may experience undersupply or oversupply of property units and significant property price fluctuations. Any significant downturn in the PRC economy could adversely affect demand for commercial and residential properties in the PRC. In addition, the PRC national and local governments frequently adjust monetary, fiscal or other economic policies to prevent and curtail the overheating of the economy, in particular, the property market, which may reduce demand for property and result in adverse effect on the Target Group's business and financial condition. From time to time, the PRC property market has experienced excessive development. Any excessive development in the property market where the Target Group operates may result in an oversupply of properties, intensified competition and increases in land acquisition costs, which may materially and adversely affect the Target Group's business, results of operations and financial condition.

The Target Group's operations are subject to extensive governmental regulations.

The Target Group's business is subject to extensive governmental regulations. As with other PRC property developers, the Target Group must comply with various requirements mandated by the PRC laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In particular, the PRC government has in recent years taken various measures to regulate the property market, such as raising benchmark interest rates of commercial banks, placing additional limitations on the ability of commercial banks to issue loans to property developers, imposing additional taxes and levies on property sales, restricting foreign investment in the PRC property market and imposing restrictions on the purchase of properties by domestic individuals. For additional information on the PRC laws and regulations relating to the property market, please refer to the section headed "Summary of Principal PRC Legal and Regulatory Provisions" in Appendix VI in the circular. Many of the property industry policies carried out by the PRC government are unprecedented and are expected to be refined and improved over time. This refining and adjustment process may not necessarily have a positive effect on the Target Group's operations and future business development. There is no assurance that the PRC government will not adopt additional and more stringent industry policies and regulations in the future. If the Target Group fails to adapt its operations to the new policies and regulations that may come into effect, or such regulatory measures disrupt its business prospects or cause it to incur additional costs, the Target Group's business, results of operations and financial condition may be materially and adversely affected.

The contracted ASP of the properties developed by the Target Group may continue to decrease.

The contracted ASP of the properties developed by the Target Group in any given period depends on a number of factors, including the types, features, locations of the properties and the supply and demand condition of the local market in Yancheng and Chongqing. The supply and demand condition of the local market in Yancheng and Chongqing is out of the Target Group's control and is primarily affected by the local economic growth, urbanisation and standards of living as well as austerity measures affecting the availability of credit facilities to potential customers, the general investment appetite in the industry and the availability of funding for property developers for land acquisitions and development. From 2011 to 2012, the contracted ASP of residential properties of XiChengYiPinHuaYuan (西城逸品花園) and TongJingYueCheng (同景•躍城) decreased by 1.8% and 2.7% respectively. For more details, please refer to "Business of the Target Group — Property Development Projects of the Target Group — Contracted Sales". The Target Group cannot assure you that the PRC government will not implement further measures to restrain the PRC property market or there will be no downturn in the PRC property market in the future, which could adversely affect the Target Group's business, results of operations, financial condition and prospects.

Negative net cash flow from operating activities may impair the Target Group's ability to make necessary capital expenditures, acquire suitable land, develop and complete its property projects on time, or settle its debt obligations when due.

The Target Group recorded negative net cash flow from operating activities of approximately RMB313.7 million and RMB35.9 million for the year ended 31 December 2010 and the six months end 30 June 2013, primarily due to the long-term and capital intensive nature of property development and the Target Group's continued business expansion through land acquisition. The Target Group's operating cash flows may be adversely affected by a variety of competitive, macro-economic and other related factors beyond its control. The Target Group's ability to make capital expenditures, acquire suitable land, develop and complete its projects or settle its debt obligations depends on its ability to maintain adequate cash inflows from operating activities and proceeds from external financing. In the event that the Target Group is unable to generate sufficient cash flows from its operations to meet the demand from its operating and capital expenditures, its operations will have to be funded by other financing activities. However, the Target Group's debt servicing and other fixed payment obligations could in turn divert the cash flows from its operations and planned capital expenditures, and the finance costs associated with such debt obligations could materially and adversely affect the Target Group's ability to generate profits in the future.

The Target Group may not have adequate financing to fund its future land acquisition and property development, or such capital resources may not be available on commercially reasonable terms, or at all.

Property development is capital-intensive. The Target Group expects to continue to incur a high level of capital commitments in the foreseeable future. During the Track Record Period, the Target Group financed its property projects primarily through a combination of internally generated funds, including proceeds from the pre-sales and sales of its properties, and external financing, including borrowings from PRC commercial banks.

Pre-sale proceeds are an important source of financing for the property development of the Target Group. There is no assurance that the Target Group will be able to generate sufficient pre-sale proceeds, or at all, to finance its development projects. Any restriction on its ability to pre-sell its properties, including any increase in the amount of upfront expenditures the Target Group must incur prior to obtaining a pre-sale permit, or any restriction on its ability to utilise pre-sale proceeds, including any changes to PRC laws and regulations governing the use of pre-sale proceeds, could extend the time required to recover its capital outlay and require the Target Group to seek alternative means to finance its property development projects. The Target Group's ability to generate cash flows depends on, among others, the demand for and prices of its properties and its ability to continuously develop and pre-sell or sell its properties. Any restrictions, including any changes to such restrictions, on the ability of the Target Group to pre-sell or sell, any change in the ability of the Target Group to generate profits or losses from its operations or its ability to collect instalment payments from its customers could have a material adverse impact on the Target Group's cash flow, financial condition and results of operations.

In addition, the Target Group also requires external financing for its operations. The Target Group's ability to obtain external financing in the future and the cost of such financing are subject to uncertainties beyond its control, including, among other things:

- requirements to obtain PRC government approvals necessary for obtaining financing in the domestic or international markets;
- future results of operations, financial condition and cash flows of the Target Group;
- the condition of the international and domestic financial markets and financing availability thereof;
- changes in the monetary policies of the PRC government with respect to bank interest rates and lending practices;
- changes in the interest rates and/or the lending policies of the PRC commercial banks; and
- changes in policies regarding regulation and control of the real estate market.

The PRC government has implemented a number of measures to manage money supply growth and credit availability, especially with respect to the property development industry. For more information, please refer to the section headed "Summary of Principal PRC Legal and Regulatory Provisions" in Appendix VI in the circular. If the PRC government introduces additional restrictive measures in the future, the Target Group's access to capital will be further limited and the Target Group may not be able to secure adequate financing or renew its existing credit facilities prior to their expiration on commercially reasonable terms, or at all.

As of 31 December 2010, 2011 and 2012 and 30 June 2013, the Target Group had outstanding borrowings from commercial banks of approximately RMB160.0 million, RMB285.0 million, RMB231.5 million and RMB303.0 million, respectively. As of 31 December 2010, 2011 and 2012 and 30 June 2013, the gearing ratio of the Target Group was 100.5%, 123.6%, 59.4% and 71.4%, respectively. Gearing ratio is calculated by dividing the total interest-bearing liabilities by total equity at the end of the year and multiplying by 100%. There is no assurance that the Target Group will be able to maintain a prudent gearing ratio in the future. If the Target Group's gearing ratio increases significantly in the future, its ability to raise bank borrowings could be negatively affected, which would in turn limit its ability to acquire land or capture other opportunities and as a result, its business, financial condition and results of operations may be materially and adversely affected.

The Target Group is subject to risks associated with certain covenants or restrictions under its bank borrowings agreements which may adversely affect its business, financial condition and results of operations.

The Target Group is subject to certain restrictive covenants in the loan agreements entered with two banks. The details of the restrictive covenants of the loan agreement with Yancheng Chengzhong Sub-branch of Bank of China Limited are as following:

- Jiangsu Fullshare Property may not make any distribution to its shareholders without fully repayment of the loan;
- Jiangsu Fullshare Property may not carry out any merger, restructuring, spin-off, reduction of registered share capital, material asset transfer, liquidation or change in shareholding structure without the lender's written consent;
- Jiangsu Fullshare may not commence the construction of Phase 2 of XiChengFuDi (西城府邸) and JiuZongGou Land Parcel (九總溝地塊) without the lender's written consent as long as such loan is outstanding; and
- The debt-to-asset ratio of Jiangsu Fullshare Property may not exceed 80%, otherwise the lender will be entitled to reduce, suspend or terminate the banking facilities granted by the lender as long as such loan is outstanding, and/or declare all the outstanding amount under the loan agreement become due.

According to the two loan agreements with Chongqing Branch of China Minsheng Banking Corp. Ltd., Chongqing Tongjing may not carry out any merger, acquisition, spin-off, shareholding system reform, material asset transfer, liquidation, investment, joint operation or other actions that will affect the rights of the lender without the lender's written consent.

The Target Group cannot assure you that it will be able to abide by all covenants and restrictions of any of its loan agreements in the future. Should the Target Group fail to abide by any of these provisions, its business, financial condition and results of operations may be adversely affected.

The Target Group may not be able to acquire land reserves in desirable locations suitable for development at commercially acceptable prices in the future.

The growth and success of the Target Group's business depend on its ability to continue acquiring land reserves located in desirable locations that are suitable for residential projects at commercially reasonable prices. The Target Group's ability to acquire land may depend on a variety of factors that the Target Group cannot control, such as overall economic conditions in the PRC, effectiveness in identifying and acquiring land parcels suitable for development, land acquisition cost and competition for such land parcels. Many cities in the PRC, including Yancheng and Chongqing, have experienced an increase in land acquisition costs in recent years. In addition, there is limited supply of suitable land available for development in such cities and the Target Group may also face competition from other property developers for the sites the Target Group plans to acquire. As a result, the Target Group may not be able to acquire suitable land at reasonable costs, or at all. Further changes in government policy with regard to land supply and development may lead to increases in the Target Group's costs of acquiring land and limit its ability to successfully acquire land at reasonable costs, which could have a material adverse impact on its business, financial condition and results of operations.

The Target Group may not successfully manage its growth and expansion.

The Target Group seeks to develop projects in other cities in addition to Yancheng and Chongqing in the PRC when appropriate opportunity arises. However, expansion into new geographical locations involves uncertainties and challenges due to the Target Group's unfamiliarity with local regulatory practices and customs, customer preferences and behavior, the reliability of local construction contractors and material suppliers, business practices, business environment and municipal-planning policies. In addition, expanding the Target Group's business into new geographical locations would entail competition with developers who may have better-established local presence, more familiarity with local regulatory and business practices and customs, and stronger ties with local suppliers, contractors and purchasers, than the Target Group. As the Target Group may face challenges not previously encountered, it may fail to recognise or properly assess risks or take full advantage of opportunities, or otherwise fail to adequately leverage its past experience to meet challenges encountered in these new activities. For example, the Target Group may have difficulty in accurately predicting market demand for its properties in the cities into which it expands. In addition, expanding into new geographic locations requires a significant amount of capital and management resources. The Target Group will also need to manage the growth in its workforce as required by the expansion of its business. If the Target Group does not successfully manage its growth and expansion, its business, results of operations, financial condition and prospects could be materially and adversely affected.

The Target Group may not be able to complete its development projects on time or at all.

The construction of property projects may take over a year or longer before positive net cash flow may be generated through sales and pre-sales. As a result, the Target Group's cash flow and results of operations may be significantly affected by its project development schedules. The schedules of the projects of the Target Group depend on a number of factors, including, among others, the performance and efficiency of construction contractors and the Target Group's ability to finance construction. Other specific factors that could adversely affect the Target Group's project development schedules include:

- natural catastrophes and adverse weather conditions;
- changes in market conditions, economic downturns, and decreases in business and consumer sentiment in general;
- changes in relevant regulations and government policies;
- relocation of existing residents and/or demolition of existing constructions;
- shortages of materials, equipment, contractors and skilled labor;
- labor disputes;
- construction accidents; and
- errors in judgment on the selection and acquisition criteria for potential sites.

The Target Group experienced delays in the construction of certain projects or phases or stages of its projects during the Track Record Period. For more information, please refer to "Business of the Target Group — Non-compliance — Delay in the Construction and Completion of Projects". Construction delays or failure to complete the construction of a project according to its planned specifications, schedule or budget may harm the Target Group's reputation as a property developer and result in loss of or delay in recognising revenue and lower returns. If a property project is not completed on time, the purchasers of pre-sold units within the project may be entitled to compensation for late delivery. If the delay extends beyond a certain period, the purchasers may be entitled to terminate their property sale and purchase agreements and claim damages. There is no assurance that the Target Group will not experience significant delays in completion or delivery of its projects in the future. Should any such event occur, the Target Group's business, results of operations and financial condition may be materially and adversely affected.

The Target Group may forfeit land to the PRC government if the Target Group fails to develop properties in accordance with the terms and time frame set forth in the land use rights grant contracts.

Under PRC laws and regulations, if a property developer fails to develop a project according to the terms of the relevant land use rights grant contract, including those relating to the payment of land grant premium, demolition and relocation costs and other fees, the designated use of the land and the time for commencement and completion of the property development, the PRC government may issue a warning, impose a penalty, and/or order such property developers to forfeit the land. Specifically, under current PRC laws, if a property developer fails to commence development more than one year but less than two years after the commencement date stipulated in the land use rights grant contract, the relevant PRC land bureau may issue a warning to such property developer and impose an idle land fee on the land of up to 20% of the land premium. The PRC government may confiscate the land use rights without compensation if a property developer fails to commence development within two years from the construction commencement date set forth in the land use rights grant contract, unless the delay in the development is caused by government actions or force majeure. Moreover, if a property developer commences development of the land in accordance with the time frame stipulated in the land use rights grant contract and the developed GFA on the land is less than one-third of the total proposed GFA of the project or the total invested capital is less than one-fourth of the total investment of the project and the development of the land is suspended for more than one year without government approval, the land may be treated as idle land and subject to forfeiture. Further measures promulgated by PRC government require the competent land authorities not to accept any application for new land use rights or process any title transfer transaction, lease transaction, mortgage transaction or land registration application in respect of any idle land before the completion of the required rectification procedures. Please see the section headed "Summary of Principal PRC Legal and Regulatory Provisions" in Appendix VI to the circular for more details.

The Target Group commenced constructing three of its projects, namely ShuXiangYuan (書香苑), TongJingYueCheng (同景•躍城) and JiuZongGou Land Parcel (九總溝地塊) later than the construction commencement dates specified in the relevant land use rights grant contracts or approved by relevant government authority. Please see "Business of the Target Group — Non-compliance — Delay in the Construction and Completion of Projects" for details. Any future failure to comply with the terms of land use rights grant contracts or idle land regulations may subject the Target Group to penalties, including forfeiture of the relevant land. If the land is forfeited, the Target Group will not only lose the opportunity to develop its property projects on such land, but also may lose all its past investments in the land, which will adversely and materially affect its business, financial condition and results of operations.

Any unfavourable findings or rulings by the relevant authorities against any of the Target Group's delayed projects may have an adverse impact on the Target Group's financial performance and position.

During the Track Record Period and up to the Latest Practicable Date, the Target Group had delays in construction and completion of certain projects. Please refer to "Business of the Target Group — Non-compliance — Delay in the Construction and Completion of Projects" for more details. The potential maximum exposure of the Target Group resulting from such delay would be approximately RMB224 million in aggregate, comprising: (i) RMB12.8 million for XiChengYiPinHuaYuan (西城逸品花園); (ii) RMB148.8 million for JiuZongGou Land Parcel (九總溝地塊); (iii) RMB29.5 million for ShuXiangYuan (書香苑); and (iv) RMB32.9 million for TongJingYueCheng (同景•躍城), while the Target Group's profit and total comprehensive income for the year/period amounted to approximately RMB12.7 million, RMB77.9 million, RMB33.4 million and RMB34.5 million for the years ended 31 December

2010, 2011 and 2012 and the six months ended 30 June 2013, respectively. As no provision has been made for any of the aforesaid potential maximum exposure, any unfavourable findings or rulings by the relevant authorities against any of the aforesaid property projects may have an adverse impact on the Target Group's financial performance and position.

Any unfavourable findings or rulings by the relevant authorities against the Target Group's inter-company loan may have an adverse impact on the Target Group's financial performance and position.

During the Track Record Period and up to the Latest Practicable Date, there were certain inter-company loans involving the Target Group. Please refer to "Business of the Target Group — Non-compliance — Inter-company Loans" for more details. The potential maximum exposure of the Target Group resulting from such inter-company loans would be approximately RMB104.1 million in aggregate as of 31 July 2013. As no provision has been made for any of the aforesaid potential maximum exposure, any unfavourable findings or rulings by the relevant authorities against any of the aforesaid inter-company loans may have an adverse impact on the Target Group's financial performance and position.

The Target Group's business may be adversely affected if it fails to obtain, or if it experiences material delays in obtaining, necessary government approvals in carrying out its property development operations.

The property industry in the PRC is heavily regulated by the PRC government. Property developers must comply with various laws and regulations, including rules issued by national and local governments to enforce these laws and regulations. To engage in property development business, the Target Group must apply to relevant government authorities to obtain (and renew for those relating to on-going operations) various licences, permits, certificates and approvals, including but not limited to, qualification certificates, land use rights certificates, construction work commencement permits, construction work planning permits, construction land planning permits, pre-sale permits and completion certificates. The Target Group must meet specific conditions in order to obtain or renew such certificates or permits. Please refer to "Summary of Principal PRC Legal and Regulatory Provisions" in Appendix VI to the circular for details. The Target Group may encounter material delays or difficulties in fulfilling the necessary conditions to obtain or renew all necessary certificates or permits for its operations, or at all, in the future. In the event that the Target Group fails to obtain or renew, or encounter any significant delay or difficulty in obtaining or renewing, the necessary government approvals for any of its property projects, the Target Group will not be able to continue with its development plans, and as a result, its business, results of operations and financial condition may be materially and adversely affected.

The Target Group may be liable for delay in delivery of property ownership certificates.

Once a property project has passed the requisite completion inspections, the Target Group must deliver the completed property to the property purchasers within the time frame provided in the property sale and purchase agreements. Failure to do so may render the Target Group liable for monetary damages, which may adversely affect the Target Group's reputation and business operations. In addition, the Target Group must apply for the general property ownership certificates in respect of these properties within the time frame provided in the property sale and purchase agreements. An individual purchaser must apply for the individual property ownership certificate within 90 days after execution of the property sale and purchase agreement for the purchase of completed properties or within 90 days after the delivery of property for the purchase of pre-sold properties. The Target Group must obtain a general property ownership certificate before relevant authorities can issue individual property ownership certificates to property purchasers and the Target Group must provide the property purchasers with necessary assistance in applying for the individual property ownership certificates. Any delay in assisting property purchasers with the individual property ownership certificate application, including delay in obtaining the general property ownership certificate by the Target Group with respect to one or more of its property projects, may adversely affect the Target Group's business and reputation.

The Target Group's business, financial condition and results of operations may be materially and adversely affected if interest rates increase in the future.

Changes in interest rates have affected and will continue to affect the Target Group's financing costs or construction costs (if capitalised) and ultimately, its results of operations. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, the interest expenses of the Target Group's bank borrowings, which were fully capitalised, were approximately RMB6.6 million, RMB18.3 million, RMB19.5 million and RMB10.6 million, respectively. Increases in interest rates may also affect the Target Group's customers' ability to secure mortgage loans on acceptable terms, which in turn may affect their ability to purchase the Target Group's properties. As all of the Target Group's borrowings are in Renminbi, the interest rates on its borrowings are primarily affected by the benchmark interest rates set by the PBOC, which have fluctuated in recent years. The PBOC raised the benchmark one-year lending rate several times to 6.56% from 2010 to 2011. Since then, the PBOC has lowered the benchmark one-year lending rate, which as of the Latest Practicable Date was at 6.00%. The Target Group's borrowings bear interest at variable-rates, and the effective interest rates per annum on the Target Group's borrowings range from 5.67% to 6.72% as of 31 December 2010, from 6.65% to 7.68% as of 31 December 2011, from 7.04% to 7.69% as of 31 December 2012 and from 7.07% to 7.98% as of 30 June 2013. There is no assurance that PBOC will not raise lending rates further or otherwise discourage bank lending or that the Target Group's business, results of operations and financial position will not be materially and adversely affected as a result.

Any significant increase in the cost of construction materials or labor costs may adversely affect the business, result of operations and financial condition of the Target Group.

Construction costs constituted the most important part of the cost of sales of the Target Group during the Track Record Period. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, construction costs represented 73.5%, 73.3%, 72.6% and 72.2%, respectively, of the cost of sales of the Target Group. Construction costs consist primarily of costs of construction materials and labor costs. Any increase in construction material cost or labor cost will impact the Target Group's cost of sales and overall project development costs. In addition, as the Target Group pre-sells some of its properties prior to their completion, the Target Group may not be able to pass any increase in construction costs subsequent to the time of pre-sale to its customers. As a result, any significant increase in the cost of construction materials or in labor costs for its property developments may adversely affect the business, result of operations and financial condition of the Target Group.

The reputation and business of Target Group may be materially and adversely affected by the performance of construction contractors.

The Target Group engages construction contractors to carry out various work including construction, equipment installation, landscaping, electro-mechanical engineering, pipeline engineering and lift installation. The Target Group selects construction contractors mainly through a tender process. There is no assurance that construction contractors will perform construction work with the required quality or in a timely manner. Any failure of the construction contractor to preform according to the quality requirement and timetable of the Target Group could increase the Target Group's project development costs and harm its reputation.

The Target Group obtains a significant portion of its construction services and construction materials from a few key construction contractors and construction material suppliers and the Target Group may not be able to replace them in a timely manner.

The purchase from or fees to the five largest construction contractors/material suppliers accounted for approximately 81.8%, 82.5%, 78.6% and 42.2% of the Target Group's total construction cost for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively. Their relationships with the Target Group range from six months to five years. If they discontinue their provision of materials or services to the Target Group, the Target Group may not be able to replace these construction contractors/material suppliers on a timely manner. In addition, the Target Group may not be able to engage sufficient qualified construction contractors in the cities which it plans to expand into. Any occurrence of such events may materially and adversely affect the business and results of operations of the Target Group.

The relevant PRC tax authorities may challenge the basis on which the Target Group calculates its PRC LAT expenses.

In accordance with PRC regulations on PRC LAT, all persons including companies and individuals that receive income from the sale or transfer of land use rights, buildings and their attached facilities are subject to PRC LAT at progressive rates ranging from 30% to 60% of the appreciated value of the property. Pursuant to a circular issued by the State Administration of Taxation, effective from 1 February 2007, PRC LAT obligations must be settled with the relevant tax bureaus within a specified time frame after the completion of a property project. Please see the section headed "Summary of Principal PRC Legal and Regulatory Provisions" in Appendix VI to the circular for details.

The Target Group makes provisions for the full amount of applicable PRC LAT in accordance with the relevant PRC tax laws and regulations from time to time pending settlement of the same with the relevant tax authorities. As the Target Group normally develops projects in phases and stages, deductible items for calculation of PRC LAT, such as land costs, are apportioned amongst different phases of development projects. Provisions for

PRC LAT are made on the Target Group's own estimate based on, among others, its own apportionment of deductible expenses which is subject to final confirmation by the relevant tax authorities upon settlement of the PRC LAT. Given the time gap between the point at which the Target Group makes provision for and the point at which it settles the full amount of PRC LAT payable, the relevant tax authorities may not necessarily agree with the Target Group's own apportionment of deductible expenses or other bases on which it calculates PRC LAT. As a result, the Target Group's PRC LAT expenses as recorded in its financial statements of a particular period may require subsequent adjustments. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, the Target Group recorded approximately RMB3.0 million, RMB20.7 million, RMB44.2 million and RMB43.8 million, respectively, as PRC LAT expenses. If the Target Group substantially underestimated PRC LAT for a particular period, the Target Group will need to pay additional PRC LAT, which could adversely affect its financial results for a subsequent period.

The property development business is subject to warranty claims under statutory quality warranties.

According to Construction Law of the PRC (《中華人民共和國建築法》) as amended in 2011 and Administrative Regulations on Urban Real Estate Development and Operation (《城市房地產開發經營管理條例》) effective from 20 July 1998, a real estate development enterprise must be responsible for the quality of the real estate development project it develops or constructs. In addition, under the Regulations on the Administration of Quality of Construction Works (《建設工程質量管理條例》), which became effective from 30 January 2000 as well as Warranty of the Quality of Building Construction Projects Procedures (《房屋建築工程品質保修辦法》), which became effective from 17 October 2007, all property developers in the PRC including the Target Group must provide certain quality warranties for the properties they construct or sell. The Target Group normally receives quality warranties from its construction contractors with respect to its property projects. If a significant number of claims were to be brought against the Target Group under the warranties and the Target Group were unable to obtain reimbursement for such claims from construction contractors in a timely manner or at all, or if the amount of quality warranties retained by the Target Group from payment to the construction contractors was not sufficient to cover such payment obligations under its quality warranties to its customers, the Target Group could incur significant expenses to resolve such claims or fail to rectify the related defects in a timely manner, which could in turn adversely affect its reputation, results of operations and financial condition.

The Target Group relies on its key management members.

The Target Group depends on the services provided by key management members. In particular, the Target Group is highly dependent on Mr. Ji, the founder of the Target Company and the proposed chairman and executive Director of the Company. The Target Group does not maintain key employee insurance. In the event that the Target Group loses the services of any key management member, the Target Group may be unable to identify and recruit suitable successors in a timely manner or at all, which may adversely affect its business and operations. Moreover, the Target Group may need to employ and retain additional management personnel to support its expansion into cities other than Yancheng and Chongqing. If the Target Group cannot attract and retain sufficient qualified management staff, its business and future growth may be materially adversely affected.

The Target Group is subject to potential environmental liability.

The Target Group is subject to a variety of environmental laws and regulations. The particular environmental laws and regulations that apply to any given development site vary significantly according to the site's location, environmental condition, the present and former uses of the site and the nature of the adjoining properties. Compliance with environmental laws and regulatory may result in delays in development process and increase in development cost and may restrict or even prohibit project development activities. As required by PRC laws and regulations, the Target Group has engaged independent environmental consultants to conduct environmental impact assessments for its development projects. However, there is no assurance that the Target Group will effectively prevent non-compliance with applicable environmental laws and regulations in the future. If any project or any portion of its development project is found to be non-compliant with applicable environmental laws or regulations, the Target Group may be ordered to suspend all or a portion of its operations and may be subject to fines and other penalties, which may materially and adversely affect its business, financial condition and results of operations. In addition, the PRC government may change the existing laws and regulations or impose additional or stricter laws or regulations, the compliance of which may cause the Target Group to incur significant additional costs.

The Target Group may become involved in legal and other proceedings from time to time and may become subject to significant liabilities or suffer other losses as a result.

The Target Group may be involved in disputes with various parties relating to the acquisition of land use rights, the development and sale of its properties or other aspects of its business and operations. These disputes may lead to legal or other proceedings. Disputes and legal and other proceedings may require substantial time and expense to resolve, which could divert valuable resources, such as management time and working capital, delay the Target Group's planned projects and increase its costs. Third parties that are found liable to the Target Group may not have the resources to compensate the Target Group for its damages. The Target Group could also be required to pay significant damages and expenses if it does not prevail in any such disputes or proceedings. In addition, the Target Group may have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings and unfavorable decrees that may result in pecuniary liabilities or cause delays to its property development.

The Target Group has limited insurance coverage.

The Target Group does not have insurance coverage against potential losses or damages with respect to its properties before their delivery to customers, nor does the Target Group maintain insurance coverage against liability from tortious acts or other personal injuries on its project sites. However, if the Target Group secures bank loans from a commercial bank with its properties under development, such commercial bank may require the Target Group to maintain insurance coverage against potential losses or damages with respect to such property till the full repayment of the bank loan. In the event that the Target Group fails to obtain required insurance coverage, the Target Group's ability to obtain financing from commercial banks in the PRC may be adversely affected, which may ultimately adversely affect the results of operations and financial condition of the Target Group.

Pursuant to PRC laws and regulations and the general construction contract entered into between each project company of the Target Group and its general construction contractor, the general construction contractor bears the primary civil liability for personal injuries arising out of its construction work. However, there is no assurance that the Target Group would not be sued or held liable for damages due to any such personal injuries and other tortious acts. State Administration of Work Safety requires each general construction contractor to purchase the work-related injury insurance for its construction workers. However, the Target Group's construction contractors may not be sufficiently insured themselves.

In addition, there are certain types of losses, such as losses due to earthquakes, nuclear contamination, typhoon, flooding, war and civil disorder, currently uninsurable in the PRC. If any of such events occurs to properties of the Target Group, to the extent any damages or losses were not insured, the Target Group's business may be materially and adversely affected.

The Target Group guarantees mortgage loans of its customers and may become liable to mortgagee banks if its customers default on their mortgage loans.

The Target Group provides guarantees to the banks in connection with its customers' mortgage loans to finance their purchase of the residential properties developed by the Target Group. The Target Group's guarantee is released upon the bank receiving the building ownership certificate of the relevant property from the purchaser as security for the mortgage loan. If any purchaser defaults on his or her payment obligations under the mortgage loan during the terms of such guarantee, the bank may request the Target Group to fulfill such payment obligation. Under such circumstances, the Target Group is entitled to forfeit the deposit received and sell the repossessed properties. In line with industry practice, the Target Group does not conduct any credit evaluation of its customers. Instead, it relies on the credit evaluation conducted by the mortgagee banks on its customers. As of 30 June 2013, the outstanding balance of the mortgage loans guaranteed by the Target Group was approximately RMB513.6 million. Should any material default by the customers of the Target Group occur under their mortgage loans guaranteed by the Target Group, the Target Group would be called upon to make significant payments to the banks, which could materially and adversely affect its results of operations and financial condition.

The Target Group faces intense competition.

The PRC real estate market has been highly competitive in recent years. All the current projects of Target Group are located in either Yancheng or Chongqing. Due to the regional nature of the real property industry, the Target Group's major competitors consist of property developers developing residential properties in Yancheng and Chongqing. Some of the Target Group's competitors may have better track record, greater financial, marketing and land resources, more extensive sales networks and stronger brand. Increasing competition in these cities may lead to an increase in competition for quality sites, land acquisition costs, intensified price competition and delay in the new property developments review and approval by the governmental authorities, all of which could materially and adversely affect the Target Group's business, results of operations and financial condition. In addition, expanding the Target Group's business into new geographical locations would entail competition with developers who may have better-established local presence, more familiarity with local regulatory and business practices and customs and stronger ties with local suppliers, contractors and purchasers, which may adversely affect the Target Group's business and prospects.

Any deterioration in the Target Group's brand image could adversely affect its business.

The Target Group's brand is important to its business operation and development. Any negative incident or negative publicity concerning the Target Group or its properties could adversely affect its reputation and business prospects. Brand value is based largely on consumer perceptions with a variety of subjective qualities and can be damaged even by isolated business incidents that degrade consumer trust. Brand value could diminish significantly if the Target Group fails to preserve the quality of its properties, or the Target Group is perceived to act in an unethical or socially irresponsible manner.

As of the Latest Practicable Date, the Target Group had not registered trademarks containing its brand "Fullshare (豐盛)" in the PRC. Nanjing Fullshare Holding undertakes to apply for trademarks containing its brand "Fullshare (豐盛)" in the PRC and grant to the Target Company a nonexclusive license to use the trademarks, including sublicensing the use of such trademarks by the Target Company to its subsidiaries (as established from time to time). For more details, please see "Business of the Target Group — Intellectual Property Rights". Any registration and use of such trademarks by any third party could harm the Target Group's image and competitive advantages and may result in infringement of trademarks by the Target Group in the future. Furthermore, the PRC intellectual property laws and regulations are still evolving and there exists uncertainties as to how the relevant courts or governmental authorities will enforce such laws and regulations. Any failure by the Target Group to adequately protect its brand, trademarks and other related intellectual property rights may have a material adverse effect on its business, financial condition and results of operations.

RISKS RELATING TO THE PRC IN GENERAL

PRC economic, political and social conditions as well as government policies could adversely affect the Enlarged Group's business and prospects.

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

- political structure;
- the amount and degree of the PRC government involvement and control;
- level of corruption;
- growth rate and degree of development;
- level and control of capital investment and reinvestment;

- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For approximately three decades, the PRC government has implemented economic reform measures to utilise market forces in the development of the PRC economy. The Enlarged Group cannot predict whether changes in the PRC's economic, political and social conditions and in its laws, regulations and policies will have any adverse effect on the Enlarged Group's current or future business, results of operations and financial condition.

In addition, many of the economic reform measures implemented by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. This refining and adjustment process may not necessarily have a positive effect on the Enlarged Group's operations and business development. For example, the PRC government has in the past implemented a number of measures intended to slow down certain segments of the economy, including the real estate industry, which the government believed to be overheating. These actions, as well as other actions and policies of the PRC government, could cause a decrease in the overall level of economic activity in the PRC and, in turn, have an adverse impact on the Enlarged Group's business, results of operations and financial condition.

The national and regional economies in the PRC and the Enlarged Group's prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics.

The Enlarged Group's business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God which are beyond the Enlarged Group's control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in the PRC. A recurrence of SARS or an outbreak of any other epidemics in the PRC, such as the avian flu or the human swine flu, especially in the cities where the Enlarged Group has operations, may result in material disruptions to the Enlarged Group's property development projects and its sales and marketing efforts, which in turn may adversely affect its business, results of operations and financial condition.

Interpretation of PRC laws and regulations involves uncertainty and the current legal environment in the PRC could limit the legal protections available to you.

The Enlarged Group's business is conducted in the PRC and is governed by PRC laws and regulations. All of the Enlarged Group's subsidiaries are located in the PRC and are subject to PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have little precedential value and can only be used as a reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the judicial and enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commercial Acquisition, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty. Depending on the government agency or how or by whom an application or case is presented to such agency, the Enlarged Group may receive less favourable interpretation of laws and regulations than its competitors. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may limit the legal protections available to foreign investors, including you.

Fluctuations in the value of the Renminbi may have a material adverse impact on your investment.

All of the Enlarged Group's revenue and expenditures are denominated in Renminbi, while any dividends the Enlarged Group pay on its Shares will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar will affect the relative purchasing power in Renminbi. Fluctuations in the exchange rate may also cause the Enlarged Group to incur foreign exchange losses and affect the relative value of any dividend issued by the PRC subsidiaries of the Enlarged Group. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar would affect the Enlarged Group's financial results in Hong Kong dollar terms without giving effect to any underlying change in their business or results of operations.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. The Renminbi has been unpegged from the U.S. dollar since July 2005 and, although the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rate, the Renminbi may appreciate or depreciate significantly in value against the Hong Kong dollar in the medium to long term. Moreover, it is possible that the PRC authorities may lift restrictions on fluctuations in Renminbi exchange rates and lessen intervention in the foreign exchange market in the future.

There are limited hedging instruments available in the PRC to reduce the exposure to exchange rate fluctuations between the Renminbi and other currencies. The cost of such hedging instruments may fluctuate significantly over time and can outweigh the potential benefit from the reduced currency volatility. To date, the Enlarged Group has not entered into any hedging Acquisition in an effort to reduce its exposure to foreign currency exchange risks as the Directors (together with the proposed executive Directors) believe the currency risk is minimal. However, should material foreign currency exchange risks arise, the Enlarged Group's business, results of operations and financial condition may be materially and adversely affected.

The PRC government's control of foreign currency conversion may limit the Enlarged Group's foreign exchange acquisition, including dividend payments on the Shares.

Currently, the Renminbi still cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, the Enlarged Group will have sufficient foreign exchange to meet its foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange acquisition under the current account conducted by the Enlarged Group, including the payment of dividends, do not require advance approval from the SAFE, but the Enlarged Group are required to present documentary evidence of such acquisition and conduct such acquisition at designated foreign exchange banks within the PRC that have the licences to carry out foreign exchange business. Foreign exchange acquisition under the capital account conducted by the Enlarged Group, however, must be approved in advance by the SAFE.

Under existing foreign exchange regulations, the Enlarged Group is able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue to be in effect in the future. In addition, any insufficiency of foreign exchange may restrict the Enlarged Group's ability of dividend payments to Shareholders or to satisfy any other foreign exchange requirements. If the Enlarged Group fails to obtain approval from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, its capital expenditure plans, business, results of operations and financial condition may be materially and adversely affected.

The Enlarged Group may be deemed a PRC resident enterprise under the PRC EIT Law and be subject to PRC taxation on its worldwide income.

Under the PRC Enterprise Income Tax Law ("**PRC EIT Law**"), which came into effect on 1 January 2008, enterprises established outside the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises" and their global income will generally be subject to the uniform 25% Enterprise Income Tax ("**EIT**") rate. Under the Implementation Rules for the PRC EIT Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. A substantial portion of the Enlarged Group's management is currently based in the PRC and may remain in the PRC. In April 2009, the PRC State Administration of Taxation promulgated a circular to clarify the definition of "de facto management bodies" for enterprises incorporated overseas with controlling shareholders being onshore enterprises or enterprise groups in the PRC. However, it remains unclear how the tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by PRC individual residents, as in the case of the Enlarged Group. Therefore, the Enlarged Group may be treated as a PRC resident enterprise for PRC EIT purposes. The tax consequences of such treatment are currently unclear as they will depend on how PRC finance and tax authorities apply or enforce the PRC EIT Law and the Implementation Rules.

Dividends payable by the Enlarged Group to its foreign investors and gains on the sale of its Shares may become subject to withholding taxes under PRC tax laws.

Under the PRC EIT Law and its implementation regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends payable by a PRC "resident enterprise" to investors that are "non-resident enterprises" (those enterprises that do not have an establishment or place of business in the PRC, or those that have such an establishment or place of business but the relevant income of which is not effectively connected with the establishment or place of business) to the extent such dividends have their source within the PRC. Similarly, any gain realised on the transfer of shares by such enterprises is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. If the Enlarged Group is regarded as a PRC "resident enterprise", it is unclear whether the dividends the Enlarged Group pays with respect to its Shares, or the gain you may realise from the transfer of its Shares, will be treated as income derived from sources within the PRC and be subject to PRC income tax. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC EIT Law and the implementation rules. One example of a limitation on the 10% withholding tax is that, pursuant to a tax treaty between the PRC and Hong Kong, which became effective on 8 December 2006, a company incorporated in Hong Kong is subject to withholding tax at the rate of 5% on dividends it receives from a company incorporated in the PRC if it holds a 25% or greater interest in the PRC company, or 10% if it holds an interest of less than 25% in the PRC company. If the Enlarged Group is required under the PRC EIT Law to withhold PRC income tax on its dividends payable to its foreign Shareholders, or if you are required to pay PRC income tax on the transfer of your Shares, the value of your investment in its Shares may be materially and adversely affected.

RISKS RELATING TO THE CIRCULAR

Certain facts and other statistics with respect to the PRC, the PRC economy and the PRC real estate industry in the circular are derived from various official government sources and third party sources and may not be reliable.

Facts, forecasts and other statistics in the circular relating to the PRC, the PRC economy and the PRC real estate industry have been derived from various official government publications generally believed to be reliable. However, the Enlarged Group cannot guarantee the quality or reliability of such materials. They have not been prepared or independently verified by the Enlarged Group or any of its respective affiliates or advisers and, therefore, the Enlarged Group makes no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside the PRC. The Enlarged Group, however, has taken reasonable care in the reproduction and/or extraction of the official government publications for the purpose of disclosure in the circular. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, these facts, forecasts and statistics in the circular may be inaccurate or may not be comparable to facts, forecasts and statistics produced with respect to other economies. Furthermore, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. Therefore, you should not unduly rely upon the facts, forecasts and statistics with respect to the PRC, the PRC economy and the PRC real estate industry contained in the circular.

REPORT CONDUCTED BY CBRE LIMITED

The Company commissioned CBRE Limited, an independent third party, to conduct an market analysis and produced an industry overview report for the real estate market industry in the PRC as well as some related regions and cities including overviews of Jiangsu Province, Chongqing and Yancheng. The Company will pay CBRE Limited an aggregate fee of approximately HK$265,000 for the preparation of the industry overview report, and the Company believe the fee amount is reasonable for the preparation of a real estate market overview report for the relevant scope by an independent third party consultant.

CBRE Limited is a subsidiary of CBRE Group Inc, which is one of the world's largest commercial real estate service firm in terms of revenue in 2012. Services provided by CBRE Limited primarily include property market research, consulting, valuation and advisory services, global corporate services, investment properties and project management.

The property market statistics and information about the PRC, Jiangsu Province, Chongqing and Yancheng are mainly extracted from various government publications including the respective statistical yearbooks published by national and local statistics bureaus in the PRC.

OVERVIEW OF THE PRC ECONOMY

Since the PRC government introduced an 'open door policy' in late 1970's, as well as its accession to the World Trade Organisation in 2001, its economy has experienced significant growth. The PRC also was among the first economies in the world to rebound from the global financial crisis and maintain positive economic growth throughout the crisis.

ECONOMIC GROWTH OF THE PRC

The PRC's nominal GDP increased from approximately RMB18,494 billion in 2005 to approximately RMB51,932 billion in 2012, representing a CAGR of approximately 15.9%. Over the same period, the PRC's nominal GDP per capita increased at a CAGR of 15.3% from approximately RMB14,185 in 2005 to approximately RMB38,355 in 2012. Fixed asset investment in the PRC increased at a CAGR of 22.8% from approximately RMB8,877 in 2005 to approximately RMB37,468 in 2012, demonstrating a significant growth of the PRC economy.

The table below sets forth selected economic indicators of the PRC between 2005 and 2012:

	2005	2006	2007	2008	2009	2010	2011	2012	2005–2012 CAGR
Nominal GDP (RMB billion)	18,494	21,631	26,581	31,405	34,090	40,151	47,288	51,932	15.9%
Real GDP growth (%)	11.3%	12.7%	14.2%	9.6%	9.2%	10.4%	9.3%	N/A	N/A
Nominal GDP per capita (RMB)	14,185	16,500	20,169	23,708	25,608	30,015	35,181	38,355	15.3%
Fixed asset investment (RMB billion)	8,877	11,000	13,732	17,283	22,460	27,812	31,149	37,468	22.8%
Fixed asset investment growth (%)	26.0%	23.9%	24.8%	25.9%	30.0%	23.8%	12.0%	20.3%	N/A
Savings deposit per capita (RMB)	10,787	12,293	13,058	16,407	19,541	22,619	N/A	N/A	N/A
Total sale of social retail goods (RMB billion)	6,717.7	7,641.0	8,921.0	10,848.7	13,267.8	15,699.8	18,391.9	18,685.9	14.0%
Per capita annual consumption expenditure of urban households on housing (RMB)	249.3	285.1	302.2	345.1	397.0	421.2	N/A	N/A	N/A

Source: National Bureau of Statistics of China (information relating to the year ended 31 December 2012 is estimated figures published in the statistical communique by National Bureau of Statistics of China)

URBANISATION

Due to the rapid economic growth of the PRC, urbanisation rate has been accelerated significantly. The urban population increased at a CAGR of 3.4% from 562 million in 2005 to 712 million in 2012, and the urbanisation rate increased from 43.0% to 52.6% from 2005 to 2012.

The table below sets forth selected urbanisation indicators of the PRC between 2005 and 2012:

	2005	2006	2007	2008	2009	2010	2011	2012	2005–2012 CAGR
Urban population (million)	562	582	606	624	645	670	691	712	3.4%
Total population (million)	1,308	1,314	1,321	1,328	1,335	1,341	1,347	1,354	0.5%
Urbanisation rate (%)	43.0%	44.3%	45.9%	47.0%	48.3%	50.0%	51.3%	52.6%	N/A

Source: National Bureau of Statistics of China (information relating to the year ended 31 December 2012 is estimated figures published in the statistical communique by National Bureau of Statistics of China)

DISPOSABLE INCOME

The purchasing power of the PRC population increased significantly from 2005 to 2012, which is demonstrated by the increase in disposable income for urban household per capita. Disposable income for urban household per capita increased at a CAGR of 12.9% from approximately RMB10,493 in 2005 to approximately RMB24,565 in 2012.

The cities where the Target Group's existing developments are situated, namely Yancheng and Chongqing, also experienced significant growth in terms of disposable income for urban households per capita from 2005 to 2012.

The table below sets forth disposable income indicators of the PRC, Yancheng and Chongqing between 2005 and 2012:

	2005 *(RMB)*	2006 *(RMB)*	2007 *(RMB)*	2008 *(RMB)*	2009 *(RMB)*	2010 *(RMB)*	2011 *(RMB)*	2012 *(RMB)*	2005–2012 CAGR
The PRC	10,493	11,760	13,786	15,781	17,175	19,109	21,810	24,565	12.9%
Yancheng	10,580	12,052	13,857	15,862	17,664	20,003	22,851	25,867	13.6%
Chongqing	10,244	11,570	13,715	15,709	17,191	19,100	20,250	22,968	12.2%

	2005	2006	2007	2008	2009	2010	2011	2012
The PRC	11.4%	12.1%	17.2%	14.5%	8.8%	11.3%	14.1%	12.6%
Yancheng	13.0%	13.9%	15.0%	14.5%	11.4%	13.2%	14.2%	13.2%
Chongqing	11.1%	12.9%	18.5%	14.5%	9.4%	11.1%	6.0%	13.4%

Source: National Bureau of Statistics of China, Statistical Bureau of Yancheng and Statistical Bureau of Chongqing (information relating to the year ended 31 December 2012 is estimated figures published in the statistical communique by National Bureau of Statistics of China, Statistical Bureau of Yancheng and Statistical Bureau of Chongqing)

OVERVIEW OF THE PRC PROPERTY MARKET

Along with the rapid economic growth and strong disposable income growth, the PRC's property market has been developing significantly in the past years. The total investment in the real estate industry in the PRC has increased from approximately RMB1,590.9 billion in 2005 to approximately RMB7,180.4 billion in 2012, and the total GFA of properties completed per year increased from 436.8 million sq.m. in 2005 to 716.9 million sq.m. in 2011. The total sales of commercialised residential properties increased from approximately RMB1,456.4 billion in 2005 to approximately RMB5,911.9 billion in 2011 and the average selling price per sq.m. of commercialised residential properties also increased from approximately RMB2,937.0 in 2005 to approximately RMB5,379.3 in 2011.

The table below sets forth seven sets of selected figures on the PRC real estate market between 2005 and 2012:

	2005	2006	2007	2008	2009	2010	2011	2012	2005–2012 CAGR
Total real estate investment (RMB billion)	1,590.9	1,942.3	2,528.9	3,120.3	3,624.2	4,825.9	6,174.0	7,180.4	24.0%
Total investment in residential properties (RMB billion)	1,086.1	1,363.8	1,800.5	2,244.1	2,561.4	3,402.6	4,430.8	4,937.4	24.2%
Total GFA of commercialised residential properties completed (sq.m. million)	436.8	454.7	498.3	543.3	596.3	634.4	716.9	N/A	N/A
Total GFA of commercialised residential properties under construction (sq.m. million)	1,290.8	1,517.4	1,867.9	2,228.9	2,513.3	3,147.6	3,884.4	N/A	N/A
Total GFA of commercialised residential properties sold (sq.m. million)	495.9	554.2	701.4	592.8	861.8	933.8	1,099.0	984.7	10.3%
Total sales of commercialised residential properties (RMB billion)	1,456.4	1,728.8	2,556.6	2,119.6	3,843.3	4,412.1	5,911.9	N/A	N/A
Average selling price of commercialised residential properties (RMB per sq.m.)	2,937.0	3,119.0	3,645.0	3,576.0	4,459.0	4,725.0	5,379.3	N/A	N/A

Source: National Bureau of Statistics of China (information relating to the year ended 31 December 2012 has not been released by National Bureau of Statistics of China)

OVERVIEW OF CHONGQING ECONOMY

Chongqing, a major city located in the southwest PRC, is a port city in the upstream area of the Yangtze River and one of the four directly controlled municipalities of the PRC. Adjoining Hubei on the east, Hunan at the southeast, Sichuan to the west and Shaanxi on the north, Chongqing is an important transportation hub and manufacturing centre in the southwest PRC.

The registered population of Chongqing increased steadily from 31.7 million in 2005 to 33.4 million in 2012. Chongqing's nominal GDP increased significantly from approximately RMB346.8 billion in 2005 to approximately RMB1,145.9 billion in 2012 and Chongqing's nominal GDP per capita increased from approximately RMB12,404 in 2005 to approximately RMB39,083 in 2012. The purchase power of residents in Chongqing also increased significantly from 2005 to 2011, which is demonstrated by increase in per capita disposable income for urban households, savings deposit and total sale of social retail goods.

The table below sets forth selected economic indicators of Chongqing between 2005 and 2012:

	2005	2006	2007	2008	2009	2010	2011	2012	2005–2012 CAGR
Total registered population (persons million)	31.7	32.0	32.4	32.6	32.8	33.0	33.3	33.4	0.8%
Nominal GDP (RMB billion)	346.8	390.7	467.6	579.4	653.0	792.6	1,001.1	1,145.9	18.6%
Nominal GDP per capita (RMB)	12,404	13,939	16,629	20,490	22,920	27,596	34,500	39,083	17.8%
Estimated Real GDP (RMB Billion)(1)	344.0	381.5	446.6	548.7	663.6	768.0	950.7	1,116.9	18.3%
Estimated Real GDP per capita (RMB)	12,304	13,611	15,882	19,404	23,292	26,740	32,763	38,092	17.5%
Consumer Price Index	100.8	102.4	104.7	105.6	98.4	103.2	105.3	102.6	–1.1%
Savings deposit per capita (RMB)	8,033.2	9,219.0	9,978.0	12,247.2	14,986.0	17,677.0	20,993	N/A	N/A
Total sale of social retail goods (RMB billion)	122.8	143.2	171.1	214.7	247.9	293.9	348.7	396.1	18.2%
Per capita annual consumption expenditure of urban households on housing (RMB)	365.6	302.5	347.1	437.2	385.7	460.7	336.3	N/A	N/A

Source: Statistical Bureau of Chongqing (information relating to the year ended 31 December 2012 is estimated figures published in the statistical communique by Statistical Bureau of Chongqing)

Note: (1) The Real GDP figures are estimated from the Consumer Price Index only.

OVERVIEW OF CHONGQING REAL ESTATE INDUSTRY

The total real estate investment in Chongqing increased to approximately RMB250.8 billion in 2012 from approximately RMB51.8 billion in 2005. The total GFA of commercialised residential properties completed per year increased from 17.1 million sq.m. in 2005 to 33.9 million sq.m. in 2012, while the total GFA of commercialised residential properties sold per year increased significantly from 17.9 million sq.m. in 2005 to 41.1 million sq.m. in 2012. Total sales of commercialised residential properties increased from approximately RMB34.1 billion in 2005 to approximately RMB197.2 billion in 2012, representing a growth more than five times. The average selling price per sq.m. also increased significantly from approximately RMB1,901.0 in 2005 to approximately RMB4,805.0 per sq.m. in 2012.

The table below sets forth seven sets of selected figures on the Chongqing real estate market between 2005 and 2012:

	2005	2006	2007	2008	2009	2010	2011	2012	2005–2012 CAGR
Total real estate investment (RMB billion)	51.8	63.0	85.0	99.1	123.9	162.0	201.5	250.8	25.3%
Total investment in residential properties (RMB billion)	30.0	37.7	52.2	62.0	78.9	109.1	143.8	170.7	28.2%
Total GFA of commercialised residential properties completed (sq.m. million)	17.1	17.0	17.7	19.5	23.8	21.8	28.3	33.9	10.2%
Total GFA of commercialised residential properties under construction (sq.m. million)	55.1	66.6	81.8	91.7	103.4	137.4	159.2	170.0	17.5%
Total GFA of commercialised residential properties sold (sq.m. million)	17.9	20.1	33.1	26.7	37.7	39.9	40.6	41.1	12.6%
Total sales of commercialised residential properties (RMB billion)	34.1	41.9	85.8	70.5	123.2	161.1	182.5	197.2	28.5%
Average selling price of commercialised residential properties (RMB per sq.m.)	1,901.0	2,081.0	2,588.0	2,640.0	3,266.0	4,040.0	4,492.3	4,805.0	14.2%

Source: Statistical Bureau of Chongqing (information relating to the year ended 31 December 2012 is estimated figures published in the statistical communique by Statistical Bureau of Chongqing)

Local restrictive measures

In addition to the national real estate regulations, Chongqing has several restrictive local measures on the real estate market, including the following:

1. Property developers must apply for pre-sale permit for buildings, not units or floors;

2. Property developers must commence the pre-sale within ten days after obtaining the pre-sale permit; and

3. Mortgage loan to finance individual's purchase of his or her third residential properties is suspended.

COMPETITIVE LANDSCAPE OF CHONGQING REAL ESTATE INDUSTRY

The Chongqing real estate market comprises a large number of property developers undertaking residential property developments. With the strict restrictive policies, the high-end residential supply and transaction volume have remained at a stable level. The developers are expected to continue to launch residential projects with high quality and at higher prices, and the competition among the property developers will continue to be intensive. There are a number of large scale property developers with good track record and substantial resources.

These property developers are competitive in terms of providing high quality products. However, there are also a substantial number of small developers with advantage in local knowledge, network and experience.

OVERVIEW OF JIANGSU PROVINCE ECONOMY

Jiangsu Province is located at the downstream area of the Yangtze River along the eastern coastline of the PRC, with Shandong on the north, Shanghai on the south and Anhui on the west. Jiangsu Province has several well developed major cities such as Nanjing, Suzhou and Wuxi. Jiangsu Province has one of the highest GDP per capita among all provinces of the PRC.

The registered population of Jiangsu Province increased steadily from 72.5 million in 2005 to 79.2 million in 2012. The nominal GDP of Jiangsu Province experienced a significant growth, from approximately RMB1,859.9 billion in 2005 to approximately RMB5,405.8 billion in 2012. The nominal GDP per capita of Jiangsu Province also increased from approximately RMB24,616 in 2005 to approximately RMB68,347 in 2012. The purchasing power of the residents in Jiangsu Province enhanced significantly, which is demonstrated by increase in their saving deposit and total sale of social retail goods.

The table below sets forth some selected economic indicators of Jiangsu Province between 2005 and 2012:

	2005	2006	2007	2008	2009	2010	2011	2012	2005–2012 CAGR
Total registered population (persons million)	72.5	73.2	73.5	73.9	74.2	74.7	75.1	79.2	1.3%
Nominal GDP (RMB billion)	1,859.9	2,174.2	2,601.8	3,098.2	3,445.7	4,142.5	4,860.4	5,405.8	16.5%
Nominal GDP per capita (RMB)	24,616	28,526	33,837	40,014	44,253	52,840	61,649	68,347	15.7%
Savings Deposit per capita (RMB)	14,156	16,138	17,070	21,782	25,711	29,652	32,804	N/A	N/A
Total Sale of social retail goods (RMB billion)	573.6	670.6	798.6	990.5	1,148.4	1,360.7	1,584.2	1,637.3	16.2%

Source: Statistical Bureau of Jiangsu Province (information relating to the year ended 31 December 2012 is estimated figures published in the statistical communique by Statistical Bureau of Jiangsu Province)

OVERVIEW OF JIANGSU PROVINCE REAL ESTATE INDUSTRY

The total real estate investment in Jiangsu Province increased to approximately RMB620.6 billion in 2012 from approximately RMB154.5 billion in 2005, and the total investment in residential properties in Jiangsu Province increased to approximately RMB409.4 billion in 2011 from approximately RMB113.3 million in 2005. The total GFA of commercialised residential properties completed per year increased from 45.2 million sq.m. in 2005 to 64.8 million sq.m. in 2011, and the total GFA of commercialised residential properties sold per year increased from 45.2 million sq.m. in 2005 to 67.7 million sq.m. in 2011.

The table below sets forth several sets of selected figures on the Jiangsu Province real estate market between 2005 and 2012:

	2005	2006	2007	2008	2009	2010	2011	2012	2005–2012 CAGR
Total real estate investment (RMB billion)	154.5	190.7	251.6	306.4	333.9	429.9	556.8	620.6	22.0%
Total investment in residential properties (RMB billion)	113.3	142.6	187.1	229.7	242.4	315.8	409.4	N/A	N/A
Total GFA of commercialised residential properties completed (sq.m. million)	45.2	47.5	51.6	54.9	67.3	65.5	64.8	N/A	N/A
Total GFA of commercialised residential properties under construction (sq.m. million)	123.9	149.2	185.5	219.7	227.9	263.5	302.6	N/A	N/A
Total GFA of commercialised residential properties sold (sq.m. million)	45.2	53.2	67.7	47.3	90.3	81.1	67.7	N/A	N/A
Total sales of commercialised residential properties (RMB billion)	142.28	179.46	259.68	200.88	434.10	453.66	415.86	N/A	N/A
Average selling price of commercialised residential properties (RMB per sq.m.)	3,146	3,375	3,834	4,247	4,805	5,592	6,145	N/A	N/A

Source: Statistical Bureau of Jiangsu Province and National Bureau of Statistics of China (information relating to the year ended 31 December 2012 is estimated figures published in the statistical communique by Statistical Bureau of Jiangsu Province and National Bureau of Statistics of China)

OVERVIEW OF YANCHENG ECONOMY

Yancheng adjoins Yellow Sea on the east, Nantong and Taizhou on the south, Huai'an and Yangzhou on the west and Lianyungang on the north. Located in the east coastal area of Jiangsu Province, Yancheng has a long coastline, of which the length accounts for 56% of that of the whole province. With advantaged land, sea and wetland resources, Yancheng has great potential for economic growth.

The registered population of Yancheng increased steadily from 7.99 million in 2005 to 8.22 million in 2012. Yancheng's nominal GDP increased significantly, from approximately RMB100.5 billion in 2005 to approximately RMB312.0 billion in 2012. Yancheng's nominal GDP per capital increased from approximately RMB13,529 in 2005 to approximately RMB37,938 in 2012. The overall purchasing power of residents in Yanchang was enhanced significantly, which is demonstrated by the increase in per capita disposable income for urban households, savings deposit and total sale of social retail goods.

The table below sets forth seven selected economic indicators of Yancheng between 2005 and 2011:

	2005	2006	2007	2008	2009	2010	2011	2012	2005–2012 CAGR
Total registered population (persons million)	7.99	8.05	8.10	8.12	8.12	8.16	8.21	8.22	0.4%
Nominal GDP (RMB billion)	100.5	117.4	137.1	160.3	191.7	233.3	277.1	312.0	15.6%
Nominal GDP per capita (RMB)	13,529	15,939	18,879	22,359	25,553	30,738	38,222	37,938	13.9%
Estimated Real GDP (RMB billion)[(1)]	99.1	116.2	132.1	152.8	193.6	225.4	263.9	269.6	15.4%
Estimated Real GDP per capita (RMB)	13,342	15,781	18,188	21,315	25,811	29,699	36,402	36,905	15.6%
Consumer Price Index	101.4	101.0	103.8	104.9	99.0	103.5	105.0	102.8	0.2%
Disposable income for urban households per capita (RMB)	10,580	12,052	13,857	15,862	17,664	20,003	22,851	25,867	13.6%
Savings deposit per capita (RMB)	7,429	8,004	8,662	10,678	13,301	13,868	15,452	18,524	13.9%
Total sale of social retail goods (RMB billion)	31.7	36.8	43.4	54.3	64.5	76.0	85.9	102.3	18.2%
Per capita annual consumption expenditure of urban households on housing (RMB)	529	338	419	184	333	1,535	N/A	N/A	N/A

Source: Statistical Bureau of Yancheng (information relating to the year ended 31 December 2012 is estimated figures published in the statistical communique by Statistical Bureau of Yancheng)

Note: (1) The Real GDP figures are estimated from the Consumer Price Index only.

OVERVIEW OF YANCHENG CITY REAL ESTATE INDUSTRY

The total real estate investment increased to approximately RMB27.3 billion in 2012 from approximately RMB5.2 billion in 2005. The total GFA of commercialised residential properties completed per year increased from 2.1 million sq.m. in 2005 to 3.3 million sq.m. in 2010, and the total GFA of commercialised residential properties sold per year increased significantly from 1.6 million sq.m. in 2005 to 5.5 million sq.m. in 2012. Total sales of commercialised residential properties increased significantly from approximately RMB2.7 billion in 2005 to approximately RMB17.0 billion in 2010, representing a growth more than five times. The average selling price per sq.m. also increased significantly from approximately RMB1,679.9 in 2005 to approximately RMB3,459.6 in 2010.

The table below sets forth seven sets of selected figures on the Yancheng real estate market between 2005 and 2012:

	2005	2006	2007	2008	2009	2010	2011	2012	2005–2011 CAGR
Total real estate investment (RMB billion)	5.2	6.6	9.3	11.4	13.0	16.5	21.4	27.3	26.7%
Total investment in residential properties (RMB billion)	3.8	5.0	7.6	8.7	10.0	12.4	N/A	N/A	N/A
Total GFA of commercialised residential properties completed (sq.m. million)	2.1	2.5	2.2	3.0	3.2	3.3	N/A	N/A	N/A
Total GFA of commercialised residential properties under construction (sq.m. million)	4.7	5.1	6.4	7.8	8.9	9.7	N/A	N/A	N/A
Total GFA of commercialised residential properties sold (sq.m. million)	1.6	2.5	2.8	2.7	4.3	4.9	N/A	5.5	19.3%
Total sales of commercialised residential properties (RMB billion)	2.7	4.6	6.0	7.0	12.2	17.0	N/A	N/A	N/A
Average selling price of commercialised residential properties (RMB per sq.m.)	1,679.9	1,868.0	2,155.8	2,569.3	2,867.3	3,459.6	N/A	N/A	N/A

Source: Statistical Bureau of Yancheng (information relating to the years ended 31 December 2012 is estimated figures published in the statistical communique by Statistical Bureau of Yancheng)

Local restrictive measures

In addition to the national real estate regulations, Yancheng has several restrictive measures on the real estate market, including the following:

1. Except affordable housings, low-end commercial residential properties, villas and non-residential properties, all newly built commodity residential housings within urban areas are subject to the price filing system; and

2. Property developers must file the pre-sale price of its properties with the relevant local authority when applying for pre-sale permit of such properties. The filing prices must be based on the construction cost and current property market condition and the pre-sale and sale prices of the properties must be no higher than the filing price. Property developers must re-file with the relevant local authorities if they plan to sell or pre-sell such properties at a price higher than the filing price with evidence of changes of construction cost and market condition.

COMPETITIVE LANDSCAPE OF YANCHENG REAL ESTATE INDUSTRY

Since the implementation option of a series of restrictive measures by PRC government authorities in 2010, the Yancheng real estate industry has remained substantially stable until 2012 when the PRC government set the goal of urbanisation. Many large scale and well established property developers are entering the Yancheng real estate market and competing intensely on land acquisitions. With the participation of various well established and experienced developers in the market, the competition on the quality and price of the new residential developments has increased. The large scale national-wide developers are very competitive financially and with advantage of track record, brand and land resources etc. However, many local developers have advantages in terms of local knowledge and experience.

COMPETITION

The PRC property market is highly geographically fragmented. The majority of the existing developers are based in the PRC. In the national property market, there are a number of large scale developers in the PRC such as Evergrande Group, Vanke and Poly Group with property development operations across the country. However, there are also a significant number of developers specialised in certain local areas and those nationwide large scale developers may have less market share than those developers in local markets. The Target Group competes with other real estate developers on the basis of a number of factors, including product quality, service quality, price, financial resources, brand recognition and ability to acquire land. Please refer to the section headed "Business of the Target Group — Competition" in this circular for details on the competitive landscape of the real estate market in the PRC.

Business Drivers

Chongqing, as the economic center of western China, the economic has been growing tremendously recent years and expected to keep growing in the coming future. The increasing population and incoming capital attracted from other places will bring together with high demand for real estate and will be a key driver for the Company's business in Chongqing. In Yancheng, besides the growing economic and the purchasing power, the rapid development of infrastructure has fertilised the urban expansion and will come with great opportunity of property development and demand in the coming future, which will be key factors to drive the Company's business. From a national perspective, the growing economic power of the PRC will benefit the property market greatly, and provide a large platform for the Company's expansion of business and drive the business forward.

HISTORY AND BACKGROUND

Target Company

The Target Company was established in the PRC on 19 July 2012 with an initial registered capital of RMB5,000,000. The Target Company is a wholly-owned subsidiary of Nanjing Fullshare Holding, and is an investment holding company which only owns the entire equity interest in Jiangsu Fullshare Property. Apart from such equity interest, the Company does not have any other substantial assets or liabilities.

On 30 August 2012, the registered capital of the Target Company was increased from RMB5,000,000 to RMB400,000,000 with Nanjing Fullshare Holding contributing RMB395,000,000.

Jiangsu Fullshare Property

Jiangsu Fullshare Property, a wholly-owned subsidiary of the Target Company, was established in the PRC on 1 February 2007 with an initial registered capital of RMB8,000,000. When established, Yancheng Yandu District State-owned Assets Investment Management Co., Ltd. (鹽城市鹽都區國有資產投資經營有限公司) ("**Yandu Assets**"), an independent third party, Nanjing Fullshare Real Estate Development Co., Ltd. (南京豐盛置業發展有限公司) ("**Nanjing Fullshare Real Estate**"), a connected person of the Company upon completion of the Acquisition, and Mr. Feng Shuqing, an independent third party, owned 50%, 25% and 25% equity interest in it respectively.

On 6 July 2007, Yandu Assets entered into an equity transfer agreement with Nanjing Fullshare Real Estate, pursuant to which Yandu Assets agreed to sell its entire equity interest in Jiangsu Fullshare Property to Nanjing Fullshare Real Estate at a consideration of RMB4,000,000. The consideration for this equity transfer was determined with reference to the registered capital of Jiangsu Fullshare Property of RMB8,000,000. In addition to above transaction, the registered capital of Jiangsu Fullshare Property was increased from RMB8,000,000 to RMB28,000,000 with Nanjing Fullshare Real Estate contributing RMB20,000,000. Upon completion of the above equity transfer and the registered capital increase on 17 July 2007, Nanjing Fullshare Real Estate and Mr. Feng Shuqing owned 92.86% and 7.14% of the equity interest in Jiangsu Fullshare Property respectively.

On 28 October 2007, Mr. Feng Shuqing entered into an equity transfer agreement with Mr. Zhu Chengsheng, pursuant to which Mr. Feng Shuqing agreed to sell his entire equity interest in Jiangsu Fullshare Property to Mr. Zhu Chengsheng at a consideration RMB2,000,000. The consideration for this equity transfer was determined with reference to the registered capital of Jiangsu Fullshare Property of RMB28,000,000. Upon completion of the above equity transfer on 12 November 2007, Nanjing Fullshare Real Estate and Mr. Zhu Chengsheng, who legally owns 34.61% equity interest in Nanjing Jiangong (a connected person of the Company upon completion of the Acquisition), owned 92.86% and 7.14% of the equity interest in Jiangsu Fullshare Property respectively.

On 18 December 2007, Nanjing Fullshare Real Estate and Mr. Zhu Chengsheng respectively entered into an equity transfer agreement with Nanjing Jiasheng Property Development Co., Ltd. (南京嘉盛房地產開發有限公司) ("**Nanjing Jiasheng**"), pursuant to which Nanjing Fullshare Real Estate and Mr. Zhu Chengsheng agreed to sell their respective entire equity interest in Jiangsu Fullshare Property to Nanjing Jiasheng at a consideration of RMB26,000,000 and RMB2,000,000, respectively. The consideration for this equity transfer was determined with reference to the registered capital of Jiangsu Fullshare Property of RMB28,000,000. Upon completion of the above equity transfer on 20 December 2007, Jiangsu Fullshare Property was wholly owned by Nanjing Jiasheng, a connected person of the Company upon completion of the Acquisition.

On 18 May 2009, the registered capital of Jiangsu Fullshare Property was increased from RMB28,000,000 to RMB100,000,000 with Nanjing Jiasheng contributing RMB72,000,000.

On 8 December 2009, Nanjing Jiasheng entered into an equity transfer agreement with Nanjing Fullshare Holding, pursuant to which Nanjing Jiasheng agreed to sell its entire equity interest in Jiangsu Fullshare Property to Nanjing Fullshare Holding at a consideration of RMB100,000,000. The consideration for this equity transfer was determined with reference to the registered capital of Jiangsu Fullshare Property of RMB100,000,000. Upon completion of the above equity transfer on 21 December 2009, Jiangsu Fullshare Property was wholly owned by Nanjing Fullshare Holding.

As Nanjing Jiasheng intended to be engaged in the real estate development business in Yancheng again by way of acquisition of a minority interest in Jiangsu Fullshare Property, on 12 August 2010, Nanjing Fullshare Holding entered into an equity transfer agreement with Nanjing Jiasheng, pursuant to which Nanjing Fullshare Holding agreed to sell a 10% equity interest in Jiangsu Fullshare Property to Nanjing Jiasheng at a consideration of RMB10,000,000. The consideration for this equity transfer was determined with reference to the registered capital of Jiangsu Fullshare Property of RMB100,000,000. Upon completion of the above equity transfer on 27 August 2010, Nanjing Fullshare Holding and Nanjing Jiasheng owned 90% and 10% of the equity interest in Jiangsu Fullshare Property respectively.

Due to adjustment of development strategy of Nanjing Jiasheng, it decided not to further engage in the real estate development business in Yancheng. Therefore, on 25 July 2012, Nanjing Jiasheng entered into an equity transfer agreement with Nanjing Fullshare Holding, pursuant to which Nanjing Jiasheng agreed to sell its entire equity interest in Jiangsu Fullshare Property to Nanjing Fullshare Holding at a consideration RMB10,000,000. The consideration for this equity transfer was determined with reference to the registered capital of Jiangsu Fullshare Property of RMB100,000,000. Upon completion of the above equity transfer on 3 August 2012, Jiangsu Fullshare Property was wholly owned by Nanjing Fullshare Holding.

On 9 August 2012, the registered capital of Jiangsu Fullshare Property was increased from RMB100,000,000 to RMB400,000,000 by way of capitalisation of a loan in the amount of RMB300,000,000 owed by Jiangsu Fullshare Property to Nanjing Fullshare Holding. Upon completion of the registered capital increase on 9 August 2012, Jiangsu Fullshare Property continued to be wholly owned by Nanjing Fullshare Holding.

On 10 August 2012, Nanjing Fullshare Holding entered into an equity transfer agreement with the Target Company, pursuant to which Nanjing Fullshare Holding agreed to sell the entire equity interest in Jiangsu Fullshare Property to the Target Company at a consideration of RMB400,000,000. The consideration for this equity transfer was determined with reference to the registered capital of Jiangsu Fullshare Property of RMB400,000,000. Upon completion of the above equity transfer on 10 August 2012, Jiangsu Fullshare Property was wholly owned by the Target Company.

Jiangsu Fullshare Property is principally engaged in the residential real estate development and sale businesses in Yancheng, and through its subsidiary, Chongqing Tongjing, involved in the businesses of residential real estate development and sale in Chongqing.

Chongqing Tongjing

Chongqing Tongjing, a subsidiary of Jiangsu Fullshare Property, was established in the PRC on 12 November 2009 with an initial registered capital of RMB30,000,000. When established, it was wholly owned by Tongjing Group Co., Ltd. (同景集團有限公司) ("**Tongjing Group**"), an independent third party.

On 11 December 2009, Tongjing Group entered into a subscription agreement with Century Bridge Holding Number 2 HK, Limited ("**Century Bridge**"), pursuant to which the registered capital of Chongqing Tongjing was increased from RMB30,000,000 to RMB240,000,000 with Tongjing Group contributing RMB92,400,000 and Century Bridge contributing RMB117,600,000. Upon completion of the above capital increase on 16 March 2010, Tongjing Group and Century Bridge, an independent third party, owned 51% and 49% of equity interest in Chongqing Tongjing respectively, and Tongjing Group paid up its capital commitment in Chongqing Tongjing in the amount of RMB19,000,000 with an outstanding payment balance of RMB73,400,000.

On 2 August 2010, Century Bridge and Tongjing Group entered into an equity transfer and loan assignment agreement with Chongqing Heheng, pursuant to which Century Bridge agreed to sell its entire equity interest in Chongqing Tongjing to Chongqing Heheng at a consideration in a foreign currency equivalent to RMB167,740,000 and Tongjing Group agreed to sell its entire equity interest in Chongqing Tongjing at a consideration of RMB72,514,352.9 and assign a loan of RMB52,745,647.10 owed by Chongqing Tongjing to it to Chongqing Heheng. Chongqing Heheng paid up above outstanding payment balance of the capital commitment of Tongjing Group in the amount of RMB73,400,000. The consideration for this equity transfer was determined with reference to Chongqing Tongjing's (i) net asset value as at 30 June 2010; (ii) financial position; and (iii) development prospects. Upon completion of the above equity transfer on 31 August 2010, Chongqing Tongjing was wholly owned by Chongqing Heheng, an independent third party.

Pursuant to an equity transfer agreement entered into on 1 June 2011 (as amended by a supplemental agreement entered into on 6 June 2011) and an equity transfer agreement entered into on 23 August 2011 between Chongqing Heheng and Jiangsu Fullshare Property, Chongqing Heheng agreed to sell its 90% equity interest in Chongqing Tongjing to Jiangsu Fullshare Property at a consideration of RMB282,288,917.6. Pursuant to an equity transfer agreement entered into on 1 June 2011 (as amended by a supplemental agreement entered into on 6 June 2011) and an equity transfer agreement entered into on 23 August 2011 between Chongqing Heheng and Chongqing Huangfan, a connected person of the Company upon completion of the Acquisition by way of being a substantial shareholder of Chongqing Tongjing, Chongqing Heheng agreed to sell its 10% equity interest in Chongqing Tongjing to Chongqing Huangfan at a consideration of RMB31,365,435.29. The consideration for this equity transfer was determined with reference to (i) the consideration for acquisition of entire equity interest in Chongqing Tongjing by Chongqing Heheng from Tongjing Group and Century Bridge in 2010; and (ii) payment of balance of the capital commitment of Tongjing Group by Chongqing Heheng. Upon completion of the above equity transfer on 2 September 2011, Chongqing Huangfan and Jiangsu Fullshare Property owned 10% and 90% of equity interest in Chongqing Tongjing respectively.

Chongqing Tongjing is principally engaged in the businesses of residential real estate development and sale in Chongqing.

Disposals and Deregistration

On 21 September 2011, Jiangsu Fullshare Property disposed of its 90% equity interest in Chongqing Heheng to Nanjing Xiaocai Yidie Media Company Limited (南京小菜一碟文化傳媒有限公司) (an independent third party at the time of the disposal) at a consideration of RMB270,000,000. The consideration for such disposal was determined with reference to the registered capital of Chongqing Heheng of RMB300,000,000. Save for holding entire equity interest in Chongqing Tongjing, Chongqing Heheng did not directly carry out any property development project before its disposal. The reason for the disposal is due to adjustment of business strategy of the Target Group to focus on the property market in Yancheng and Chongqing as the Target Group believed that the property markets in both cities have a more prosperous development potential than other cities in the PRC and the Target Group is familiar with the market in both cities. Please refer to "Financial Information of the Target Group — Balance Sheet Items — Trade and Other Receivables, Prepayments and Deposits — Advances Paid for Potential Land Acquisition for Development" for details.

On 26 May 2011, Jiangsu Fullshare Property disposed of entire equity interest in Lianyungang Shunfeng Property Company Limited (連雲港順豐房地產有限公司) ("**Lianyungang Shunfeng**") to Mr. Zhu Chengsheng (an independent third party at the time of the disposal) at a consideration of RMB408,160,000. The consideration for such disposal was determined with reference to (i) the registered capital of Lianyungang Shunfeng and (ii) an agreed premium. Lianyungang Shunfeng owned two land parcels for residential use before its disposal. The reasons for the disposal are the infrastructure facilities around above two land parcels were not completed, and satisfaction of development conditions remained uncertainty.

On 1 August 2011, Jiangsu Fullshare Property disposed of its 50% equity interest in Tianjing Fullshare Yonghui Investment and Development Company Limited (天津豐盛永輝投資發展有限公司 ("**Yonghui Fullshare**") to Mr. Zhang Wei (an independent third party at the time of the disposal) at a consideration of RMB5,000,000. The consideration for such disposal was determined with reference to the registered capital of Yonghui Fullshare of

RMB10,000,000. Yonghui Fullshare did not carry out any property development project before its disposal. The reason for the disposal is the proposed acquisition of the land was not able to be carried out.

Yancheng Fullshare Jinji Property Development Company Limited (鹽城豐盛金基房地產開發有限公司) ("**Yancheng Fullshare**") was wholly owned by Jiangsu Fullshare Property and deregistered by Jiangsu Fullshare Property on 25 July 2012. Yancheng Fullshare did not carry out any property development project before its deregistration. The reason for the deregistration is due to adjustment of development strategy of Jiangsu Fullshare Property, it decided to only use one platform (*i.e.* Jiangsu Fullshare Property) to develop the property projects in Yancheng.

RESTRUCTURING

In preparation of the Acquisition, the Target Group has carried out the following restructuring steps:

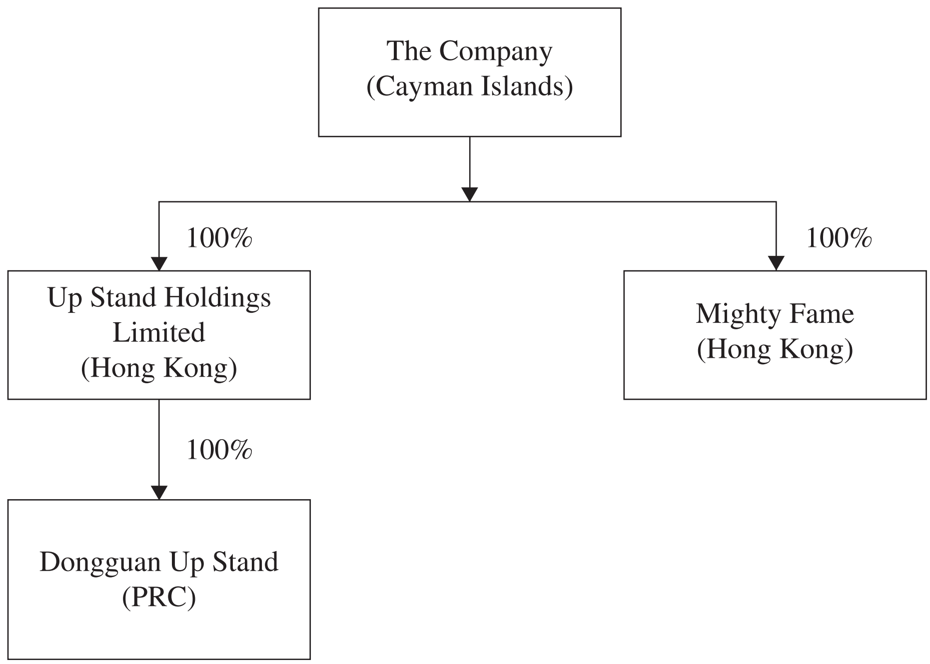
(a) The Target Company was incorporated in the PRC on 19 July 2012 with the initial registered capital of RMB5,000,000. The Target Company is wholly owned by Nanjing Fullshare Holding. On 30 August 2012, the registered capital of the Target Company was increased from RMB5,000,000 to RMB400,000,000 with Nanjing Fullshare Holding contributing RMB395,000,000.

(b) On 25 July 2012, Nanjing Fullshare Holding entered into an equity transfer agreement with Nanjing Jiasheng, pursuant to which Nanjing Jiasheng agreed to sell its 10% equity interest in Jiangsu Fullshare Property to Nanjing Fullshare Holding. Upon completion, Jiangsu Fullshare Property became a direct wholly-owned subsidiary of Nanjing Fullshare Holding.

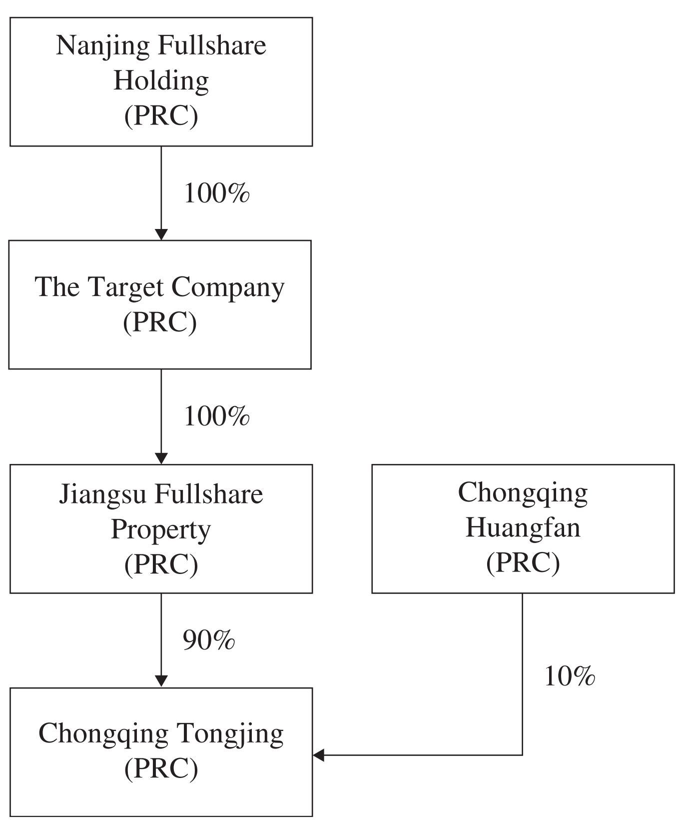
(c) On 9 August 2012, the registered capital of Jiangsu Fullshare Property was increased to RMB400,000,000 by way of capitalisation of a loan in amount of RMB300,000,000 owed by Jiangsu Fullshare Property to Nanjing Fullshare Holding.

(d) On 10 August 2012, Nanjing Fullshare Holding entered into an equity transfer agreement with the Target Company, pursuant to which Nanjing Fullshare Holding agreed to sell the entire equity interest in Jiangsu Fullshare Property to the Target Company at a consideration of RMB400,000,000.

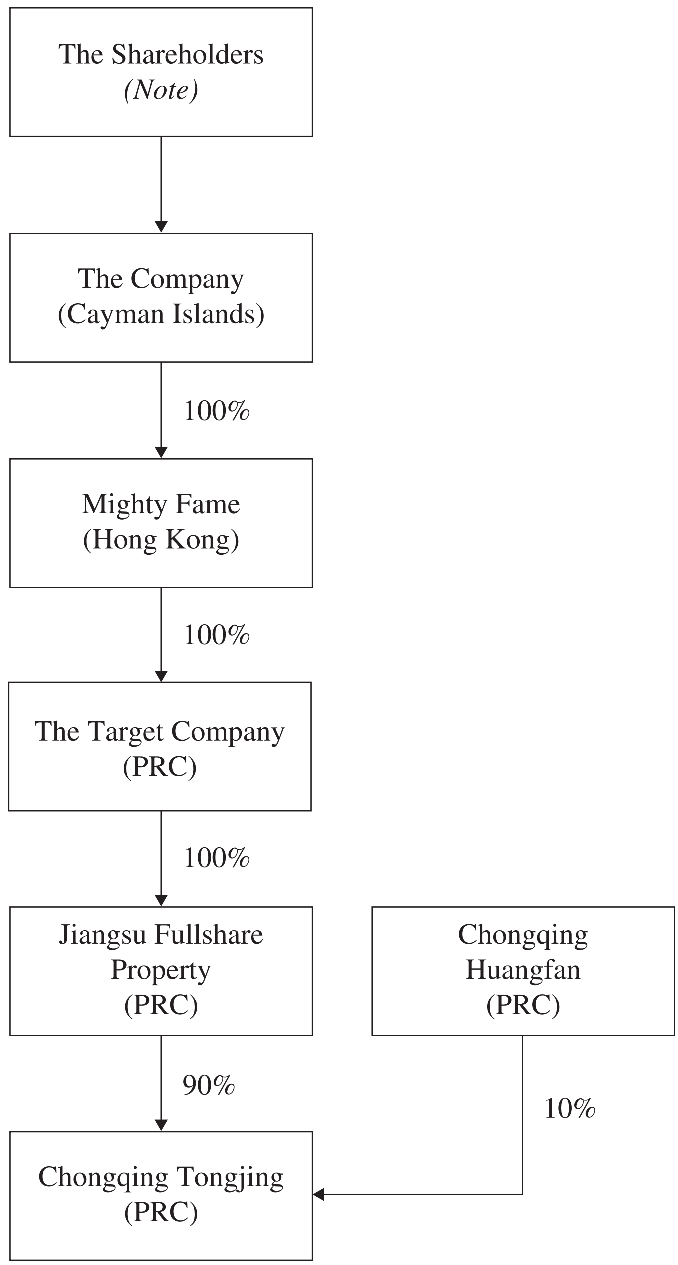
The simplified corporate and shareholding structure of the Group as at the Latest Practicable Date:



The simplified corporate and shareholding structure of the Target Group immediately after the restructuring is as follows:



The simplified corporate and shareholding structure of the Group upon resumption of trading is as follows:



Note: please refer to the shareholding table set out in the paragraph headed "Change in Shareholding Structure of the Company" in the section headed "Letter from the Board" of the circular for the various scenarios of shareholding structure of the Company depending upon the outcome of the Open Offer, possible conversion of the Convertible Bonds by either Magnolia Wealth and Mr. Kan and possible placing down to be carried out by Magnolia Wealth in the event the Company is unable to attain Public Float.

M&A RULES

As advised by the PRC legal advisers of the Company, King & Wood Mallesons Lawyers, mergers and acquisitions of domestic enterprises by foreign investors shall be reviewed and approved by the MOFCOM or competent commercial authority according to the M&A Rules and other regulations issued by the MOFCOM. Both the acquisition price basis and the consideration payment shall be in compliance with the provisions of the M&A Rules. As Magnolia Wealth did not have any interests or have any control on the Company on and before the aforesaid acquisition approval date (i.e., there was no connected relationship between the transaction parties at that stage) and the consideration of the Acquisition was fully paid in cash rather than equities or shares, the Acquisition was neither an acquisition between affiliated parties nor an acquisition based on the equities payment, and thus does not fall into the category which should be submitted to the MOFCOM for approval.

OVERSEAS INVESTMENT FOREIGN EXCHANGE REGISTRATION OF DOMESTIC RESIDENTS

As advised by the PRC legal advisers of the Company, King and Wood Mallesons Lawyers, the domestic resident, who establishes or controls ("Control" herein includes that a domestic resident obtains the operation right, profit right or decision right over a special purpose company or a domestic enterprise by means of acquisition, trusteeship, holding shares on behalf of others, voting rights, repurchase, convertible bonds or otherwise) any overseas special purpose company, should go through the overseas investment foreign exchange registration formalities at the a local branch or office of the SAFE. In case of equity transfer or replacement, long-term equity or debt investment with respect to the special purpose company, not involving round-trip investment, the domestic resident shall apply to the SAFE for the overseas investment foreign exchange registration change or filing formalities.

Mr. Ji, as the actual controller of Magnolia Wealth, proceeded with individual overseas investment foreign exchange registration for his establishment of Magnolia Wealth in BVI at Jiangsu Branch of the SAFE on 30 July 2012. After Magnolia Wealth actually subscribes the Convertible Bonds and thereafter actually controls the Company by exercising such Convertible Bonds or otherwise, and the Company has actually held the equity of the Target Company through Mighty Fame, then Mr. Ji shall further go through the foreign exchange registration change filing for special purpose company by domestic resident at Jiangsu Branch of the SAFE with respect to his investment in the Target Company through Mighty Fame. As advised by the PRC legal advisers of the Company, King and Wood Mallesons Lawyers, such overseas investment foreign exchange registration change filing would not face any legal hurdle, subjecting to obtaining the final approval from Jiangsu Branch of the SAFE.

COMPLIANCE WITH THE RELEVANT PRC LAWS AND REGULATIONS

As advised by the PRC legal advisers of the Company, King & Wood Mallesons Lawyers, the incorporation and each change in shareholding of the Target Group have obtained necessary approval and registration and has complied with relevant PRC legal requirements.

EXCLUDED COMPANIES

For more details about the reasons for excluding the Excluded Companies from the Target Group, please refer to the section headed "Relationship with the Controlling Shareholders" of the circular.

BUSINESS REVIEW OF THE TARGET GROUP

The Target Group is a property developer primarily focusing on developing and selling residential properties in Yancheng and Chongqing in the PRC through its two project companies, namely Jiangsu Fullshare Property and Chongqing Tongjing. For the property development, the Target Group focuses on city and site selection, land acquisition, project planning and positioning, and sales and marketing strategy formulation. The Target Group outsources its design, construction, sales and marketing and property management services to qualified contractors, agencies and property management companies, supervises their performance and manages the overall project development process.

As of 31 July 2013, the property portfolio of the Target Group comprised of five property development projects in Yancheng and Chongqing, namely, XiChengYiPinHuaYuan (西城逸品花園), XiChengFuDi (西城府邸) and JiuZongGou Land Parcel (九總溝地塊) in Yancheng and TongJingYueCheng (同景•躍城) and ShuXiangYuan (書香苑) in Chongqing, with an aggregate GFA of approximately 344,104 sq.m. completed, approximately 414,821 sq.m. under development and approximately 569,127 sq.m. held for future development. As of 31 July 2013, the GFA attributable to the Target Group, which is based on the Target Group's equity interests in the relevant projects, comprised of an aggregate GFA of approximately 335,030 sq.m. completed, aggregate GFA of approximately 398,027 sq.m. under development and aggregate GFA of approximately 569,127 sq.m. held for future development.

All the projects currently being developed by the Target Group are located in either Yancheng or Chongqing. Jiangsu Fullshare Property owns the three property development projects in Yancheng with an aggregate GFA of approximately 253,365 sq.m. completed, approximately 246,876 sq.m. under development and approximately 569,127 sq.m. held for future development as of 31 July 2013. Chongqing Tongjing owns the two property development projects in Chongqing with an aggregate GFA of approximately 90,739 sq.m. completed and an aggregate GFA of approximately 167,945 sq.m. under development as of 31 July 2013. The GFA attributable to Chongqing Tongjing, which is based on 90% of the equity interest held by Chongqing Tongjing in the relevant projects, comprised an aggregate GFA of approximately 81,665 sq.m. completed and an aggregate GFA of approximately 151,151 sq.m. under development as of 31 July 2013.

By 31 July 2013, the Target Group had completed Phase 1, Phase 2 and Stage 1 of Phase 3 of XiChengYiPinHuaYuan (西城逸品花園) in Yancheng, with an aggregate GFA of approximately 253,365 sq.m. and Buildings 2 to 5 and 7 of TongJingYueCheng (同景•躍城) in Chongqing, with an aggregate GFA of approximately 90,739 sq.m. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, the Target Group's revenue was approximately RMB111.6 million, RMB310.9 million, RMB399.1 million and RMB303.1 million, respectively, and the Target Group's profit and total comprehensive income for the same periods was approximately RMB12.7 million, RMB77.9 million, RMB33.4 million and RMB34.5 million, respectively.

During the Track Record Period, the Target Group made contracted sales, including sale and pre-sale, of three of its projects, namely, XiChengYiPinHuaYuan (西城逸品花園), ShuXiangYuan (書香苑) and TongJingYueCheng (同景•躍城). However, as only Phase 1, Phase 2 and Stage 1 of Phase 3 of XiChengYiPinHuaYuan (西城逸品花園) were completed and delivered to the purchasers during the Track Record Period, only sales of these properties were recognised as revenue during the Track Record Period. For the years ended 31 December 2010, 2011 and 2012 and the seven months ended 31 July 2013, the Target Group's total contracted GFA was approximately 93,041 sq.m., 126,737 sq.m., 112,145 sq.m. and 44,836 sq.m., respectively, and it made total contracted sales of approximately RMB465.2 million, RMB697.2 million, RMB661.8 million and RMB279.1 million, respectively, for the same periods. The proceeds from the pre-sold GFA amounted to approximately RMB385.0 million, RMB694.9 million, RMB588.2 million and RMB279.1 million, respectively, for the years ended 31 December 2010, 2011 and 2012 and the seven months ended 31 July 2013. The car parking spaces of XiChengYiPinHuaYuan (西城逸品花園) are designed as a mechanical double-storey garage. Mechanical garage has no physical boundary lines or clearly defined unit mechanical parking spaces and cannot be segmented. As confirmed by the PRC legal advisers of the Company, the current PRC laws and regulations do not provide measures for the title registration of unit mechanical parking spaces. Due to the lack of explicit legal bases, it is not feasible for local title registration authority to issue separate title certificate for unit mechanical parking spaces. Therefore, the Target Group owns the title certificate of the whole mechanical garage of XiChengYiPinHuaYuan (西城逸品花園) but are not able to obtain separate title certificates for unit mechanical parking spaces. Without separate title certificate, the unit mechanical parking spaces are not salable. Meanwhile, as the legal owner of the whole mechanical garage, the Target Group has the right to use, possess, dispose of and benefit from using mechanical garage and is entitled to segment the use rights of mechanical garage and transfer the use right of unit mechanical parking spaces to third parties. After the use rights of unit mechanical parking spaces are transferred to purchasers, the Target Group still retains the ownership of the unit mechanical parking spaces. The proceeds generated from transfer of the use rights of unit mechanical car parking spaces are included in the total sales of the Target Group.

The Target Group has a limited history in property development. The Target Group's two operating subsidiaries, Jiangsu Fullshare Property and Chongqing Tongjing were incorporated in February 2007 and November 2009, respectively. Jiangsu Fullshare Property has completed only Phase 1, Phase 2 and Stage 1 of Phase 3 of XiChengYiPinHuaYuan (西城逸品花園) since its inception and commenced developing Stage 2 of Phase 3 of XiChengYiPinHuaYuan (西城逸品花園) in April 2011 and Phases 1 and 2 of XiChengFuDi (西城府邸) in November 2012, both of which were still under development as of 31 July 2013. Chongqing Tongjing has only completed Buildings 2 to 5 and 7 of TongJingYueCheng (同景•躍城) since its inception and is still developing the remaining buildings of this project. Chongqing Tongjing also commenced developing ShuXiangYuan (書香苑) in November 2011, which was still under development as of 31 July 2013. Please refer to "— Completed Project (Phases and Stages)" and "— Project under Development and Held for Future Development" for details of the Target Group's property development history. The Target Group plans to manage its expansion plan from the following aspects:

- *Enhance the quality of Target Group's properties and operations.* The Target Group plans to enhance the quality of Target Group's properties and operations by enhancing the standardisation of project development process and operational procedures, including project planning, procurement, contracting and construction, quality control, sales and marketing for its projects and project companies, delivery and after-sale services: (i) The project planning process mainly comprises preparing brief reports on land information, making investment recommendations for proposed investment on land (project) and supervising the engagement of contractors for the design work and monitoring the design process; (ii) The procurement process mainly comprises entering into agreements for procurement of construction materials and equipment; (iii) The contracting and construction process mainly comprises supervising the engagement of contractors for projects, overseeing the construction progress of each project and preparing the cost control target and monitoring the cost fluctuation for the relevant projects; (iv) The quality control and construction supervision process mainly comprises supervision of the construction process and quality control of construction materials and equipment; (v) The sales and marketing process mainly comprises analysing project positioning, marketing and promotion of the relevant project and supervising the sales process of the outside agents; and (vi) the delivery and after-sales services process mainly comprises delivery of the completed properties and assisting customers in obtaining property ownership certificates. The Target Group has standardised the guidance and policy of each process in written documents, which the relevant departments of the Target Company and each project company must follow. The effective implementation of the standardised process enhance the Target Group's ability to monitor the progress of each project and ensures the Target Group's compliance with applicable laws and regulations as the standardised development procedure streamlines work among respective departments or between the Target Company and each project company, reduces cost and improves efficiency.

- *Attract, retain and motivate talented personnel through systematic training programs and competitive remuneration packages.* The Target Group believes its success and future growth strategies depend on its ability to attract and retain talented professionals and therefore, is committed to building a professional and highly specialised team with strong execution capabilities that shares and approves of the Target Group's values, vision and corporate culture. To attract and retain talented professionals, the Target Group plans to offer systematic and comprehensive training programs to its employees. For example, the Target Group plans to sponsor its senior management personnel to take training courses to improve their leadership skills. The Target Group also plans to continue to offer competitive remuneration packages to attract and retain talented professionals.

- *Maintain a disciplined financial strategy.* The Target Group plans to maintain a disciplined financial strategy in its business operations, including promoting pre-sales, maintaining debt-to-asset ratio of Jiangsu Fullshare Property at below 80% to ensure the compliance with the restrictive covenant in the loan agreement with Yancheng Chengzhong Sub-branch of Bank of China Limited and accelerating turnover of capital by dividing future projects to more phases and stages to accelerate the schedule of pre-sale of early phases, which could provide steady operational cash flow and liquidity. For details of the restrictive covenants that the Target Group is subject to, please refer to "Financial Information of the Target Group — Indebtedness — Indebtedness." The Target Group also intends to actively manage its project construction and pre-sale process to ensure sufficient cashflow from internal resources for its on-going capital needs. Moreover, the Target Group will closely monitor and manage its capital commitment and deploy its capital resources effectively to ensure its profitability and continued growth.

- *Enhance procurement management and quality control.* The Target Group plans to enhance the management of the procurement process by applying standardised procurement process as mentioned above. In addition, the Target Group will continue to effectively manage its construction cost. Each project company of the Target Group will monitor the fluctuation of the construction cost during the construction process and identify any excessive cost as compared with the estimated cost every month. If such excessive cost is identified, the project companies will report to the cost management center and senior management in the Target Company. Moreover, the Target Group will enhance the quality control process by closely working with third party construction supervision companies to supervise the procured materials and equipment as well as the construction process.

- *Prevent future non-compliance by enhancing management reporting and control.* Please refer to "— Non-compliance — Measures to Prevent Future Non-compliance" for more information of the specific internal control measures to ensure on-going compliance.

PROPERTY DEVELOPMENT PROJECTS OF THE TARGET GROUP

Overview of the Projects

The Target Company is an investment holding company which owns the entire equity interest in Jiangsu Fullshare Property. Jiangsu Fullshare Property and Chongqing Huangfan own 90% and 10%, respectively of the equity interest in Chongqing Tongjing. Jiangsu Fullshare Property and Chongqing Tongjing are primarily engaged in residential property development and sales in Yancheng and Chongqing.

The following map shows the geographical locations of the projects of the Target Group as of 31 July 2013:

The property development projects of the Target Group can be categorised into three types according to the stages of development:

- Completed project — a project or phase of a project is considered completed when the Target Group receives the completion certificate from the relevant government construction authorities;

- Project under development — a project or phase of a project is considered under development when the Target Group has received the required construction work commencement permit but has not received the completion certificate; and

- Project held for future development — a project or phase of a project is considered held for future development when the Target Group has received the relevant land use rights certificate, or has signed the relevant land use rights grant contract but has not yet obtained the land use rights certificate from the relevant government authority for granting land use rights and in each case, construction work has not yet commenced.

The classification of the Target Group's properties reflects the basis on which the Target Group operates its business and may differ from classifications applied by other property developers. Each property project or project phase may require multiple land use rights certificates, construction permits, pre-sale permits and other permits and certificates, which may be issued from time to time throughout the development process. The classification of the Target Group's properties is also different from the classification of properties in "Property Valuation Report" in Appendix V and "Accountant's Report" in Appendix I to the circular. The differences between the Target Group's classification of properties and the classification of properties in the "Property Valuation Report" set out in Appendix V and the "Accountant's Report" set out in Appendix I to the circular are set forth in the table below:

Target Group's Classification	Property Valuation Report	Accountant's Report
• **Completed projects or project phases** the completion certificates have been obtained from the relevant government construction authorities	• Group I — Property interests held by the Target Group for sale in the PRC (Property No. 1 and No. 2)	• Properties held for sale
• **Projects under development** the required construction commencement permits have been obtained but the relevant completion certificates have not been received	• Group II — Property interests held by the Target Group for development in the PRC (Properties No. 3 to No. 6)	• Properties under development
• **Projects held for future development** the relevant land use rights certificates have been obtained, or the relevant land use rights grant contracts have been signed but land use rights certificates have not yet been obtained, and in each case, construction work has not yet commenced	• Groups II and III — Property interests held by the Target Group for development in the PRC (Properties No. 7 and No. 8)	• Properties under development

Property Portfolio Summary

The following table sets forth a breakdown of the Target Group's property portfolio by GFA at various stages of development as of 31 July 2013:

PLANNED USE	COMPLETED				UNDER DEVELOP-MENT	HELD FOR FUTURE DEVELOPMENT		
	GFA sold	GFA available for sale(4)	Other GFA(5)	Total	GFA	(A) With land use rights certificates	(B) Land use rights grant contract signed and land use rights certificate to be issued	Total (A+B)
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*
Residential Project								
Yancheng								
Residential	225,585	446	—	226,031	201,600	348,314	77,784	426,098
Car parking spaces(1)	471	4,152	—	4,622	—	96,982	—	96,982
Storage units	15,630	1,042	—	16,672	11,440	13,206	12,300	25,506
Retail	—	3,383	—	3,383	12,094	11,288	1,527	12,815
Ancillary(2)	—	—	2,657	2,657	21,742	5,324	2,402	7,726
Sub-total GFA	241,686	9,023	2,657	253,365	246,876	475,114	94,013	569,127
Sub-total Attributable GFA(3)	241,686	9,023	2,657	253,365	246,876	475,114	94,013	569,127
Chongqing								
Residential	70,142	18,727	677	89,546	131,031	—	—	—
Car parking spaces(1)(6)	—	—	—	—	32,248	—	—	—
Storage units	—	—	—	—	—	—	—	—
Retail	—	—	—	—	1,400	—	—	—
Ancillary(2)	—	—	1,193	1,193	3,266	—	—	—
Sub-total GFA	70,142	18,727	1,870	90,739	167,945	—	—	—
Sub-total Attributable GFA(3)	63,128	16,854	1,683	81,665	151,151	—	—	—
Total GFA	311,828	27,750	4,527	344,104	414,821	475,114	94,013	569,127
Attributable GFA(3)	304,814	25,877	4,340	335,030	398,027	475,114	94,013	569,127

Notes:

(1) Comprised car parking spaces salable or with use rights transferable.

(2) Comprised above-ground ancillary GFA and underground ancillary GFA held by the Target Group for purposes other than residential use, retail use, car parking spaces and storage units and are primarily amenities not salable.

(3) Comprised the portion of the total GFA attributable to the Target Group based on the Target Group's equity interests in the relevant projects. The Target Group's interests in the relevant projects are set forth in the "Property Valuation Report" in Appendix V to the circular.

(4) Not include the portion of GFA held by the Target Group as amenities not salable.

(5) Comprised the portion of GFA held by the Target Group as amenities not salable.

(6) Included certain underground civil defense area used as car parking spaces with an aggregate GFA of 45,106 sq.m., which are under development. Please refer to "Summary of Principal Legal and Regulatory Provisions" in Appendix VI to this circular for details of PRC laws and regulations governing civil defense properties.

Completed Project (Phases and Stages)

The following table sets forth summary information on the Target Group's completed project phases and stages as of 31 July 2013:

Residential Project	Project type	Completion date	Completed GFA(1)	Salable GFA(2)	GFA sold(3)	Equity interest(4)	Attributable capital value(5)	Reference in property valuation report
			(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(%)*	*(RMB million)*	*(Property No.)*
Yancheng								
XiChengYiPin HuaYuan								
(西城逸品花園)								
Phase 1	Residential	August 2009	62,290	61,335	61,155	100		
Phase 2	Residential	June 2011	93,680	92,685	92,370	100	83.0	1
Phase 3								
Stage 1	Residential	April 2012	97,395	96,689	88,161	100		
Sub-total Completed GFA			253,365	250,709	241,686			
Sub-total Attributable GFA(6)			253,365	250,709	241,686			
Chongqing								
TongJingYueCheng								
(同景•躍城)								
Buildings 2 to 5 and 7								
Sub-total Completed GFA	Residential	June 2013	90,739	88,869	70,142	90	196.2	2
Sub-total Attributable GFA(6)			81,665	79,982	63,128			
Total Completed GFA			344,104	339,578	311,828			
Total Attributable GFA			335,030	330,691	304,814			

Notes:

(1) Derived from the information in Property Valuation Reports and the surveying and mapping reports issued by the relevant government authority and includes attributable value of amenities.

(2) Derived from the surveying and mapping reports issued by the relevant government authority.

(3) Derived from the Target Group's internal records.

(4) Based on the Target Group's equity interest in the respective project companies.

(5) Comprised the portion of the total capital value attributable to the Target Group based on the Target Group's equity interests in the relevant projects. The Target Group's interests in and the attributable value of the relevant projects are set forth in the "Property Valuation Report" in Appendix V to the circular.

(6) Comprised the portion of the total GFA attributable to the Target Group based on the Target Group's equity interests in the relevant projects. The Target Group's interests in the relevant projects are set forth in the "Property Valuation Report" in Appendix V to the circular.

Projects under Development and Held for Future Development

The following table sets forth summary information on the Target Group's projects under development and held for future development as of 31 July 2013:

Project	Project company	Project type	Site area	Estimated construction schedule	Pre-sale permit: Pre-sale date	Under development: Total GFA(1)	Under development: Salable GFA(2)	Under development: GFA pre-sold(3)	Held for future development: Total GFA(2)	Held for future development: GFA of land use rights grant contract signed and land use rights certificate to be issued(2)	Development costs incurred	Estimated future development costs	Equity interest(4)	Attributable capital value(5)	Reference to property valuation report
			(sq.m.)			*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(RMB million)*	*(RMB million)*	*(%)*	*(RMB million)*	*(Property No.)*
Yancheng															
XiChengYiPinHuaYuan (西城逸品花園)															
Phase 3															
Stage 2	Jiangsu Fullshare Property	Residential	165,604(7)	April 2011–December 2013	November 2011	116,498	96,876	87,230	—	—	1,027.8(8)	84.7	100	377.0	3
XiChengFuDi (西城府邸)															
Phases 1 and 2	Jiangsu Fullshare Property	Residential	139,205(9)	November 2012–December 2014	April 2013	130,377	128,257	14,153	—	—	467.5(10)	1,302.9	100	424.0	4, 8
Phases 3 and 4	Jiangsu Fullshare Property	Residential		October 2013–October 2017	—	—	—	—	291,244	94,013(11)			100		
JiuZongGou Land Parcel (九總溝地塊)	Jiangsu Fullshare Property	Residential	89,123	June 2014–June 2017	—	—	—	—	277,881	—	137.8	586.3	100	149.0	7
Chongqing															
ShuXiangYuan (書香苑)	Chongqing Tongjing	Residential	11,804	November 2011–September 2013	April 2012	51,660	49,230	38,556	—	—	170.1	75.3	90	199.8	5
TongJingYueCheng (同景•躍城)															
Buildings 1, 6 and 8 to 14	Chongqing Tongjing	Residential	51,172	March 2011–April 2015	May 2011	116,286	115,251	—	—	—	424.4	278.8	90	193.5	6
Total			453,128			414,821	389,614	139,939	569,127	94,013	2,227.6	2,328.0		1,343.3	
Total Attributable GFA(6)			447,209			398,027	373,166	136,084	569,127	94,013					

Notes:

(1) Derived from the surveying and mapping reports issued by the relevant government authority, the information in the construction work commencement permit and the information in the project planning applications and approvals.

(2) Derived from the surveying and mapping reports issued by the relevant government authority, the information in the project planning applications and approvals and the Target Group's internal records.

(3) Derived from the Target Group's internal records.

(4) Based on the Target Group's equity interest in the respective project companies.

(5) Comprised the portion of the total capital value attributable to the Target Group based on the Target Group's equity interests in the relevant projects. The Target Group's interests in and the attributable value of the relevant projects are set forth in the "Property Valuation Report" in Appendix V to the circular.

(6) Comprised the portion of the total GFA attributable to the Target Group based on its equity interest. The Target Group's interests in the relevant projects are set forth in the "Property Valuation Report" in Appendix V to the circular.

(7) Represented the total site area of XiChengYiPinHuaYuan (西城逸品花園), including the site area of the completed phases or stages of XiChengYiPinHuaYuan (西城逸品花園). The Target Group is not able to present site area by phases or stages because they are based on the same land parcel.

(8) Represented the total development costs incurred for XiChengYiPinHuaYuan (西城逸品花園) as of 31 July 2013, including the development cost of completed phases.

(9) Represented the total site area of XiChengFuDi (西城府邸). The Target Group is not able to present site area by phases because they are based on the same land parcel.

(10) Represented the total development costs incurred for XiChengFuDi (西城府邸) as of 31 July 2013, including the development cost incurred by the Target Group to develop Phase 1 and Phase 2 and the land premiums and relevant taxes paid by the Target Group to acquire the land parcel of Phase 3 and Phase 4.

(11) As of the Latest Practicable Date, the Target Group had not commenced the construction of Phases 3 and 4 of XiChengFuDi (西城府邸) with planned GFA of approximately 94,013 sq.m. on a parcel of land with a site area of approximately 16,385 sq.m.. The delay in delivering the land parcel and issuing the land use rights certificate to the Target Group was caused by the delay in demolition and relocation of the land parcel by the local government. The Target Group had signed the land use rights grant contract and paid all the land premium for this land parcel by March 2013. Yandu Administration Committee issued a letter on 16 January 2013, stating that it expected to complete the demolition and relocation of such land parcel and grant the land use rights to the Target Group before August 2013. As advised by the proposed executive Directors, the local government completed the demolition and relocation of the land parcel by the end of August 2013. The Target Group is currently in the process of obtaining the land use rights certificate of this land parcel and plans to commence construction on this land parcel in December 2013.

Contracted Sales

As of 31 July 2013, the Target Group made contracted sales of four of its projects, namely, XiChengYiPinHuaYuan (西城逸品花園), XiChengFuDi (西城府邸), ShuXiangYuan (書香苑) and TongJingYueCheng (同景 • 躍城). The following table sets forth details of the Target Group's contracted sales for the periods indicated:

	For the year ended 31 December									For the seven months ended 31 July		
	2010			2011			2012			2013		
Residential Project	Contracted sales *(RMB'000)*	Contracted GFA *(sq.m.)*	Contracted ASP[2] *(RMB/sq.m.)*	Contracted sales *(RMB'000)*	Contracted GFA *(sq.m.)*	Contracted ASP[2] *(RMB/sq.m.)*	Contracted sales *(RMB'000)*	Contracted GFA *(sq.m.)*	Contracted ASP[2] *(RMB/sq.m.)*	Contracted sales *(RMB'000)*	Contracted GFA *(sq.m.)*	Contracted ASP *(RMB/sq.m.)*
Yancheng												
XiChengYiPin HuaYuan (西城逸品花園)												
Residential	456,782	89,363	5,112	450,959	84,966	5,308	298,367	57,222	5,214	34,188	6,329	5,402
Car parking spaces[1]	–	–	–	–	–	–	1,302	388	3,356	255	83	3,072
Storage units	8,397	3,678	2,283	9,866	3,783	2,608	8,240	4,083	2,018	303	143	2,119
Retail	–	–	–	–	–	–	–	–	–	32,110	3,902	8,229
	465,179	93,041	–	460,825	88,749	–	307,909	61,693	–	66,856	10,457	–
XiChengFuDi (西城府邸)												
Residential	–	–	–	–	–	–	–	–	–	76,485	14,153	5,404
Sub-total	465,179	93,041	–	460,825	88,749	–	307,909	61,693	–	143,341	24,610	–
Chongqing												
ShuXiangYuan (書香苑)												
Residential	–	–	–	–	–	–	242,300	32,021	7,567	55,948	6,503	8,603
TongJingYueCheng (同景 • 躍城)												
Residential	–	–	–	236,402	37,988	6,223	111,550	18,431	6,052	79,800	13,723	5,815
Sub-total	–	–	–	236,402	37,988	–	353,850	50,452	–	135,748	20,226	–
Total	465,179	93,041	–	697,227	126,737	–	661,759	112,145	–	279,089	44,836	–

Notes:

(1) Comprised car parking spaces with use rights transferable.

(2) All of the Target Group's contracted sales during the Track Record Period comprised pre-sales. Therefore, the contracted ASP presented the average selling price of pre-sold properties. The ASP of properties sold is set forth in the "Financial Information of the Target Group — Description of Selected Components of Consolidated Statements of Comprehensive income — Revenue."

From 2011 to 2012, the contracted ASP of residential properties of XiChengYiPinHuaYuan (西城逸品花園) and TongJingYueCheng (同景•躍城) decreased slightly by 1.8% and 2.7% respectively, primarily because all of the Target Group's contracted sales of residential properties recorded in 2011 and 2012 were derived from its pre-sales of residential properties and the effect of austerity measures introduced in 2011 extended to Yancheng and Chongqing where the Target Group operated in 2012, which adversely affected market demand and availability of funding for property developers for land acquisitions and development. However, the Target Group's overall ASP of residential properties increased slightly from approximately RMB4,633 per sq.m. in 2011 to approximately RMB4,801 per sq.m. in 2012. Please refer to "Financial Information of the Target Group — Description of Selected Components of Consolidated Statements of Comprehensive income — Financial year ended 31 December 2012 compared to financial year ended 31 December 2011" for details.

Awards

Due to the high quality of XiChengYiPinHuaYuan (西城逸品花園), Jiangsu Fullshare Property received awards from provincial and local authorities in 2009 and 2011, including the following:

Awards	Awarded by	Year of Award
Jiangsu Quality Residential Project (江蘇優秀住宅)	Jiangsu Provincial Department of Housing and Urban-Rural Construction (江蘇省住房和城鄉建設廳)	2009
Residential Project with Reliable Quality (值得信賴品質樓盤)	Yancheng Property Security and Management Bureau (鹽城住房保障和房產管理局)	2011
Property Developer of Advanced Construction (建設工作綜合先進單位)	Yancheng Yandu Bureau of Housing and Urban-Rural Construction (鹽城市鹽都區住房和城鄉建設局)	2011
Reliable Property Developer (房地產誠信聯盟單位)	Yancheng Property Security and Management Bureau (鹽城住房保障和房產管理局)	2011

Description of the Property Development Projects

Projects in Yancheng

XiChengYiPinHuaYuan (西城逸品花園)

Buildings and Garden View of XiChengYiPinHuaYuan (西城逸品花園)

XiChengYiPinHuaYuan (西城逸品花園) is a residential project consisting primarily of high-rise apartment buildings. It also includes retail spaces and a kindergarten. This project is located in the intersection of Xihuan Road and Qingnian Road in Yancheng, adjoining the west bank of Qianjin River. Jiangsu Fullshare Property is the property developer of this project.

The project has three phases. The Target Group has completed Phase 1, Phase 2 and Stage 1 of Phase 3 of this project and is currently developing Stage 2 of Phase 3 of this project. Details of this project as of 31 July 2013 are as follows:

Phase	**Project type**	**Actual/planned construction period**	**Status**
Phase 1	Residential	November 2007–August 2009	Completed
Phase 2	Residential	May 2009–June 2011	Completed
Phase 3			
Stage 1	Residential	August 2010–April 2012	Completed
Stage 2	Residential	April 2011–December 2013	Under development

The development costs incurred by the Target Group amounted to approximately RMB1,027.8 million as of 31 July 2013. The cost of development from 1 August 2013 to the completion of the project is estimated to be approximately RMB84.7 million.

XiChengYiPinHuaYuan (西城逸品花園) occupies an aggregate site area of approximately 165,604 sq.m. and is expected to have an aggregate GFA of approximately 369,863 sq.m. and an aggregate salable GFA of approximately 347,586 sq.m. upon completion.

Phase 1 and Phase 2 of this project have an aggregate salable GFA of 154,020 sq.m., comprising 1,224 residential units with an aggregate salable GFA of 143,989 sq.m. and 761 storage units with an aggregate salable GFA of 10,031 sq.m.. The two phases were completed in August 2009 and June 2011, respectively. As of 31 July 2013, 1,223 residential units with an aggregate GFA of 143,820 sq.m. and 737 storage units with an aggregate GFA of 9,705 sq.m. had been sold.

Phase 3 of the project has an aggregate salable GFA of approximately 193,565 sq.m., comprising 1,505 residential units with an aggregate salable GFA of approximately 166,730 sq.m., 749 storage units with an aggregate salable GFA of 11,030 sq.m., 57 retail units with an aggregate salable GFA of approximately 11,182 sq.m. and 168 car parking spaces with an aggregate use-right-transferable GFA of approximately 4,623 sq.m..

Phase 3 has two stages. Stage 1 of Phase 3 has an aggregate salable GFA of 96,689 sq.m., comprising 683 residential units with an aggregate salable GFA of 82,042 sq.m., 544 storage units with an aggregate salable GFA of 6,641 sq.m., 22 retail units with an aggregate salable GFA of 3,383 sq.m. and 167 car parking spaces with an aggregate use-right-transferable GFA of 4,623 sq.m. Stage 1 of Phase 3 was completed in April 2012. As of 31 July 2013, 681 residential units with an aggregate GFA of 81,765 sq.m., 17 car parking spaces with an aggregate use-right-transferable GFA of 471 sq.m. and 487 storage units with an aggregate GFA of 5,925 sq.m. had been sold.

Stage 2 of Phase 3 has an aggregate salable GFA of approximately 96,876 sq.m., comprising 822 residential units with an aggregate salable GFA of approximately 84,688 sq.m., 205 storage units with an aggregate salable GFA of approximately 4,389 sq.m. and 35 retail units with an aggregate salable GFA of approximately 7,799 sq.m.. The Target Group commenced the pre-sale of stage 2 of Phase 3 in November 2011. As of 31 July 2013, 810 residential units with an aggregate GFA of 87,230 sq.m. and 23 retail units with an aggregate GFA of 3,902 sq.m. had been pre-sold. Stage 2 of Phase 3 is under development and expected to be completed in December 2013, which will be later than the completion date of 30 December 2011 stipulated in the relevant land grant supplementary agreement. Please see "— Non-compliance — Delay in the Construction and Completion of Projects" for more details in relation to such non-compliance.

XiChengFuDi (西城府邸)

XiChengFuDi (西城府邸) is planned to be a residential project consisting primarily of high-rise apartment buildings. It also includes retail spaces and a kindergarten. This project is located north of Daqing Road and east and west of Kaichuang Road runs across the land parcel from north to south in Yancheng. Jiangsu Fullshare Property is the property developer of this project.

This project has four phases. The Target Group is currently developing Phases 1 and 2 of this project. Phases 3 and Phase 4 of this project are held for future development. Details of this project as of 31 July 2013 are as follows:

Phase	Project Type	Actual/planned construction period	Status
Phases 1 and 2	Residential	November 2012–December 2014	Under development
Phases 3 and 4	Residential	October 2013–October 2017	Held for future development

The development costs incurred by the Target Group amounted to approximately RMB467.5 million as of 31 July 2013. The cost of development from 1 August 2013 to the completion of the project is estimated to be approximately RMB1,302.9 million.

XiChengFuDi (西城府邸) occupies an aggregate site area of approximately 139,205 sq.m. and is expected to have an aggregate GFA of approximately 421,621 sq.m. and an aggregate salable GFA of approximately 415,048 sq.m. upon completion.

Phases 1 and 2 of the project have an aggregate salable GFA of approximately 128,257 sq.m., comprising 1,196 residential units with an aggregate salable GFA of approximately 116,912 sq.m., storage units with an aggregate salable GFA of approximately 7,051 sq.m. and retail units with an aggregate salable GFA of approximately 4,294 sq.m.. The Target Group commenced the pre-sale of Phases 1 and 2 of this project in April 2013. As of 31 July 2013, 138 residential units with an aggregate GFA of 14,153 sq.m. had been pre-sold. The Target Group expects to complete the construction of Phases 1 and 2 of this project by December 2014.

Phases 3 and 4 of the project are currently held for future development and are expected, upon completion, to have an aggregate salable GFA of approximately 286,791 sq.m., comprising 1,912 residential units with an aggregate salable GFA of approximately 217,644 sq.m., storage units with an aggregate salable GFA of approximately 16,099 sq.m., retail units with an aggregate salable GFA of approximately 1,734 sq.m. and 4,105 car parking spaces with an aggregate use-right-transferable GFA of approximately 51,314 sq.m.. The Target Group expects to complete the construction of Phases 3 and 4 of this project by October 2017.

JiuZongGou Land Parcel (九緦溝地塊)

JiuZongGou Land Parcel (九緦溝地塊) is planned to be a residential project consisting primarily of high-rise apartment buildings. It also includes retail spaces and a kindergarten. This project is located east of Kaichuang Road in Yancheng. Jiangsu Fullshare Property is the property developer of this project.

The project is held for future development and the Target Group intends to develop this project in three phases. Details of this project as of 31 July 2013 are as follows:

Phase	Project type	Actual/planned construction period	Status
Phase 1	Residential	June 2014–June 2016	Held for future development
Phase 2	Residential	December 2014–December 2016	Held for future development
Phase 3	Residential	June 2015–June 2017	Held for future development

The development costs incurred by the Target Group amounted to approximately RMB137.8 million as of 31 July 2013. The cost of development from 1 August 2013 to the completion of the project is estimated to be approximately RMB586.3 million.

JiuZongGou Land Parcel (九總溝地塊) occupies an aggregate site area of approximately 89,123 sq.m. and is expected to have an aggregate GFA of approximately 277,881 sq.m. and an aggregate salable GFA of approximately 274,608 sq.m. upon completion.

As of the Latest Practicable Date, the Target Group had not yet commenced construction of this project, whereas the construction commencement date stipulated in the land use rights grant contract is 31 December 2011. Please see "— Non-compliance — Delay in the Construction and Completion of Projects" for more details in relation to such non-compliance.

Projects in Chongqing

ShuXiangYuan (書香苑)

Construction Site of ShuXiangYuan (書香苑)

ShuXiangYuan (書香苑) is a residential project consisting of high-rise apartment buildings. This project is located at Yuzhong District in Chongqing in close proximity to several schools in the district. Chongqing Tongjing is the property developer of this project.

Details of this project as of 31 July 2013 are as follows:

Project type	Actual/planned construction period	Status
Residential	November 2011–December 2013	Under development

The development costs incurred by the Target Group amounted to approximately RMB170.1 million as of 31 July 2013. The cost of development from 1 August 2013 to the completion of the project is estimated to be approximately RMB75.3 million.

ShuXiangYuan (書香苑) occupies an aggregate site area of approximately 11,804 sq.m. and is expected to have an aggregate GFA of approximately 51,660 sq.m. and an aggregate salable GFA of approximately 49,230 sq.m. upon completion, comprising approximately 1,310 residential units with an aggregate salable GFA of approximately 45,800 sq.m. and 98 car parking spaces with an aggregate salable GFA of approximately 3,430 sq.m..

The Target Group commenced the pre-sale of this project in April 2012. As of 31 July 2013, 945 residential units with an aggregate GFA of approximately 38,556 sq.m. had been pre-sold.

The construction commencement and completion dates stipulated in the land use rights grant contract of ShuXiangYuan (書香苑) are 1 December 2009 and 1 December 2011, respectively, which have been extended to 30 June 2010 and 30 June 2012, respectively, by the local government authority. The Target Group commenced the construction of the project in November 2011 and expected to complete the construction of project in December 2013, later than the construction commencement and completion dates approved by the relevant authority. Please see "— Non-compliance — Delay in the Construction and Completion of Projects" for more details in relation to such non-compliance.

TongJingYueCheng (同景 • 躍城)

Construction Site of TongJingYueCheng (同景 • 躍城)

TongJingYueCheng (同景 • 躍城) is a residential project consisting primarily of high-rise apartment buildings. It also includes retail spaces and a kindergarten. This project is located in Yudong Street of Ba'nan District. Chongqing Tongjing is the property developer of this project.

Details of this project as of 31 July 2013 are as follows:

Building	Project type	Actual/planned construction period	Status
2 to 5 and 7	Residential	March 2011–June 2013	Completed
1, 6 and 8 to 14	Residential	July 2011–April 2015	Under development

The development costs incurred by the Target Group amounted to approximately RMB424.4 million as of 31 July 2013. The cost of development from 1 August 2013 to the completion of the project is estimated to be approximately RMB278.8 million.

TongJingYueCheng (同景 • 躍城) occupies an aggregate site area of approximately 51,172 sq.m. and is expected have an aggregate GFA of approximately 207,024 sq.m. and an aggregate salable GFA of approximately 200,082 sq.m. upon completion, comprising 2,932 residential units with an aggregate salable GFA of approximately 174,777 sq.m., 18 retail units with an aggregate salable GFA of approximately 1,400 sq.m. and 683 underground car parking spaces with an aggregate salable GFA of approximately 23,905 sq.m..

The Target Group commenced the pre-sale of this project in May 2011. Five buildings of this project were completed in June 2013. As of 31 July 2013, 246 residential units with an aggregate GFA of 70,142 sq.m. had been sold.

The Target Group commenced the construction of the project in March 2011, which was later than the construction commencement date of 30 June 2010 stipulated in the land use rights grant contract. In addition, the project is under development and expected to be completed in April 2015, which will be later than the completion date of 30 June 2012 stipulated in the relevant land use rights grant contract. Please see "— Non-compliance — Delay in the Construction and Completion of Projects" for more details in relation to such non-compliance.

PROJECT DEVELOPMENT

The process for the Target Group's project development generally includes, among other things, city and site selection, land acquisition, project design and planning, project financing, construction, quality control and construction supervision, sales and marketing and delivery and after-sales services.

City and Site Selection

City and site selection and evaluation process is one of the most critical stages in property development and is key to the success of a property development project. The Target Group generally considers the following factors in its city selection process, including:

- geographical size, population and overall economic development;
- zoning regulations and policies on real estate development, future land availability and transportation network development;
- supply of and demand for properties in the local market; and
- competition landscape, including the identity, size and development plans of existing and potential competitors, pricing and other indicators of competing projects, the marketing strategies of competitors and competing projects, and the land availability in the foreseeable future.

In selecting the project site in a specific city, the Target Group generally considers the following factors:

- site area and the location of the site, in particular, its proximity and accessibility to city centers or business districts;
- the site's position and level of importance in the city's future development plans;
- whether the site is connected to robust transportation infrastructure and supporting facilities currently existing or planned by the local government; and
- overall cost structure of the potential property development, including, among other things, whether the site is ready for development without substantial demolition of existing structures.

After the Target Group identifies a potential site and engages a consulting company to prepare a feasibility study report, it then decides whether to acquire the relevant land.

Land Acquisition

During the Track Record Period and up to the Latest Practicable Date, the Target Group acquired land use rights primarily by the following methods:

- acquiring land from the local government through public bidding, auction or listing-for-sale; or
- acquiring project companies with land use rights.

Property developers must pay land premium to the PRC government for acquisition of land from it. The PRC government issues the land use rights certificate to the property developer after receipt of the land premium and application for such certificate from the property developer. The land use rights normally have a term of 70 years for residential properties, 40 years for commercial properties and 50 years for comprehensive-use properties.

During the Track Record Period, the Target Group had a number of cooperation arrangements with business partners for land bidding and potential land acquisition for development. However, even though the cooperation arrangements with business partners, the Target Group still had to acquire land use rights through (i) acquiring land from the local government through public bidding, auction or listing-for-sale; or (ii) acquiring project companies with the land use rights. The following table sets forth the cooperation between the Target Group and its business partners during the Track Record Period:

Identity	**Role**	**Main rights and obligations under the cooperation arrangements**	**Latest status of the advancement**
Yancheng Traffic	Sourcing of land suitable for future development and property development project	The Target Group's business partner did not have any commitments to contribute funding. The terms of the cooperation would be agreed upon the acquisition of the land use rights or retainment of the property development project by the business partner.	The advancement was fully recovered. The Target Group has discharged the entire obligation under the cooperation with its business partner.
Nanjing Yupeng	Sourcing of land suitable for future development and property development project	The Target Group's business partner did not have any commitments to contribute funding. In 2010, Jiangsu Fullshare Property agreed to cooperate with Nanjing Yupeng, as proposed by Nanjing Yupeng, to acquire a target land and develop properties in the Liuhe District in Nanjing, and agreed to acquire 75% of the newly authorised registered capital in Nanjing Yupeng for a consideration of RMB150.0 million at the request of Nanjing Yupeng. The terms of the cooperation relating to the land development would be agreed upon the acquisition of the land use rights or retainment of the property development project by the business partner.	The advancement was fully recovered. The Target Group has discharged the entire obligation under the cooperation with its business partner.
Mr. Pan Guile (The payments were made to Chongqing Kaieers, Chongqing Jiayu and Hainan Jiayu as designated by Mr. Pan Guile)	Sourcing of land suitable for future development and property development project	The Target Group's business partner did not have any commitments to contribute funding. The terms of the cooperation would be agreed upon the acquisition of the land use rights or retainment of the property development project by the business partner.	The advancement was fully recovered. The Target Group has discharged the entire obligation under the cooperation with its business partner.

It is not uncommon for a property development company to pay significant amounts of advances to third parties for land bidding and potential land acquisition for development based on the Directors' experience. The Target Group believe that by such cooperation, the Target Group may increase its chance of successfully obtaining the land from the public tender, auction and listing-for-sale. However, the Target Group has not successfully acquired any land use rights by cooperation with, or making significant amounts of advance to, any of its business partners in the past. Therefore, the Enlarged Group does not intend to continue such cooperation arrangements with its business partners in the future. Going forward, the Target Group will only pay bidding deposits directly to the relevant government authorities.

Cooperation is a normal business activity between counterparties, with no necessity to report to the local government. Therefore, until the developers enter into tender, auction and listing-for-sale processes to acquire land from local governments, the local governments do not know such cooperations. Since the Target Group and its business partners did not enter into such process during their cooperation, the local governments were not aware of the cooperation. The Directors (together with the proposed executive Directors) do not believe the Target Group will be subject to any credit and operational risks in this regard. Other than the risks relating to the inter-company loans disclosed in "Business of the Target Group — Non-compliance — Inter-company Loans", the PRC legal advisers of the Company are of the opinion that the Target Group will not be subject to any compliance risks in this regard.

Under the PRC laws and regulations, if a property developer fails to develop the land according to the terms of the land use rights grant contract (including those relating to the payment of fees, designated use of land, amount of GFA developed, time for commencement and completion or suspension of the development, and amount of capital invested), the relevant government authority may issue a warning to or impose a penalty on the property developer or confiscate the land. During the Track Record Period and up to the Latest Practicable Date, no land of the Target Group was confiscated and no penalty was imposed on the Target Group as a result of its failure to develop any of its land according to the terms of the relevant land use rights grant contracts.

The following table sets forth the means of land acquisition by the Target Group for its projects and the compliance analysis by the PRC legal advisers of the Company:

Project	Means of land acquisition	Compliance with the applicable PRC laws and regulations	Bases of analysis
XiChengYiPinHuaYuan (西城逸品花園)	Acquisition of land through listing-for-sale	Complied	1. Yancheng Yandu District State-owned Assets Investment Management Co., Ltd. (鹽城市鹽都區國有資產投資經營有限公司) successfully acquired a land parcel from the local government through listing-for-sale on 26 September 2006, which was in compliance with the applicable laws and regulations. 2. Jiangsu Fullshare Property, a wholly-owned subsidiary of the Target Company, was established in the PRC on 1 February 2007 by Yancheng Yandu District State-owned Assets Investment Management Co., Ltd. (鹽城市鹽都區國有資產投資經營有限公司), Nanjing Fullshare Real Estate Development Co., Ltd. (南京豐盛置業發展有限公司) and Mr. Feng Shuqing. The establishment of Jiangsu Fullshare Property was in compliance with the applicable laws and regulations. For more information, please refer to the section headed "History and Background of the Target Group" in this circular. 3. Jiangsu Fullshare Property entered into a land use rights grant contract with the competent local government authority on 25 April 2007, which was in compliance with the applicable laws and regulations. Based on the above-mentioned bases, the PRC legal advisers of the Company are of the opinion that the Target Group's acquisition of land use rights was in compliance with the applicable laws and regulations.
Xi Cheng Fu Di (西城府邸)	Acquisition of land through listing-for-sale	Complied	Jiangsu Fullshare Property successfully acquired two land parcels from the local government through listing-for-sale on 6 January 2011 and entered into a land use rights grant contract with the competent local government authority on 17 January 2011, which was in compliance with the applicable laws and regulations. Based on the above-mentioned bases, the PRC legal advisers of the Company are of the opinion that the Target Group's acquisition of land use rights was in compliance with the applicable laws and regulations.

Project	Means of land acquisition	Compliance with the applicable PRC laws and regulations	Bases of analysis
JiuZongGou Land Parcel (九總溝地塊)	Acquisition of land through listing-for-sale	Complied	Jiangsu Fullshare Property successfully acquired a land parcel from the local government through listing-for-sale on 22 December 2010 and entered into a land use rights grant contract with the competent local government authority on 31 December 2010, which was in compliance with the applicable laws and regulations. Based on the above-mentioned bases, the PRC legal advisers of the Company are of the opinion that the Target Group's acquisition of land use rights was in compliance with the applicable laws and regulations.
ShuXiangYuan (書香苑)	Acquisition of equity interests in project company which had acquired land use rights	Complied	1. Tongjing Group Company Limited successfully acquired a land parcel from the local government through auction on 24 June 2009, which was in compliance with the applicable laws and regulations. 2. As agreed by the competent local government authority on 3 December 2009, Chongqing Tongjing, a subsidiary of Tongjing Group Company Limited at that time, entered into a land use rights grant contract with the competent local government authority on 1 April 2010, which was in compliance with applicable laws and regulations. 3. Chongqing Heheng, a subsidiary of Jiangsu Fullshare Property at that time, acquired the entire equity interest of Chongqing Tongjing on 31 August 2010, which was in compliance with the applicable laws and regulations. 4. Jiangsu Fullshare Property acquired 90% of the equity interest in Chongjing Tongjing from Chongqing Heheng on 2 September 2010, which was in compliance with the applicable laws and regulations. Based on the above-mentioned bases, the PRC legal advisers of the Company are of the opinion that the Target Group's acquisition of land use rights was in compliance with the applicable laws and regulations.

Project	Means of land acquisition	Compliance with the applicable PRC laws and regulations	Bases of analysis
TongJingYueCheng (同景•躍城)	Acquisition of equity interests in project company which had acquired land use rights	Complied	1. Tongjing Group Company Limited successfully acquired a land parcel from the local government through auction on 25 June 2009, which was in compliance with the applicable laws and regulations. 2. As agreed by the competent local government authority on 3 December 2009, Chongqing Tongjing, a subsidiary of Tongjing Group Company Limited at that time, entered into a land use rights grant contract with the competent local government authority on 5 February 2010, which was in compliance with the applicable laws and regulations. 3. Chongqing Heheng, a subsidiary of Jiangsu Fullshare Property at that time, acquired the entire equity interest of Chongqing Tongjing on 31 August 2010, which was in compliance with the applicable laws and regulations. 4. Jiangsu Fullshare Property acquired 90% of the equity interest in Chongjing Tongjing from Chongqing Heheng on 2 September 2010, which was in compliance with the applicable laws and regulations. Based on the above-mentioned bases, the PRC legal advisers of the Company are of the opinion that the Target Group's acquisition of land use rights was in compliance with the applicable laws and regulations.

The Target Group originally intended to acquire the land parcel of XiChengYiPin Land Parcel No. 1 (西城逸品1號地塊) with an aggregate site area of approximately 33,817 sq.m. through a listing-for-sale process. A listing-for-sale process consists of five steps: (i) attending the tender process conducted by the local government; (ii) winning the tender process; (iii) entering into land use rights grant contract; (iv) paying the land premium; and (v) receiving the land use rights certificate. Feng Shuqing, who subsequently became one of the shareholders of Jiangsu Fullshare Property, completed the first two steps of the process in 2006. In January 2007, Feng Shuqing entered into a cooperation agreement with Yandu Assets and Nanjing Fullshare Real Estate, pursuant to which the parties agreed to establish Jiangsu Fullshare Property to complete the remaining steps of the process. To date, the Target Group has not entered into a land use rights grant contract with the local government or received the relevant land use rights certificate in respect of XiChengYiPin Land Parcel No. 1 (西城逸品1號地塊).

Normally, the land use rights grant contract will be signed by Jiangsu Fullshare Property and the local government within a specified period after winning the listing-for-sale. The delay in entering into the land use rights grant contract for XiChengYiPin Land Parcel No. 1 (西城逸品1號地塊) was due to the delay in demolition and relocation of the land parcel by the local government. Therefore, as confirmed by the PRC legal advisers of the Company, for such delay in entering into the land use rights grant contract, Jiangsu Fullshare Property did not breach any condition of the tender process, and Jiangsu Fullshare Property will not be subject to any penalties imposed by the relevant government in this regard.

The total land premium of XiChengYiPin Land Parcel No. 1 (西城逸品1號地塊) is estimated to be RMB70 million. The Target Group has paid RMB10 million as deposit for the acquisition of XiChengYiPin Land Parcel No. 1 (西城逸品1號地塊). The Target Group has not paid any other deposit for acquisition of land parcel for its future development.

The Target Group intends to focus on developing residential properties. Jiangsu Fullshare Property and Nanjing Fullshare Real Estate entered into a land development right transfer agreement (the "**Right Transfer Agreement**") with Jiangsu Yijing Property Development Limited (江蘇逸景房地產開發有限公司) ("**Jiangsu Yijing**"), an independent third party, on 31 July 2013. Pursuant to the Right Transfer Agreement, (i) Jiangsu Fullshare Property and Nanjing Fullshare Real Estate have agreed to assist Jiangsu Yijing in entering into an cooperation agreement (the "**Cooperation Agreement**") with Mr. Feng Shuqing and Yandu Assets, pursuant to which, among other things, Feng Shuqing and Yandu Assets will assist Jiangsu Yijing in entering into a land use rights grant contract with the relevant local government authority in respect of XiChengYiPin Land Parcel No. 1 (西城逸品1號地塊); (ii) Jiangsu Yijing has agreed to pay Jiangsu Fullshare Property RMB10.0 million within 10 working days from the date of the Right Transfer Agreement as consideration for Jiangsu Fullshare property to assist Jiangsu Yijing in entering into the Cooperation Agreement and compensation for a deposit for land acquisition paid by Jiangsu Fullshare Property in respect of XiChengYiPin Land Parcel No. 1 (西城逸品1號地塊); (iii) Jiangsu Fullshare Property and Nanjing Fullshare Real Estate give no promise as to the entering into the land use rights grant contract in respect of XiChengYiPin Land Parcel No. 1 (西城逸品1號地塊) between Jiangsu Yijing and the relevant local government authority; (iv) Jiangsu Yijing also has agreed that upon entering into the Cooperation Agreement, RMB10.0 million paid by it to Jiangsu Fullshare Property will become non-refundable in any event; (v) Jiangsu Yijing has agreed to assume all the financial obligations of Jiangsu Fullshare Property in respect of XiChengYiPin Land Parcel No. 1 (西城逸品1號地塊), including but not limited to any penalties imposed by the relevant government as a result of not entering into the land use rights grant contract within a specified period.

The Target Group understands Jiangsu Yijing and Nanjing Fullshare Real Estate, Mr. Feng Shuqing and Yandu Assets entered into the Cooperation Agreement on 31 July 2013.

On 12 August 2013, Jiangsu Fullshare Property received a confirmation letter from Jiangsu Yijing stating that all obligations of Jiangsu Fullshare Property and Nanjing Fullshare Real Estate under the Right Transfer Agreement had been fully performed. Jiangsu Yijing also paid RMB10.0 million to Jiangsu Fullshare Property on 12 August 2013 pursuant to the Right

Transfer Agreement. As such, the Target Group will not be involved in the development of XiChengYiPin Land Parcel No. 1 (西城逸品1號地塊) or any other commercial property and there will be no competition between the Target Group and the Controlling Shareholders.

The Directors (together with the proposed executive Directors) do not believe that the Target Group will be subject to any potential loss.

Project Design

Project design is a critical step of the project development process as the project design reflects the specific market positioning and project planning. The Target Group conducts market research on the customers in the target market, defines the market positioning of the proposed project, prepares a detailed timetable for the design process, determines the design budget and then selects third party designers typically through tender processes. Throughout the design process, the Target Group works with the designer to ensure the project design reflects the desired market positioning. During the Track Record Period, the Target Group engaged two third party designers, one with Real Property Industry (Construction) Class A Qualification (《建築行業(建築工程)甲級資格》) and the other with National Comprehensive Design Class A Qualification (《國家綜合設計甲級資格》).

Pre-construction Planning

According to PRC laws and regulations, after a property developer has obtained land use rights for project development, it must obtain necessary government approvals before commencing the planning and construction of the project. Such approvals include:

- construction land planning permit, which allows a property developer to conduct survey, planning and design of a parcel of land;
- construction work planning permit, which is the evidence of approval by the competent government authority of the overall planning and design of a project submitted by a property developer; and
- construction work commencement permit, which is required for the commencement of construction.

During the Track Record Period and up to the Latest Practicable Date, the Target Group did not experience any material delays in obtaining the aforesaid certificates and permits. As of the Latest Practicable Date, the Target Group had obtained all aforesaid certificates and permits as required under applicable PRC laws and regulations for all of its projects.

Project Financing

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 the CBRC on 30 August 2004, a property developer applying for property development loans must have, as its own working capital, at least 35% of the capital required for the development of the project. Therefore, the Target Group must fund at least 35% of its property development cost with its internal resources. On

5 June 2003, the PBOC issued the Notice on Further Strengthening the Management of Loans for Property Business (《中國人民銀行關於進一步加強房地產信貸業務管理的通知》), prohibiting commercial banks from advancing loans to fund the payment of land premiums. As a result, the Target Group must rely on its own funds to pay for land premiums. On 4 May 2006, the State Council issued the Opinion on Adjusting the Housing Supply Structures and Stabilising House Prices (《關於調整住房供應結構穩定住房價格的意見》) to further deter property developers from using bank loans to build up their land bank. Each property developer must obtain land use rights certificate and have at least 35% of the capital required for developing a project before a bank may issue a loan to it for project development. In May 2009, the State Council issued the Notice on Adjusting the Proportions of Registered Capital in Fixed Asset Investment Projects (《關於調整固定資產投資項目資本金比例的通知》) to reduce the minimum capital ratio for commercial and high-end residential property projects from 35% to 30%.

During the Track Record Period, the Target Group funded the land acquisition costs with cash generated from its operations and funding from shareholders and construction costs with proceeds from pre-sale of properties, project loans from PRC commercial banks and funding from shareholders. The Target Group expects to fund its working capital requirement and development cost with proceeds from the pre-sale properties and loans from commercial banks in the future. See the section headed "Financial Information of the Target Group — Indebtedness" for more details.

Construction

The Target Group outsources all the construction work to construction contractors located in the PRC. During the Track Record Period, the Target Group engaged over 50 construction contractors. Other than construction of buildings and civil engineering, these contractors also carry out various construction works including landscaping, water and electricity installation, equipment installation and exploration engineering. During the Track Record Period, construction contractors were typically selected through tender process by project companies, taking into account the professional qualifications, reputation and track record of the construction contractors. The Target Group has established Supplier Management Policy (供應商管理辦法) to govern the supplier and contractor selection and management process. Before the selection of supplier and contractor, the Target Group will send an investigation form to each potential supplier and contractor for it to fill in. The form is carefully designed to evaluate the technology and quality of the product and services provided by suppliers and contractors as well as the overall performance of suppliers and contractors. The form also lists all the documents and permits required and suppliers and contractors have to provide a copy of these supporting documents and permits before they may attend the tender process conducted by the Target Group. The Target Group's cost management center is responsible for supervising and controlling the selection process. The vice supervisor in this center has more than seven years' experience in cost management of the property development project. The settlement terms with the general contractors typically correspond to the construction progress stipulated in the construction contracts. See "— Key terms of General Construction Contracts". The settlement terms with other contractors vary from contract to contract, including one lump sum payment in advance or in arrear as well as settlement corresponding to the construction progress. These contractors generally do not grant the Target Group any credit period.

The employees in the Target Group's cost and product management center are generally responsible for works relating to construction, including monitoring the design and construction process, ensuring safety in the construction process, monitoring and controlling the costs and managing the process of procuring of raw materials and equipment.

The Target Group outsources construction of the buildings and civil engineering of a particular project to a general contractor and engages other construction contractors for the remaining construction work. The general contractor of the Target Group is responsible for procuring construction materials relating to construction of buildings and civil engineering and the Target Group procures other construction materials and equipment. The Target Group procures construction materials of significant amounts through tender processes and procures others without going through tender process. In respect of the construction materials procured by the general contractor, the Target Group reviews the market prices of such materials before accepting them. The Target Group also specifies the brands of certain major materials or equipment or designates qualified suppliers from which its general contractors may source such materials or equipment.

During the Track Record Period, project companies made payments to the construction contractors and material suppliers generally by cheque, bills payable or telegraphic transfer. During the Track Record Period and up to the Latest Practicable date, the Target Group did not have any material dispute with its construction contractors or suppliers, and the Target Group was not subject to any material penalty, claim, or direct loss as a result of unsatisfactory work performed by its construction contractors or construction delay.

During the Track Record Period, Jiangsu Fullshare Property engaged a connected party as its general construction contractor and procured construction materials from another connected party. See the section headed "Relationship with Controlling Shareholders" in the circular for more details.

Key Terms of General Construction Contracts

Each project company of the Target Group enters into a general construction contract with its general contractor, pursuant to which the general contractor must provide warranties on quality and the timetable of construction, be liable for any delay in the construction and bear the costs for rectifying any construction defects. The Target Group pays fees to its general contractor according to the payment schedule set forth in the general construction contract. According to the general construction contracts in Yancheng, a general contractor normally receives approximately 50% to 70% of the total payment by the time the general contractor completes the main portion of the buildings. Upon receiving the completion certificate, the Target Group normally settles approximately 65% to 85% of the total payment with the general contractor. Approximately one year after the completion of the construction, the Target Group will settle 95% to 97% of the contract value with the general contractor. According to the general construction contracts in Chongqing, a general contractor normally receives approximately 80% of the total payment by the time the general contractor completes the main portion of the buildings. Upon receiving the completion certificate, the Target Group normally settles approximately 90% of the total payment with the general contractor. Approximately six months after the completion of the construction, the Target Group will settle 97% of the contract value with the general contractor. The Target Group retains the remaining 3% to 5% of the contract value as the quality guarantee from payment to the general construction contractors typically for a term of five years. During the Track Record Period, the cost incurred by the Target Group to rectify the defects in construction did not exceed the relevant amount of quality guarantees.

As of 31 December 2010, 2011 and 2012 and 31 July 2013, the quality guarantee retained by the Target Group amounted to approximately RMB1.0 million, RMB2.8 million, RMB1.0 million and RMB1.5 million, respectively.

Quality Control and Construction Supervision

The Target Group focuses on quality control of its projects. The following sets forth the important measures or procedures of the Target Group for quality control:

- the construction contracts the Target Group enters into with the construction contractors typically contain warranties with respect to quality and timely completion of the construction projects;
- in compliance with the relevant PRC laws and regulations, the Target Group engages certified construction supervision companies to supervise the project construction. These construction supervision companies conduct quality and safety control checks on all materials and workmanship on-site and supervise the progress of construction, work site safety and the construction schedule;
- the Target Group specifies the brands of certain major materials or equipment or designates qualified suppliers from which its construction contractors may source such materials or equipment; and
- the Target Group conducts on-site inspection of all the materials procured.

During the Track Record Period, the Target Group engaged four third party construction supervision companies, including two with Real Property Construction Supervision Class A Qualification (《房屋建築工程監理甲級》), one with Real Property Construction Supervision Class B Qualification (《房屋建築工程監理乙級》) and one with Construction Supervision Comprehensive Qualification (《工程監理綜合資質》).

The Target Group did not encounter any material quality issues, nor was it subject to any material claims in this regard during the Track Record Period and up to the Latest Practicable Date.

Sales and Marketing

Pre-sale

The Target Group typically conducts pre-sale of its properties prior to the completion of a project or a phase of the project, subject to satisfaction of certain requirements set forth in the laws and regulations governing the pre-sale of properties. Under the Law of the Administration of Urban Property of the PRC (《中華人民共和國城市房地產管理法》) and the Administrative Measures Governing the Pre-sale of Urban Property (《城市商品房預售管理辦法》), a property developer must satisfy the following conditions before commencing any pre-sale of a property development project:

- it has fully paid the land premium and obtained the relevant land use rights certificates;
- it has obtained the relevant permits required for the planning and construction of the property;
- the amount already invested in the project must not be less than 25% of the total amount to be invested in the project;
- the expected completion date and delivery date of the construction work have been fixed; and
- it has obtained the pre-sale permit from the relevant local government authorities.

Local governments may require a property developer to satisfy additional conditions.

The PRC legal advisers of the Company are of the opinion that during the Track Record Period and up to the Latest Practicable Date, the Target Group was in compliance in all respects with the relevant laws and regulations applicable to the pre-sale of properties in the PRC.

Sales and Marketing

The Target Group retains external real estate sales agents to assist in its sales and marketing efforts. The Target Group's internal sales and marketing team is responsible for formulating and supervising the execution of its sales and marketing strategies, while the retained external sales agents are responsible for implementing such strategies and making sales, including preparing marketing materials, conducting marketing campaigns, recommending unit selling prices and coordinating and monitoring the Target Group's relationship with the media. This approach assures consistency in the Target Group's promotion and sales strategy and improves the efficiency of its sales and marketing efforts.

The Target Group selects its agents based on their experience in the local market and the amount of commission they charge. The Target Group pays commission to its agent based on the sales made by such agent in accordance with the agency contract between the project company and the agent.

The Target Group prices its properties based on a number of factors, such as the types, features, locations of the properties and the supply and demand condition of the local market. Each external sales agent advises the Target Group on the unit selling prices based on its regular market survey, the prices of properties in close proximity to the Target Group's properties and the location, landscape and environment of the specific property.

Payment Arrangements

A customer may purchase the property either by a lump sum payment or with mortgage loan financing. The customer pay at least 30% of the purchase price with his or her own funds as down payment upon the execution of the property sale and purchase agreement and pay the remaining 70% of the purchase price normally within three months after the execution of the property sale and purchase agreement either with his or her own funds or a mortgage loan as under current PRC laws and regulations, such customer may obtain a mortgage loan in the principal amount of up to 70% of the purchase price with a term of up to 30 years. Meanwhile, a customer paying the remaining 70% of the purchase price with an individual housing provident fund loans in Chongqing may pay within six months after the execution of the property sale and purchase agreement.

The Target Group records contracted sales, which is 100% of the purchase price, upon the execution of the relevant property sale and purchase agreement. According to the accounting policy of the Target Group, the Target Group recognises revenue from sales of properties in the ordinary course of business when the risks and rewards of properties are transferred to the purchasers, i.e., when the construction of the relevant properties has been completed, the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. In line with the industry practice, the Target Group does not deliver the properties to the customer until such customer has fully paid the purchase price.

The Target Group issues payment request letter to each customer who fails to make payment for more than 30 days after such payment is due. The Target Group may choose to bring a legal suit or arbitration proceeding against such customer to recover the defaulted payment as well as default penalty. Moreover, when the Target Group determines the recovery of the defaulted payment is not possible, the Target Group may choose to cancel the property sale and purchase agreement and re-sell the property. In such case, the customer is still subject to the default penalty. During the Track Record Period, the Target Group encountered two incidents of default by customers. The Target Group received the default penalty and re-sold the property in one incident. In the other incident, the Target Group brought a suit against the customer to recover the defaulted payment in the aggregate amount of RMB457,970 as well as default penalty, which was fully received as of the date of this circular. Accordingly, the Target Group did not record any net loss from such incidents. During the Track Record Period and save as disclosed above, the Target Group did not experience any material default on payment obligations or other material breach of property sale and purchase agreement by its customers.

In accordance with the industry practice, the Target Group provides guarantees to the banks in connection with its customers' mortgage loans to finance their purchase of the pre-sold residential properties. The Target Group's guarantee is released upon the bank receiving the building ownership certificate of the relevant property from the purchaser as security for the mortgage loan. If any purchaser defaults on his or her payment obligations under the mortgage loan during the terms of such guarantee, the bank may request the Target Group to fulfill such payment obligation. Under such circumstances, the Target Group is entitled to forfeit the deposit received and sell the repossessed properties. In line with the industry practice, the Target Group does not conduct any independent credit evaluation of its customers. Instead, it relies on the credit evaluation conducted by the mortgagee banks on such customers. As of 30 June 2013, the Target Group's outstanding balance of the mortgage loans guaranteed by the Target Group was approximately RMB513.6 million. The PRC legal advisers of the Company are of the opinion that these guarantees provided by the Target Group are legal, valid and enforceable under the relevant laws and regulations of the PRC. During the Track Record Period and up to the Latest Practicable Date, the Target Group was not called upon to fulfill material payment obligations under its guarantee.

Delivery and After-sale Service

Delivery

The Target Group endeavors to deliver its properties to customers on a timely basis. It closely monitors the progress of construction of its property projects and conducts pre-delivery property inspections to ensure a timely delivery. The latest time for delivery is set forth in the property sale and purchase agreement entered into with each purchaser of pre-sale properties. Once the Target Group has performed various inspections and obtained the completion certificate, it notifies the purchasers of delivery of the properties approximately five to 30 days in advance of the delivery date. The notice of delivery contains the actual delivery date, the difference between the actual GFA and estimated GFA and the amount of the property management fees and public maintenance fees. The property sale and purchase agreements normally provide for a compensation in the event of any delay in delivery by the Target Group. If the delay extends beyond a specified period, the purchasers may be entitled to terminate their property sale and purchase agreements and claim damages. During the Track Record Period and up to the Latest Practicable Date, the Target Group did not experience any termination of their property sale and purchase agreements or claim of damages caused by delay in delivery.

After-sales Services

Once a property project has passed the requisite completion inspections, the Target Group must deliver the completed property to the property purchasers within the time frame provided in the property sale and purchase agreements. Failure to do so may render the Target Group liable for monetary damages. In addition, the Target Group must apply for the general property ownership certificates in respect of these properties within the time frame provided in the property sale and purchase agreements. Each individual purchaser must apply for the individual property ownership certificate within 90 days after execution of the property sale and purchase agreement for the purchase of completed properties or within 90 days after the delivery of property for the purchase of pre-sold properties. The Target Group must obtain a general property ownership certificate before relevant authorities can issue individual property ownership certificates to property purchasers and the Target Group must provide the property purchasers with necessary assistance in applying for the individual property ownership certificates. During the Track Record Period and up to the Latest Practicable Date, the Target Group has not experienced any delay in assisting property purchasers with the individual property ownership certificate application, including delay in obtaining the general property ownership certificate by the Target Group.

Property Management

The Target Group engages property management companies to provide property management services for the properties developed by it. The Target Group enters into a property management agreement with a property management company in respect of a particular project, pursuant to which the property management company will be responsible for all aspects of the day-to-day management of the property, including recruiting and training security and cleaning staff. As of 31 July 2013, the Target Group had outstanding property management agreements with one property management company, which is an independent third party of the Target Group. The property management company will continue to provide property management service to the properties developed by the Target Group according to its property management agreements until it is replaced by property management company selected by property owner's committee.

CUSTOMERS AND CONTRACTORS/SUPPLIERS

The customers of the Target Group are primarily individual purchasers in the PRC with varying income levels and education background. The sales to the five largest customers accounted for approximately 5.2%, 1.6%, 1.1% and 1.3% of the Target Group's total revenue for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively. The Target Group's single largest customer for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 accounted for approximately 1.6%, 0.4%, 0.2% and 0.3%, respectively, of the Target Group's total revenue for the same periods. To the best knowledge of the Directors (and the proposed Directors), none of the Directors (or the proposed Directors) and their respective associates or any of the Shareholders holding more than 5% of the Company's share capital as of the Latest Practicable Date, have any interest in any of the Target Group's five largest customers.

The major contractors/suppliers of the Target Group are construction contractors and construction material suppliers. Purchase from or fees to the five largest contractors/suppliers accounted for approximately 81.8%, 82.5%, 78.6% and 42.2% of the Target Group's total construction cost for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively. Their relationships with the Target Group range from six months to five years. The Target Group's single largest contractor/supplier for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 accounted for approximately 41.4%, 36.5%, 26.2% and 21.9%, respectively, of the Target Group's total construction cost for the same periods. To the best knowledge of the Directors (and the proposed Directors), except Mr. Ji, none of the Directors (or the proposed Directors) and their respective associates or any of the Shareholders holding more than 5% of the Company's share capital as of the Latest Practicable Date have any interest in any of the Target Group's five largest suppliers. During the Track Record Period, two of the Target Group's five largest suppliers, which are associates of Mr. Ji, had transactions with the Target Group. See the section headed "Relationship with Controlling Shareholders" of the circular for more details.

During the Track Record Period and up to the Latest Practicable date, the Target Group did not have any material dispute with its customers or contractors/suppliers.

REGULATORY MILESTONES OF THE PRC PROPERTY MARKET

Since 2010, the PRC government has implemented a series of regulations and measures regulating the property market in the PRC. The primary goal of these regulations and measures is to manage the overheating property market, discourage speculation in the property market, enhance regulation of land transfers and idle land and increase the supply of affordable housing units. Some of the major regulatory measures that have been promulgated by the PRC government since 1 January 2010 are set forth below:

2010

The PBOC raised the deposit reserve rate on 18 January 2010, 25 February 2010, 10 May 2010, 16 November 2010, 29 November 2010 and 20 December 2010 to control the supply of credit in the property market.

The PBOC raised the interest rate on 20 October 2010 and 29 December 2010 to control inflation and regulate the property market.

In January 2010, the State Council issued the Circular on Promoting the Stable 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》) to establish a regulatory framework for the real estate industry.

In March 2010, the MLR issued the Notice on Issues Regarding Further Increasing Supply and Strengthening Control of Lands for Real Estate Development (《關於加強房地產用地供應和監管有關問題的通知》) to discourage speculations in the property market.

In September 2010, the MLR and the MOHURD jointly issued the Notice on Further Strengthening the Control and Regulation of Land and Construction Project 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》), together with five other regulations issued by relevant government authorities, to slow down the increase of property prices in certain cities. Developers with land idled for one or more years may not purchase new land and local governments must issue detailed regulations on local property markets. A number of major cities have imposed restrictions on purchase of properties since then.

In November 2010, the MOHURD and the SAFE jointly issued the Notice on Further Standardizing the Administration of Housing Purchase by Foreign Entities and Individuals (《關於進一步規範境外機構和個人購房的通知》) to restrict foreign individuals from purchasing property in the PRC. The MOF, the MOHURD, the CBRC and the PBOC jointly issued the Circular on Regulations of Policies Concerning Personal Housing

Provident Fund Loan《關於規範住房公積金個人住房貸款政策有關問題的通知》in November 2010 to prohibit commercial banks from providing individual housing provident fund loans to individuals purchasing the third or more residential property.

2011

In January 2011, the MOF and the SAT jointly issued the Notice on Business Tax Imposed on Individuals Transferring Houses (《財政部、國家稅務總局關於調整個人住房轉讓營業稅政策的通知》) to restrain transfers of properties by individuals within five years after purchase.

In 2011, the State Council issued eight new major measures to impose tighter restrictions and regulations on land transfer, idle land, property development and management. The most important measures include (i) increasing the minimum down payment for the purchase of the second residential property to 60% of the total price of property; (ii) requiring the interest rate of the mortgage loan for the purchase of a second residential property to be no lower than 1.1 times of benchmark interest rate of the PBOC; (iii) authorising the national and local governments to confiscate the land use rights without compensation if a property developer fails to commence development within two years from the construction commencement date set forth in the land use rights grant contract, unless the delay in the development is caused by government actions or force majeure; and (iv) increasing the supply of affordable housing.

2012

In July 2012, the MLR amended the Measures on the Disposal of Idle Land (《閒置土地處置辦法》) to further clarify the definition of the idle land and the procedure the local government must follow to manage the idle land.

2013

In February 2013, the State Council issued the Notice of the State Council on Continuing to Regulate and Control the Real Estate Market (《國務院辦公廳關於繼續做好房地產市場調控工作的通知》) (Guo Ban Fa (2013) No.17) to restrict the purchase of properties, require the local branches of the PBOC to raise the minimum down payment percentage and the interest rate of bank loans in cities where the property prices rise faster than a normal rate and clarify that the individual income tax rate in a second hand property transaction is 20% of the profits generated from the transaction by the seller.

The Directors (together with the proposed executive Directors) believe that the introduction of these austerity measures has affected the availability of credit facilities to potential customers, the general investment appetite in the industry and the availability of funding for property developers for land acquisitions and development, and therefore may adversely affect the contracted selling prices of the Target Group. The Target Group target property purchasers in Yancheng and Chongqing as its main customers during the Track Record Period, and the contracted ASP of residential properties of XiChengYiPinHuaYuan (西

城逸品花園) and TongJingYueCheng (同景•躍城) decreased slightly by 1.8% and 2.7% respectively from 2011 to 2012. For more details, please refer to "Business of the Target Group — Property Development Projects of the Target Group — Contracted Sales".

Although the sales and pre-sales and results of operations of the Target Group was significantly affected by the austerity measures adopted by PRC national and local governments during the Track Record Period, it is not possible for the Directors (together with the proposed executive Directors) to ascertain the full extent of the impact of the austerity measures on the performance of the Target Group or to accurately estimate the results of operations of the Target Group if such austerity measures had not been introduced. There can be no assurance that the recently introduced austerity measures have not had a material adverse effect on the Target Group's business, results of operations and financial condition or that they will not have a materially adverse effect on the Target Group's business results of operations and financial condition after the completion of the Acquisition.

To reduce the effect of these austerity measures in the PRC property market, the Target Group plans to continue to target property purchasers in Yancheng and Chongqing after the completion of the Acquisition because the Directors (together with the proposed executive Directors) are of the opinion that these austerity measures will not have substantial effect on the real estate industry in cities such as Yancheng and Chongqing as the austerity measures focus primarily on regulating the real estate industry in major cities. For example, the local regulations, rules and policies on restricting house purchasing, levying property tax and granting mortgage loan are generally more restrictive in major cities such as Beijing, Shanghai and Guangzhou than those in other cities in the PRC.

COMPETITION

The PRC real estate market has been highly competitive in recent years. All the projects of Target Group are located in either Yancheng or Chongqing. Due to the regional nature of the real estate industry, the Target Group's major competitors consist of property developers developing residential properties in Yancheng and Chongqing. Some of the Target Group's competitors may have better track record, better financial, marketing and land resources, more extensive sales networks and stronger brand. Increasing competition in these cities may lead to an increase in competition for quality sites, land acquisition costs, intensified price competition and delay in the new property developments review and approval by the governmental authorities. In addition, expanding the Target Group's business into new geographical locations would entail competition with developers who may have better-established local presence, more familiarity with local regulatory and business practices and customs and stronger ties with local suppliers, contractors and purchasers.

PROPERTIES FOR SELF-OCCUPATION

The Target Group maintains offices in leased properties or self-owned properties in Yancheng and Chongqing where it has operations. For more information, please refer to the section headed "Property Valuation Report" in Appendix V to the circular. The Directors (together with the proposed executive Directors) believe the leased properties are not crucial to the operations of Target Group as they are used as offices or for ancillary use only and the

Target Group will have no difficulty in identifying alternative premises. Therefore, the Target Group does not expect any material adverse impact on Target Group if the leases are not renewed.

EMPLOYEES

As of 31 December 2010, 2011 and 2012 and 31 July 2013, the Target Group had approximately 39, 71, 61 and 97 full-time employees, respectively. The following table sets forth details of the numbers of employees of the Target Group for the periods indicated:

	As of 31 December			As of 31 July
	2010	**2011**	**2012**	**2013**
Administrative[(1)]	14	30	23	53
Construction[(1)]	20	30	28	30
Sales and marketing[(1)]	5	11	10	14
Total[(1)]	39	71	61	97

Note:

(1) Full-time employees of Chongqing Heheng were included in the headcount as of 31 December 2010 and 2011, but not in the headcount as of 31 December 2012.

As required by applicable PRC laws and regulations, the Target Group participates in various employee benefit plans of the municipal and provincial governments, including housing provident fund, pension, medical, maternity and unemployment benefit plans. The Target Group is required under the PRC law to make contributions to the employee benefit plans at specified percentages of the salaries, bonuses and qualified allowances of its employees up to a maximum amount specified by the relevant local government authorities and the Target Group made such contributions during the Track Record Period and up to the Latest Practicable Date in compliance with the applicable laws and regulations. During the Track Record Period and up to the Latest Practicable Date, the PRC legal advisors of the Company are of the opinion that the Target Group complied with applicable employment laws and regulations in the PRC in all material respects and there had been no material labor related legal proceedings against the Target Group.

INSURANCE

The Target Group does not have insurance coverage against potential losses or damages with respect to its properties before their delivery to customers, nor does the Target Group maintain insurance coverage against liability from tortious acts or other personal injuries on its project sites. However, if the Target Group secures bank loans from a commercial bank with its properties under development, such commercial bank may request the Target Group to maintain insurance coverage against potential losses or damages with respect to such property till the full repayment of the bank loan. During the Track Record Period, Chongqing Tongjing purchased such insurance for TongJingYueCheng (同景•躍城).

Pursuant to PRC laws and regulations and the general construction contracts entered into between the project companies of the Target Group and its general construction contractors, the general construction contractors bears the primary civil liability for personal injuries arising out of its construction work. State Administration of Work Safety requires each general construction contractor to purchase work-related injury insurance for their construction workers. During the Track Record Period and up to the Latest Practicable Date, the Target Group did not experience any material damage to its property nor was any personal injury-related claim brought against the Target Group.

In addition, the Target Group does not have insurance coverage against certain types of losses, such as losses due to earthquakes, nuclear contamination, typhoon, flooding, war and civil disorder, which are currently uninsurable in the PRC. The management of the Target Group believes that its practice is in line with the general practice in the PRC property development industry.

INTELLECTUAL PROPERTY RIGHTS

Nanjing Fullshare Holding has registered with the Trademark Office of the State Administration for Industry and Commerce of the PRC for trademarks containing brand "Fullshare Group (豐盛集團)" in the PRC under Class 36 and Class 37. Nanjing Fullshare Holding intends to apply to the Trademark Office of the State Administration for Industry and Commerce of the PRC for trademarks containing brand "Fullshare (豐盛)" in the PRC under Class 36 and Class 37. The PRC legal advisors of the Company are of the opinion that the Trademark Office of the State Administration for Industry and Commerce of the PRC may reject the application of registration of trademarks containing the brand "Fullshare (豐盛)" in the PRC by a third party as according to PRC laws and regulations, trademarks containing the brand "Fullshare Group (豐盛集團)" and trademarks containing the brand "Fullshare (豐盛)" may be deemed as similar trademarks. Accordingly, it is unlikely for any third party to bring claims for unauthorised use of its trademarks against the Target Group in relation to infringement of trademarks in the future upon successful registration of trademarks containing its brand "Fullshare (豐盛)" in the PRC.

On 15 March 2013, Nanjing Fullshare Holding issued an undertaking letter to the Target Company, in which Nanjing Fullshare Holding undertakes that, upon the successful registration of such trademarks, it will grant to the Target Company a nonexclusive license to use the trademarks, including sublicensing the use of such trademarks by the Target Company to its subsidiaries (as established from time to time). Nanjing Fullshare Holding also undertakes not to bring claims for unauthorised use of its trademarks against the Target Group. As of the Latest Practicable Date, the Target Group had not registered trademarks containing its brand in the PRC or overseas itself. The Directors (together with the proposed executive Directors) do not believe that the absence of such registration will have any material adverse effect on its operations. During the Track Record Period and up to the Latest Practicable Date, there was no claim or proceeding brought by or against the Target Group in relation to infringement of any intellectual property rights.

SAFETY AND ENVIRONMENTAL MATTERS

Occupational Health and Safety

The Target Group is subject to labor and safety regulations in the PRC. The Target Group provides safety equipment to its employees and ensures that the construction sites have adequate prevention measures. The PRC legal advisors of the Company are of the opinion that the Target Group was in compliance with the applicable PRC labor and safety regulations in all material respects and did not experience any incident or complaint which had a material adverse effect on its operations, during the Track Record Period and up to the Latest Practicable Date.

Environmental Matters

The Target Group is subject to a variety of environmental laws and regulations. The particular environmental laws and regulations that apply to a specific property development project vary according to the location of the project, nature of the land, the planning and design of the project, construction and/or operations and the current and expected use of the land and the properties. Pursuant to these laws and regulations, each property development project must undergo an environmental assessment. The project developer must submit an environmental impact assessment report, environmental impact assessment form or environmental impact assessment registration to the relevant local regulatory authority of environmental protection before the relevant authority issues construction work commencement permits for the project. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, the Target Group incurred cost of approximately RMB60,000, RMB73,500, RMB202,000 and RMB247,300, respectively, for compliance with applicable environmental rules and regulations. The Directors (together with the proposed executive Directors) expect that the Target Group will continue to incur costs to comply with applicable environmental rules and regulations. As of 30 June 2013, the future compliance costs for all the projects of the Target Group were expected to be approximately RMB2.36 million. The Directors (together with the proposed executive Directors) believe the Target Group possesses sufficient human resources to manage the relevant requirements. The PRC legal advisors of the Company are of the opinion that the Target Group has fully complied with all the relevant environmental laws and regulations and has obtained all the required permits and environmental approvals. During the Track Record Period and up to the Latest Practicable Date, the Target Group was not subject to any penalty in respect of environmental issues.

LEGAL PROCEEDINGS

From time to time the Target Group is involved in legal proceedings or disputes in the ordinary course of business. Such proceedings and disputes mainly include disputes with the customers, which in the view of the Target Group, are immaterial in terms of their impact on the financial and operational conditions of the Target Group. These litigation proceedings had all been settled or otherwise aborted as of the Latest Practicable Date. The Target Group is not aware of any material legal proceedings, claims or disputes currently existing or pending against the Target Group.

NON-COMPLIANCE

Delay in the Construction and Completion of Projects

The following table sets forth the detailed information and analysis of the Target Group's four projects involving the delayed commencement and completion of construction:

Project	**XiChengYiPinHuaYuan (西城逸品花園)**	**JiuZongGou Land Parcel (九總溝地塊)**	**ShuXiangYuan (書香苑)**	**TongJingYueCheng (同景•躍城)**
Developer	Jiangsu Fullshare Property	Jiangsu Fullshare Property	Chongqing Tongjing	Chongqing Tongjing
Whether there is any delay in the commencement of construction	No	Yes. The construction commencement date stipulated in the land use rights grant contract is 31 December 2011. As of the Latest Practicable Date, the Target Group had not yet commenced construction of this project. The Target Group expects to commence the construction of this project in June 2014, which will be two and a half years later than the stipulated commencement date.	Yes. The construction commencement date stipulated in the land use rights grant contract is 1 December 2009, which was extended to 30 June 2010 by the competent local government authority. The Target Group commenced the construction of the project in November 2011, which was one year and five months later than the extended commencement date.	Yes. The construction commencement date stipulated in the land use rights grant contract is 30 June 2010. The Target Group commenced the construction of the project in March 2011, which was nine months later than the stipulated commencement date.
Whether such land would be treated as idle land	Not applicable (no delay in the commencement of construction)	No (please refer to Note (1) of the table for a detailed analysis)	No (please refer to Note (2) of the table for a detailed analysis)	No (please refer to Note (3) of the table for a detailed analysis)
Whether there is any delay in the completion of construction	Yes (Only stage 2 of Phase 3 of the project). The completion date stipulated in the relevant land grant supplementary agreement is 30 December 2011. Stage 2 of Phase 3 of the project is under development and expected to be completed in December 2013.	Yes. The completion date stipulated in the land use rights grant contract is 30 December 2014. The Target Group expects to complete the construction of this project in June 2017.	Yes. The completion date stipulated in the land use rights grant contract is 1 December 2011, which was extended to 30 June 2012 by competent local government authority. The Target Group expects to complete the construction of the project in December 2013.	Yes. The completion date stipulated in the relevant land use rights grant contract is 30 June 2012. The Target Group expects to complete the construction of the project in April 2015.
How the relevant authorities became aware of the delays	The Target Group filed with the relevant authorities an extension report.	The Target Group filed with the relevant authorities an extension report.	The Target Group filed with relevant authorities an extension report.	The Target Group filed with the relevant authorities a report requesting the local government's assistance in solving the issues with the previous residents in the land parcel.

Project	XiChengYiPinHuaYuan (西城逸品花園)	JiuZongGou Land Parcel (九總溝地塊)	ShuXiangYuan (書香苑)	TongJingYueCheng (同景•躍城)
Whether the relevant government approvals in relation to the extension application have been obtained	Yes. Yancheng BLR issued a letter on 16 January 2013, stating that the delay was caused by the demolition schedules and change in the urban planning of the local government and agreed to the delayed completion of the construction of the project.	Yes. Yandu BLR confirmed the delay was caused by the change in the urban planning of the local government on 7 August 2012 by endorsing a written statement on the extension report filed by the Target Group. (please refer to Note (4) of the table for a detailed analysis of the delayed submission of extension report) In addition, Yandu Administration Committee issued a letter on 13 December 2012, stating that the delay was caused by the change in the urban planning of the local government. Further, Yandu BLR and Yancheng BLR approved the extension of construction commencement date on 9 July 2013 and 10 July 2013, respectively, by endorsing a written statement on the extension report filed by the Target Group which explicitly notified the government authorities that the Target Group would commence the construction of the project in June 2014 and complete it in June 2017.	Yes. Yuzhong BLR issued a confirmation letter on 15 May 2013, stating that the delay was caused by the requirement of ancient trees protection from Chongqing Bureau of Park (重慶市園林事業管理局) and Chongqing Tongjing has already acquired the construction work planning permit as well as the construction work commencement permit. Yuzhong BLR further confirmed that it was not aware of any default relating to this project. (Please refer to Note (6) of the table for more analysis)	Yes. Ba'nan BLR issued a confirmation letter on 17 May 2013, stating that the delay was caused by the land boundary line controversy between Chongqing Tongjing and original residents and Chongqing Tongjing had already acquired the construction work commencement permit. Ba'nan BLR further confirmed that it was not aware of any default relating to this project. (Please refer to Note (6) of the table for more analysis)
Whether the authorities issuing approvals are competent (therefore the risk of revoking or challenging such approval by the higher government is remote)	Yes (please refer to Note (5) of the table for analysis)	Yes (please refer to Note (5) of the table for analysis)	Yes (please refer to Note (6) of the table for analysis)	Yes (please refer to Note (6) of the table for analysis)
Whether higher government authorities have been consulted and whether the higher government authorities consulted shared the same views as the authorities issuing the approvals	Yes (please refer to Note (5) of the table for analysis)	Yes (please refer to Note (5) of the table for analysis)	Yes (please refer to Note (6) of the table for analysis)	Yes (please refer to Note (6) of the table for analysis)

Project	XiChengYiPinHuaYuan (西城逸品花園)	JiuZongGou Land Parcel (九總溝地塊)	ShuXiangYuan (書香苑)	TongJingYueCheng (同景•躍城)
Potential risks of land confiscation	Not applicable	No. (please refer to Note (1) of the table for a detailed analysis)	No. (please refer to Note (2) of the table for a detailed analysis)	No. The land does not constitute idle land.
Potential Idle land fees	Not applicable. The PRC legal advisers of the Company are of the opinion that there is no risk that the relevant authorities will impose idle land fees on this land parcel because it does not constitute idle land.	No. For illustrative purpose only, the potential maximum penalty was approximately RMB26.7 million. PRC laws and regulations do not provide the payment schedules of such penalties. The PRC legal advisers of the Company are of the opinion that no idle land fees will be imposed on this land parcel (please refer to Note (1) of the table for a detailed analysis). No provision had been recorded for any of the penalty as no penalty will be incurred according to the legal opinion of the PRC legal advisers of the Company. Therefore, there was no impact on the Target Group's financial performance and condition as a result of the delay.	No. For illustrative purpose only, the potential maximum penalty was approximately RMB17.5 million. PRC laws and regulations do not provide the payment schedules of such penalties. The PRC legal advisers of the Company are of the opinion that no idle land fees will be imposed on this land parcel (please refer to Note (2) of the table for a detailed analysis). No provision had been recorded for any of the penalty as no penalty will be incurred according to the legal opinion of the PRC legal advisers of the Company. Therefore, there was no impact on the Target Group's financial performance and condition as a result of the delay.	No. The PRC legal advisers of the Company are of the opinion that there is no risk that the relevant authorities will impose idle land fees on this land parcel because it does not constitute idle land.
Potential penalty for such default under the land use rights grant contract	According to the land grant supplementary agreement, Jiangsu Fullshare Property may be subject to a penalty in the amount of 0.01% of the land premium for each day of delay in the completion of construction payable to local government.	According to the land use rights grant contract, Jiangsu Fullshare Property may be subject to a penalty in the amount of 0.1% of the land premium for each day of delay in the commencement and completion of construction payable to local government.	According to the land use rights grant contract, Chongqing Tongjing may be subject to a penalty in the amount of 0.03% of the land premium for each day of delay in the commencement and completion of construction payable to the local government.	According to the land use rights grant contract, Chongqing Tongjing may be subject to a penalty in the amount of 0.03% of the land premium for each day of delay in the commencement and completion of construction payable to the local government.

Project	XiChengYiPinHuaYuan (西城逸品花園)	JiuZongGou Land Parcel (九總溝地塊)	ShuXiangYuan (書香苑)	TongJingYueCheng (同景•躍城)
	For illustrative purpose only, the potential maximum penalty was approximately RMB12.8 million. PRC laws and regulations do not provide the payment schedules of such penalties. Yancheng BLR which approved the delay of the completion of the construction is the counterparty of the land use rights grant contract. Therefore, by approving the delay, it also waived the rights to impose penalty for such default under the land use rights grant contract on the Target Group. Based on these, the PRC legal advisers of the Company are of the opinion that no penalty will be imposed for such default under the land use rights grant contract on the Target Group. No provision has been recorded for any of the penalty as no penalty will be incurred according to the legal opinion of the PRC legal advisers of the Company. Therefore, there was no impact on the Target Group's financial performance and condition as a result of the delay.	For illustrative purpose only, the potential maximum penalty was approximately RMB122.1 million. PRC laws and regulations do not provide the payment schedules of such penalties. Yancheng BLR which approved the delay of the commencement of the construction is the counterparty of the land use rights grant contract. Therefore, by approving the delay, it also waived the rights to impose penalty for such default under the land use rights grant contract on the Target Group. Based on these, the PRC legal advisers of the Company are of the opinion that no penalty will be imposed for such default under the land use rights grant contract on the Target Group. No provision has been recorded for any of the penalty as no penalty will be incurred according to the legal opinion of the PRC legal advisers of the Company. Therefore, there was no impact on the Target Group's financial performance and condition as a result of the delay.	For illustrative purpose only, the potential maximum penalty was approximately RMB12.0 million. PRC laws and regulations do not provide the payment schedules of such penalties. The PRC legal advisers of the Company are of the opinion that Yuzhong BLR is the competent government authority to determine whether event of default under the land use rights grant contract exists (please refer to Note (6) of the table for analysis). Meanwhile, Yuzhong BLR has confirmed that it is not aware of any default relating to this project. Based on the confirmation letter from Yuzhong BLR, the PRC legal advisers of the Company are of the opinion that no penalty will be imposed for such default under the land use rights grant contract on the Target Group. No provision has been recorded for any of the penalty as no penalty will be incurred according to the legal opinion of the PRC legal advisers of the Company. Therefore, there was no impact on the Target Group's financial performance and condition as a result of the delay.	For illustrative purpose only, the potential maximum penalty was approximately RMB32.9 million. PRC laws and regulations do not provide the payment schedules of such penalties. The PRC legal advisers of the Company are of the opinion that Ba'nan BLR is the competent government authority to determine whether event of default under the land use rights grant contract exists (please refer to Note (6) of the table for analysis). Meanwhile, Ba'nan BLR has confirmed that it is not aware of any default relating to this project. Based on the confirmation letter from Ba'nan BLR, the PRC legal advisers of the Company are of the opinion that no penalty will be imposed for such default under the land use rights grant contract on the Target Group. No provision has been recorded for any of the penalty as no penalty will be incurred according to the legal opinion of the PRC legal advisers of the Company. Therefore, there was no impact on the Target Group's financial performance and condition as a result of the delay.

Note:

(1) The Target Group expects to commence the construction of JiuZongGou Land Parcel (九總溝地塊) in June 2014, which will be two and a half years later than the stipulated commencement date. However, the PRC legal advisers of the Company are of the opinion that the land of JiuZongGou Land Parcel (九總溝地塊) will not constitute idle land and the Target Group will not be subject to idle land fees and land confiscation because (i) the delay has been caused by government actions (a highway adjoining the South side of the JiuZongGou Land Parcel (九總溝地塊) was constructed broader than the original urban planning and therefore, encroached an aggregate site area of approximately 5,333.3 sq.m. of the land granted to the Target Group. The Target Group is currently negotiating with the local government to obtain a land parcel with the size equal to that of the encroached land without consideration); (ii) so far the relevant authorities have not issued any idle land confirmation letter or idle land fee collection decision letter to the Target Group although the authorities have been aware of the delay for a substantial length of time; and (iii) Yandu BLR confirmed that the delay was caused by the change in the urban planning of the local government on 7 August 2012 by a written statement on the extension report filed by the Target Group. In addition, Yandu Administration Committee issued a letter on 13 December 2012, stating that the delay was caused by the change in the urban planning of the local government. Further, Yandu BLR and Yancheng BLR approved the extension of construction commencement date on 9 July 2013 and 10 July 2013, respectively, by endorsing a written statement on the extension report filed by the Target Group which explicitly notified the government authorities that the Target Group would commence the construction of the project in June 2014 and complete it in June 2017. Yandu BLR and Yancheng BLR are aware of the current status and future plans of the project, which is also confirmed by the Directors (together with the proposed executive Directors). Please also refer to "Summary of Principal PRC Legal and Regulatory Provisions" in Appendix VI in the circular for detailed introduction of laws and regulations relating to idle land.

(2) The construction commencement date stipulated in the land use rights grant contract was 1 December 2009, which was extended to 30 June 2010 by competent local government authority. The Target Group commenced the construction of the project in November 2011, which was one year and five months later than the extended commencement date. According to PRC laws and regulations, there is no land confiscation risk as the delay is for less than two years.

The PRC legal advisers of the Company are of the opinion that the land of ShuXiangYuan (書香苑) does not constitute idle land and the Target Group will not be subject to idle land fees because (i) the delay has been caused by government actions (Yuzhong BLR issued a confirmation letter on 15 May 2013, stating that the delay was caused by the requirement of ancient trees protection from Chongqing Bureau of Park (重慶市園林事業管理局)); (ii) so far the relevant authorities have not issued any idle land confirmation letter, idle land fee collection decision letter or land use rights confiscation decision letter to the Target Group although the authorities have been aware of the delay for a substantial length of time; (iii) Chongqing Tongjing has already acquired the construction work planning permit and construction work commencement permit; and (iv) Yuzhong BLR, which is the competent government authority (please refer to Note (6) of the table for analysis) has confirmed that it is not aware of any default relating to this project on 15 May 2013.

(3) The construction commencement date stipulated in the land use rights grant contract is 30 June 2010. The Target Group commenced the construction of the project in March 2011, which was nine months later than the stipulated commencement date. The PRC legal advisers of the Company are of the opinion that such land will not be treated as an idle land according to PRC laws and regulations, as the delay is less than one year.

(4) Although the extension reports were submitted to Yancheng BLR and Yandu BLR several months after the stipulated construction commencement date, the PRC legal advisers of the Company are of the opinion that such extension reports are still valid because (i) Yancheng BLR accepted such extension report and approved the extension by endorsement subsequent to the occurrence of such delay, which remedied the delay; and (ii) by approving such extension report, Yandu BLR has waived its right to reject or invalidate the extension report. In addition, there is no default penalty provided in the land use rights grant contract. Therefore, even though the Target Group was late in submitting extension report, it will not be subject to any penalty.

(5) Yancheng BLR is the Target Group's counterparty in the land use rights grant contract of XiChengYiPinHuaYuan (西城逸品花園) and JiuZongGou Land Parcel (九總溝地塊) and therefore, the competent government authority to issue the approval for extension of commencement and completion of construction. The Sponsor and the PRC legal advisers of the Company conducted a face to face interview with the director of the regulation division of Jiangsu Land and Resources Department (江蘇省國土資源廳) on 5 August 2013. The regulation division is responsible for drafting the local regulations, including local regulations related to land resource management, examining the legality of the regulatory documents, dealing with administrative reconsideration and administrative litigation. The PRC legal advisers are of the opinion that the director of the regulatory division can confirm the scope of authority of Yancheng BLR and validity of the confirmation issued by Yancheng BLR which confirmed the Target Group's legal and regulatory compliance relating to the delays occurred in XiChengYiPinHuaYuan (西城逸品花園) and JiuZongGou Land Parcel (九總溝地塊).

After reviewing the approval by Yancheng BLR on 16 January 2013 for XiChengYiPinHuaYuan (西城逸品花園) and the approval by Yancheng BLR in the extension report filed by the Target Group on 10 July 2013 for JiuZongGou Land Parcel (九總溝地塊), the director of the regulation division confirms Yancheng BLR is the grantor of the land use rights and the competent authorities to issue the approval, Jiangsu Land and Resources Department (江蘇省國土資源廳) will not revoke or challenge such approvals since the delays of the two projects were caused by the government actions. In addition, the director of the regulation division does not believe there is any necessity for Jiangsu Land and Resources Department (江蘇省國土資源廳) to issue another confirmation letter to confirm the legal and regulatory compliance of the Target Group.

In addition, Yandu BLR is the competent government authority to issue idle land confirmation letter or charge idle land fees for JiuZongGou Land Parcel (九總溝地塊), which was also endorsed by Yancheng BLR, the higher government authority of Yandu BLR. The PRC legal advisers of the Company are of the opinion that the risks of the higher government authority revoking or challenging such approval are remote.

(6) According to the Notice of Readjusting the Rights of Administrative Examination and Approval related to Land Utilisation issued by Chongqing BLR (重慶市國土房管局關於調整土地利用行政審批事權的通知), a branch of Chongqing BLR at the district level has the authority to conduct supervision after the proposal of the property development project is approved by the development and reform commission of the local government in respect of a land parcel within its jurisdiction, including the delivery of land, acceptance of completion of construction and idle land fee collection. Yuzhong BLR and Ba'nan BLR are branches of Chongqing BLR at the district level and the land parcels of ShuXiangYuan (書香苑) and TongJingYueCheng (同景•躍城) are located in the jurisdictions of Yuzhong BLR and Ba'nan BLR, respectively. Moreover, determination of delayed commencement and completion of construction falls within the scope of the authority of a branch of Chongqing BLR at the district level.

Yuzhong BLR issued a confirmation letter on 15 May 2013, stating that (i) the delay was caused by the requirement of ancient trees protection from Chongqing Bureau of Park; and (ii) no default has been found relating to ShuXiangYuan (書香苑). Ba'nan BLR issued a confirmation letter on 17 May 2013, stating (i) the delay was caused by the land boundary line controversy, and the original residents' obstruction to the construction; and (ii) no default has been found relating to TongJingYueCheng (同景•躍城). The PRC legal advisers of the Company are of the opinion that (i) the delays were caused by government actions; and (ii) although Yuzhong BLR and Ba'nan BLR did not explicitly state the approved completion dates in their confirmation letters. Yuzhong BLR and Ba'nan BLR are aware of the current status of the two projects (which is also confirmed by the Directors (together with the proposed executive Directors)) and have confirmed no defaults have been found even relating to the two projects after they noticed the commencement and completion of the construction of ShuXiangYuan (書香苑) and TongJingYueCheng (同景•躍城) would be later than the dates provided in the land use rights grant contracts, which indicates that Yuzhong BLR and Ba'nan BLR have agreed to extend the commencement dates and completion dates of the two projects, and therefore, Chongqing Tongjing will not be subject to any penalties from the government for such delay of construction.

The Sponsor and the PRC legal advisers of the Company conducted a face to face interview with the director of the regulation division and the director of the land use division of Chongqing BLR on 7 August 2013. The regulation division is responsible for drafting the local regulations, including land resource management, examining the legality of the regulatory documents, dealing with administrative reconsideration and administrative litigation. The land use division is primarily responsible for the market management related to land supply, land reservation, land transaction, and the administration examination related to land use right allocation, transfer and lease. Therefore, the PRC legal advisers are of the opinion that the director of the regulatory division and the director of land use division are in the position to confirm the scope of authority of Yuzhong BLR and Ba'nan BLR, and the validity of the confirmations issued by Yuzhong BLR and Ba'nan BLR on the Target Group's legal and regulatory compliance relating to the delays in respect of ShuXiangYuan (書香苑) and TongJingYueCheng (同景•躍城).

After reviewing the confirmation letter issued by Yuzhong BLR on 15 May 2013 and the confirmation letter issued by Ba'nan BLR on 17 may 2013, the directors from the above-mentioned two divisions confirmed that in view of the fact that (i) as the branches of Chongqing BLR, Yuzhong BLR and Ba'nan BLR may excise their power within the scope of Chongqing BLR's authorisation; and (ii) the management and supervision of the land use rights related to the land of these two projects have been delegated to Yuzhong BLR and Ba'nan BLR, respectively, Yuzhong BLR and Ba'nan BLR have the power to issue such confirmation letters which Chongqing BLR will not revoke or challenge. In addition, since Yuzhong BLR and Ba'nan BLR have already issued the confirmation letters, the directors from the above-mentioned two divisions do not believe there is any necessity for Chongqing BLR to issue another confirmation letter to confirm the legal and regulatory compliance of the Target Group. Based on these, the PRC legal advisers of the Company are of the opinion that Yuzhong BLR and Ba'nan BLR are the competent government authorities to determine whether the Target Group will be subject to idle land fees in respect of the land of these two projects and whether any event of default under the land use rights grant contract exists, and therefore, the risks of the higher government revoking or challenging such approval are remote.

The commencement of construction of ShuXiangYuan (書香苑) has been delayed for 17 months, while the completion of construction of ShuXiangYuan (書香苑) will only be delayed for 15 months, primarily due to the acceleration of the construction process by the Target Group. The commencement of construction of TongJingYueCheng (同景•躍城) has been delayed for 9 months, while the completion of construction of TongJingYueCheng (同景•躍城) will be delayed for more than 20 months, primarily due to the following reasons: (i) the Target Group plans to complete and deliver the remaining buildings of TongJingYueCheng (同景•躍城) on a steady and constant basis and therefore, estimates the completion time of the last building to be more than 20 months later; and (ii) the remaining buildings under development of TongJingYueCheng (同景•躍城) include certain underground civil defense area used as car parking spaces with an aggregate GFA of 45,106 sq.m., which require more time for construction.

During the Track Record Period and up to the Latest Practicable Date, the Target Group had delays in construction and completion of certain projects. Please refer to "Business of the Target Group — Non-compliance — Delay in the Construction and Completion of Projects" for more details. For illustrative purpose only, the potential maximum exposure of the Target Group would be approximately RMB224 million in aggregate in connection with such delays, comprising: (i) RMB12.8 million for XiChengYiPinHuaYuan (西城逸品花園); (ii) RMB148.8 million for JiuZongGou Land Parcel (九總溝地塊); (iii) RMB29.5 million for ShuXiangYuan (書香苑); and (iv) RMB32.9 million for TongJingYueCheng (同景•躍城), while the Target Group's profit and total comprehensive income for the year/period amounted to approximately RMB12.7 million, RMB77.9 million, RMB33.4 million and RMB34.5 million for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively. The PRC legal advisers of the Company are of the opinion that (i) the land parcels of these projects do not constitute idle land and will not be subject to land confiscation or idle land fees imposed by relevant government authorities; and (ii) the relevant government authorities will not be imposed any penalty for such default under the land use rights grant contracts on the Target Group. As no provision has been made for such non-compliance, any unfavourable findings or rulings by the relevant authorities in respect of such non-compliance may have an adverse impact on the Target Group's operating results and financial condition. However, the Controlling Shareholders have agreed to indemnify the Company against any loss or liability resulting from any non-compliance of the Target Group as disclosed in this circular.

Inter-company Loans

The Target Group incurred inter-company loans with companies which the Target Group cooperated with or expected to cooperate with. The Target Group does not intend to have any inter-company loans in the future.

Lending activity between enterprises is prohibited by Rule 61 of the General Rules on Loans (《貸款通則》). According to the judicial interpretation promulgated by the Supreme People's Court of the PRC, the People's Court may confiscate the interest received by the lender on the loan, require the borrower to return the principal to the lender and impose a fine equaling to the benchmark lending rate set up by the PBOC against the borrower, if any dispute in relation to the loan is brought to the People's Court. In addition, PBOC may take administrative actions against the Target Group and impose a fine of up to five times the interest the lender received on the loan pursuant to Rule 73 of the General Rules on Loans.

All the Target Group's inter-company loans were unsecured, interest-free and repayable on demand during the Track Record Period except one loan of RMB30.0 million from Chongqing Heheng to Hainan Jiayu, from which the Target Group recorded interest income of RMB1.2 million in 2010 and RMB2.7 million in 2011 but did not actually receive any interest in 2010 or 2011. In September 2011, the Target Group disposed of Chongqing Heheng, as a result of which the Target Group ceased to be entitled to receive any interest arising from the loan to Hainan Jiayu. The penalty against the Target Group as a lender is calculated on the interest received. The Target Group confirms that it has not received any interest from inter-company loans. Therefore, the penalty of confiscating the interest received by the lender or imposition of a fine of up to five times the interest received by the lender on the loan would not apply to the Target Group. The potential maximum penalty for the Target Group as a borrower will be fines equal to the amount of interest on the loans at the benchmark lending rate set up by the PBOC. Such potential maximum penalty was approximately RMB104.1 million as of 31 July 2013. No provision has been made for the penalty as the risk of incurring the penalty is remote according to the legal opinion of the PRC legal advisers of the Company. The PRC legal advisers of the Company are of the opinion that the risks of the People's Court to impose such fines or take any other administrative actions against the Target Group are remote based on the following:

(i) the PBOC issued the General Rules on Loans, which is administrative rules (部門規章) in nature. According to the Law of the People's Republic of China on Administrative Penalties (《中華人民共和國行政處罰法》) which became effective on 1 October 1996 and was amended on 27 August 2009, administrative departments, such as the PBOC, may only issue administrative rules (部門規章) specifying the detailed penalties in accordance with existing laws, administrative rules and regulations (行政法規). However, existing laws, administrative rules and regulations (行政法規) in the PRC do not provide for any penalty for violating regulations on inter-company loans. Therefore, the PRC legal advisers of the Company believe it is not clear whether the PBOC is a competent authority to specify the detailed penalties for violating regulations on inter-company loans.

(ii) the People's Supreme Court has recently, through a series of rulings, has confirmed the protection of interest generated from the inter-company loans if the interest rate of such inter-company loan is "reasonable". The People's Supreme Court has not imposed fines, confiscated interest or taken any other administrative actions against the lenders or the borrowers in these rulings. Although the courts in the PRC do not follow precedents, the rulings of the People's Supreme Court indicate the position of the People's Supreme Court in respect of interest on inter-company loans and provide guidance to lower courts in China.

During the Track Record Period, there were a number of inter-company loans involving the Target Group. The following table sets forth the details of the inter-company loans:

Year of occurrence	**Lender**	**Borrower**	**Principal amount** *(RMB'000)*	**Term**	**Reasons and purpose**	**Relationship between the lender and the Target Group**	**Relationship between the borrower and the Target Group**	**Relationship between the borrower/lender and the Directors**
November 2012	Chongqing Tongjing	Jiangsu Fullshare Property	157,000	Not fixed	For repayment of shareholder's loan to Nanjing Fullshare Holding	Member of the Target Group	Member of the Target Group	Mr. Ji is the controlling shareholder of the Enlarged Group
August 2012	Nanjing Fullshare Holding	Target Company	270	Not fixed	To fund the operation	Controlling Shareholder of the Target Group	Member of the Target Group	Mr. Ji is the controlling shareholder of Nanjing Fullshare Holding
March 2008	Yancheng Fullshare	Yancheng Traffic	100,000	Not fixed	For land acquisition	Member of the Target Group	Independent third party	Independent third party
December 2010	Ninghua Investment	Chongqing Heheng	158,000	Not fixed	Advance to Hainan Zhongkun through Chongqing Heheng	Independent third party	Member of the Target Group	Independent third party
December 2010	Chongqing Heheng	Hianan Zhongkun	170,000	Not fixed	Advance to Hainan Zhongkun as required by Ninghua Investment	Member of the Target Group(1)	Jiangsu Fullshare Property indirectly held 17.6% of the equity interest of Hainan Zhongkun	Mr. Ji is a director of Chongqing Heheng
November 2010	Chongqing Heheng	Hainan Jiayu	30,000	Three-year	For interest earning (The amount carries interest at 12% per annum)	Member of the Target Group(1)	Jiangsu Fullshare Property indirectly held 54.0% of the equity interest of Hainan Jiayu	Mr. Ji is a director of Chongqing Heheng
December 2010	Jiangsu Fullshare Property	Nanjing Yupeng	150,000	Not fixed	For capital increase	Member of the Target Group	Independent third party	Independent third party
August 2010	Nanjing Jiangong	Chongqing Heheng	273,470	Not fixed	For acquisition consideration (Chongqing Heheng's acquisition of Chongqing Tongjing)	Independent third party	Member of the Target Group	The controlling shareholder of Nanjing Jiangong is Mr. Ji's relative

Year of occurrence	Lender	Borrower	Principal amount (RMB'000)	Term	Reasons and purpose	Relationship between the lender and the Target Group	Relationship between the borrower and the Target Group	Relationship between the borrower/lender and the Directors
August 2011	Jiasheng Concrete	Jiangsu Fullshare Property	12,800	Not fixed	To fund the operation	Independent third party	Member of the Target Group	The controlling shareholder of Jiasheng Concrete is Mr. Ji's relative
October 2010	Chongqing Heheng	Hainan Jiayu	232,170	Not fixed	For potential land acquisition	Member of the Target Group(1)	Independent third party	Mr. Ji is a director of Chongqing Heheng
December 2011	Nanjing Xiaocai Yidie Media Company Limited (南京小菜一碟文化傳媒有限公司)	Jiangsu Fullshare Property	600	Not fixed	To fund the operation	Related party	Member of the Target Group	Mr. Ji is a controlling shareholder of Nanjing Xiaocai Yidie Media Company Limited (南京小菜一碟文化傳媒有限公司)
June 2011	Jiangsu Fullshare Property	Nanjing Fullshare Property Development Company Limited (南京豐盛置業發展有限公司)	20,000	Not fixed	Advance to Nanjing Fullshare Property Development Company Limited (南京豐盛置業發展有限公司) as required by Nanjing Fullshare Holding	Member of the Target Group	Related party	The controlling shareholder of Nanjing Fullshare Property Development Company Limited (南京豐盛置業發展有限公司) is Mr. Ji's relative
January 2011	Nanjing Fullshare Holding	Jiangsu Fullshare Property	822,141(3)	Not fixed	For payment of the land premium of XiChengFuDi (西城府邸) and working capital	Controlling Shareholder of the Target Group	Member of the Target Group	Mr. Ji is the controlling shareholder of Nanjing Fullshare Holding
November 2008	Nanjing Fullshare Investment Group Co., Ltd. (南京豐盛投資集團有限公司)	Jiangsu Fullshare Property, Chongqing Heheng and Lianyungang Shunfeng	827,741(3)	Not fixed	Mainly for payment of (i) bidding deposit paid to local government authorities, (ii) advances paid for land bidding to Yancheng Traffic and Nanjing Yupeng, and (iii) advances paid for potential land acquisition for development to Chongqing Jiayu, Hainan Jiayu and Mr. Pan Guile	Related party	Member of the Target Group(1)(2)	The controlling shareholder of Nanjing Fullshare Investment Group Co., Ltd. (南京豐盛投資集團有限公司) is Mr. Ji's relative

Notes:

(1) Chongqing Heheng was a member of the Target Group when the inter-company loan occurred. The Target Group subsequently disposed of Chonqing Heheng in September 2011.

(2) Lianyungang Shunfeng was a member of the Target Group when the inter-company loan occurred. The Target Group subsequently disposed of Lianyungang Shunfeng in May 2011.

(3) The principal amount represents the accumulated amount of loans of revolving nature dated from the year of occurrence set forth in the table.

The Directors (together with the proposed executive Directors) confirmed that other than described on the above table, other amounts due from or to related parties or independent third parties all have transaction background. The PRC legal advisers of the Company are of the opinion that the amounts with transaction background do not constitute inter-company loans.

The Target Group had one inter-company loan outstanding as of 31 July 2013 which was the outstanding advance from Chongqing Tongjing to Jiangsu Fullshare Property with an outstanding balance of approximately RMB127.0 million. From 16 September 2013 to 27 September 2013, Jiangsu Fullshare Property, Chongqing Tongjing and Agricultural Bank of China entered into four entrusted loan agreements to transfer the outstanding inter-company loan balance of approximately RMB127.0 million to entrusted loan among Jiangsu Fullshare Property, Chongqing Tongjing and Agricultural Bank of China. As a result, the Target Group had no inter-company loan outstanding as of the Latest Practicable Date.

Mr. Ji, Magnolia Wealth and the Company entered into the Deed of Indemnity on 25 October 2013 according to which Mr. Ji and Magnolia Wealth will fully indemnify the Company against any loss or liability suffered by the Company and/or any other member of the Enlarged Group, resulting from or by reference to any non-compliance of the Target Group described in this section.

Save as disclosed herein, during the Track Record Period and up to the Latest Practicable Date, the Target Group complied with all the relevant and applicable PRC laws and regulations governing its business in all material respects and obtained and maintained all the licenses, permits and certificates for the purpose of operating its business.

Measures to Prevent Future Non-compliance

In order to ensure on-going compliance with all relevant regulatory requirements that the Enlarged Group is subject to, the Enlarged Group has adopted internal control guidelines to standardise all the legal and internal control compliance procedures. To enhance its overall internal control framework and regulatory compliance procedures:

(i) the Enlarged Group has established the audit committee to oversee, review and report on the Enlarged Group's financial reporting process and internal control measures from time to time;

(ii) the Enlarged Group established an audit department on 1 January 2013 which reports to the audit committee. The audit department is headed by Mr. Cheng Yunie, who is a qualified accountant in the PRC and a Certified Internal Auditor, with over ten years of working experience in accounting, financial management, internal audit and Sarbanes-Oxley (SOX) compliance and one and a half years of working experience in property development industry. Mr. Cheng Yunie has been the senior audit manager of the Target Company and primarily responsible for overseeing the internal audit and internal control matters of the Enlarged Group since January 2013. Ms. Chen Shan, who is a fellow member of the Association of Chartered Certified Accountants, a Certified Information Systems Auditor and a Certified Internal Auditor, joined the Target Company as an audit supervisor in May 2013, and assists Mr. Cheng Yunie in carrying out the internal audit function of the Target Group. The audit department has implemented the following measures: (a) internal monitoring procedures have been formulated and implemented, including internal audit policy, risk management policy and whistleblowing policy; (b) audit work plan will be formulated and reviewed at the beginning of each year to strictly carry out the relevant policies, which includes the risk evaluation and validity test on the full implementation of policies and procedures on project construction management and loan transactions; (c) monthly internal audit reports covering certain key operational index, including the progress of project construction and loan transaction information, will be prepared by audit department. All of the aforesaid measures help the audit department monitor and detect any non-compliance incidents in a timely and effective way. In addition, the Enlarged Group intends to recruit additional personnel to the audit department in the future to further increase the coverage and frequency of its internal audit activities;

(iii) Mr. Liu Honggang, who is a qualified legal practitioner in the PRC, joined the Target Company as a legal manager in May 2013. The Target Group seeks professional advice from its legal department and external legal advisers where necessary;

(iv) Mr. Liu Yi, who previously served as general manager of a property management company and assistant to chairman of a property development group, joined the Target Company as the head of production management centre in October 2012 after the occurrence of the non-compliance incidents and was responsible for enhancement of the Target Group's existing policies and procedures on land development management and project construction management with advice from the audit department;

(v) in view of the Enlarged Group's business operation in different regions of the PRC, the Enlarged Group's internal control measures are implemented at the regional level with reporting line to senior management at the headquarters level. The regional general managers oversee the internal control at the regional level with reference to the internal control guidelines adopted by the Enlarged Group and they report to the senior management if any internal control incident is identified. The senior management at the headquarters and the regional general manager will then evaluate the incident and implement appropriate measures;

(vi) trainings for preventing non-compliance incidents have been conducted. In relation to the non-compliance incidents, the regional general managers and senior management at the headquarters had been with the Target Group at the relevant time. They were the general managers of the Target Company, Jiangsu Fullshare Property and Chongqing Tongjing during the relevant time and had been primarily responsible for the overall operation management of the Target Group and the project companies, respectively. To prevent the re-occurrence of non-compliance incidents in the future, in addition to the enhancement of the existing policies and procedures and frequent internal audits carried out by the audit department, the heads of the product management centre, the audit department and the finance management centre of the Target Company had conducted trainings (the "in-house training") on the Target

Group's latest policies on project construction management and connected transactions which took effect on December 2012 to the Directors, senior management, regional general managers and other key personnel of the Target Group. In addition, the PRC legal advisors of the Target Group has provided a training on regulatory requirements related to project construction management and General Rules on Loans to the Directors, senior management, other key personnel and relevant finance staff of the Target Group;

(vii) the in-house training mentioned in paragraph (vi) above for preventing non-compliance incidents will be conducted regularly. The relevant trainings are scheduled to be conducted once a year by the heads of the product management centre, the audit department and the finance management centre, and occasional trainings will be conducted when any amendments are made to the relevant policies or rules; and

(viii) the Enlarged Group will have access to external professionals, such as the compliance adviser, legal advisers, reporting accountants, internal control consultant and other advisers if necessary, to seek relevant advice on any issues about rules, laws and regulations in the PRC and Hong Kong respectively.

Details of the specific internal control measures to ensure on-going compliance are set out as follows:

Matters of Compliance	**Specific Internal Control Measures**
(1) Delay in the Construction and Completion of Projects	• The Target Group has reviewed and enhanced the existing policies on project construction management in December 2012. • Regular trainings are conducted in ensuring strict compliance of the relevant policies and procedures, and applicable laws and regulations.

- In monitoring commencement, construction and completion of projects, generally, each project company of the Target Group and their respective project management department are responsible for ensuring on-going compliance with the applicable regulatory requirements by, among others, (a) reviewing the purpose of the proposed project to ensure compliance with the requirements of the land use rights grant contract, including checking on any delay in commencement of project to avoid the non-compliance risk in relation to idle land, and (b) monitoring the progress of each project, such as conducting periodic examinations of construction plans to ensure timely commencement and completion of construction.

- Senior management at the headquarters also monitors the progress of each project, which is reported at the monthly meetings attended by management and representatives of various departments.

- In ensuring compliance with the stipulated timelines on commencement and completion of projects, the overall project progress planning approved by regional general managers is also subject to further approval of the head of the product management centre of the Target Company.

- Should any delay in commencement or completion of projects is anticipated or noted, discussions will be made by management and representatives of the relevant departments on the measures to expedite the project commencement or completion, and reports will be filed to the relevant authorities for timeline extension or request for local government's assistance where necessary.

- Any delay in project commencement or completion will also be detected and highlighted to management and the Board through monthly internal audit reports prepared by audit department.
- In facilitating the monitoring of project commencement and completion by the audit department, the legal department also maintains a register which includes the timeline of project commencement and completion as required by the land use rights grant contracts.

(2) Inter-company Loans

- The Target Group has enhanced the authorization procedures for loan transactions as well as adopted the policies on connected transactions in December 2012.
- Regular trainings are conducted in ensuring strict compliance of the relevant policies and procedures, and the applicable laws and regulations.
- Prior to management approval, and Board approval where applicable, of the loan transactions, all loan transactions must be reviewed by the officers of the accounting department and the legal department to ensure, among others, that all the loan transactions are in compliance with the applicable laws and regulations.

The Directors (together with the proposed executive Directors) are of the opinion that the internal control measures adopted by the Enlarged Group are adequate and effective in significantly reducing the risk of future non-compliance with legal and regulatory requirements in the PRC and Hong Kong.

CONTROLLING SHAREHOLDERS

With reference to the paragraph headed "Change in Shareholding Structure of the Company" in the section headed "Letter from the Board" of the circular, it is Magnolia Wealth's intention to maintain more than 50% of the enlarged issued share capital of the Company at the relevant time of the Resumption. As such, Mr. Ji and Magnolia Wealth (a company which is wholly owned by Mr. Ji) will constitute the Controlling Shareholders at Resumption. In addition, Mr. Ji currently holds approximately 76.73% equity interest in Nanjing Fullshare Holding.

COMPETITION

A. Business Overview of the Target Group and the Excluded Companies

The Target Group is a property developer primarily focusing on developing and selling residential properties in the Target Cities (*i.e.* Yancheng and Chongqing in the PRC) through its two project companies, namely Jiangsu Fullshare Property and Chongqing Tongjing. The property portfolio of the Target Group comprised of five property development projects in Yancheng and Chongqing with an aggregate GFA of approximately 344,104 sq.m. completed, approximately 414,821 sq.m. under development and approximately 569,127 sq.m. held for future development as of 31 July 2013.

The Controlling Shareholders are also engaging in the development of the Excluded Projects through the Excluded Companies. As at the Latest Practicable Date, the Excluded Projects include six property projects located in the Excluded Cities (*i.e.* Kunshan, Nanjing, Wenchang and Dujiangyan) and ten property projects located in Australia and Canada, comprising villas, office buildings, hotels, shopping malls, apartment buildings and commercial ancillary facilities. An aggregate GFA of property projects developed by the Excluded Companies in the aforesaid Excluded Cities upon completion is approximately 2,036,893 sq.m..

Based on the above, there is no overlap between the Target Cities and the Excluded Cities.

As advised by the Controlling Shareholders, after completion of the Acquisition, subject to the terms of Non-Competition Undertaking entered into between them and the Company, they will cease to engage in any residential property (including villas) and mixed-use property (as defined in the section headed Glossary of Technical Terms of the circular) development business in the PRC once the Excluded Projects are completed and they will be only involved in the commercial property development business. For ease of reference, the Excluded Projects with residential elements (being apartment buildings and/or villas) are (i) YunHuYuShu (雲湖御墅) being developed by Kunshan Zhongzhe; (ii) WenChangQingLanBanDao (文昌清瀾半島) being developed by Hainan Zhongkun; (iii) TaiDaShangQingCheng (泰達•上青城) being developed by Chengdu Taida; and (iv) the property projects being developed by the Overseas Property Project Companies. For details, please refer to the paragraph headed "Excluded Projects" below.

B. Excluded Projects

Having taken the following factor into account for the Excluded Projects, the Directors and the proposed executive Directors consider that there is no material competition between the Excluded Projects and the property projects of the Enlarged Group:

- the market segment of the Excluded Projects as compared to property projects of the Enlarged Group, including the product focus, the target customers, the type of property and the land usage.

Dealing with each of these factors in each Excluded Project in turn:

(i) Kunshan Zhongzhe

Description of business

Kunshan Zhongzhe is an indirect wholly-owned subsidiary of Nanjing Fullshare Holding. Kunshan Zhongzhe is currently engaged in development of a property project named YunHuYuShu (雲湖禦墅) in Kunshan. YunHuYuShu (雲湖禦墅) is a residential project only consisting of villas with an aggregate site area of approximately 148,333 sq.m. and expected to have an aggregate GFA of approximately 55,175 sq.m. upon completion. It is targeted at high end customers. The financial information on Kunshan Zhongzhe during the Track Record Period is set out in the table below:

Revenue				Net profits (loss)				Net assets			
For the year ended 31 December 2010	For the year ended 31 December 2011	For the year ended 31 December 2012	For the six months ended 30 June 2013	For the year ended 31 December 2010	For the year ended 31 December 2011	For the year ended 31 December 2012	For the six months ended 30 June 2013	As at 31 December 2010	As at 31 December 2011	As at 31 December 2012	As at 30 June 2013
RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(See Note 1 below)	*(See Note 1 below)*	*(See Note 2 below)*	*(See Note 2 below)*	*(See Note 1 below)*	*(See Note 1 below)*	*(See Note 2 below)*	*(See Note 2 below)*	*(See Note 1 below)*	*(See Note 1 below)*	*(See Note 2 below)*	*(See Note 2 below)*
55,581	54,189	23,848	0	15,093	(1,660)	(2,659)	(3,006)	11,316	59,656	56,996	53,990

Notes:

1. These are audited financial figures prepared in accordance with CASBE.

2. These are unaudited financial figures prepared in accordance with CASBE.

Rationale for non-inclusion

As confirmed by the PRC legal advisers of the Company, King & Wood Mallesons Lawyers, the foreign investors (like the Enlarged Group) are forbidden to be involved in the development of the villas since 30 January 2012 as pursuant to a revised Foreign Investment Industrial Guidance Catalogue (2011 Version) (《外商投資產業指導目錄(2011年修訂)》), which became effective on 30 January 2012 and is applicable nationwide in the PRC, the construction and operation of the villas are in the prohibited category. As such, it is legally impossible to include YunHuYuShu (雲湖禦墅) in the Enlarged Group. As advised by the PRC legal advisers of the

Company, King & Wood Mallesons Lawyers, according to the previous version of Foreign Investment Industrial Guidance Catalogue expired on 30 January 2012, the construction and operation of the villas were in the restricted category. Therefore the foreign investors were able to get involved in the development of the villas provided (i) the land use right grant contract in relation to that parcel of land was signed before 30 January 2012; and (ii) the foreign investment in such project has been approved by relevant competent government authorities before 30 January 2012.

In addition, as advised by the PRC legal advisers of the Company, there is no legal or any official definition of "villa" in the PRC. The Catalogue 2011 does not provide for any definition of "villa" either. As further advised by the PRC legal advisers of the Company, in practice, relevant local competent government authorities may have different interpretations on the definition of "villa" based on the substances of each application.

In addition, the Directors and the proposed executive Directors consider that there is no material competition between YunHuYuShu (雲湖御墅) and the property projects of the Enlarged Group, since:

- Market segment delineation

  YunHuYuShu (雲湖御墅) is targeted at high end customers, but the property projects of the Enlarged Group are targeted at mass market home buyer. As such, the target customers are different.

  YunHuYuShu (雲湖御墅) only consists of villas, but the property projects of the Enlarged Group are mainly for residential use consisting of high-rise apartment buildings. As such, they are targeted at different segments of the market.

  The Enlarged Group has never been involved in the villas development project. Therefore, the Enlarged Group has no experience on the operation and management of the villas development project and it is unfamiliar with the specific risks, if any, associated with such kind of development project.

Conclusion

Due to the reasons set out above, the Directors and the proposed executive Directors consider that there is no material competition between YunHuYuShu (雲湖御墅) and the property projects of the Enlarged Group.

The Directors and the proposed executive Directors also consider that it is neither necessary nor appropriate to include YunHuYuShu (雲湖御墅) into the Enlarged Group. The Enlarged Group has no current plan to acquire Mr. Ji's interest in Kunshan Zhongzhe in near future, but it will review the position from time to time.

(ii) Nanjing Fullshare Technology

Description of business

Nanjing Fullshare Technology is a direct non-wholly owned subsidiary of Nanjing Fullshare Holding. Nanjing Fullshare Technology is currently engaged in development of a property project named FengShengShangHui (豐盛商匯) in Nanjing. FengShengShangHui (豐盛商匯) is a commercial project consisting of office buildings, hotels and shopping malls with an aggregate site area of approximately 151,776 sq.m. and expected to have an aggregate GFA of approximately 450,630 sq.m. upon completion. The financial information on Nanjing Fullshare Technology during the Track Record Period is set out in the table below:

Revenue				Net profits (loss)				Net assets			
For the year ended 31 December 2010	For the year ended 31 December 2011	For the year ended 31 December 2012	For the six months ended 30 June 2013	For the year ended 31 December 2010	For the year ended 31 December 2011	For the year ended 31 December 2012	For the six months ended 30 June 2013	As at 31 December 2010	As at 31 December 2011	As at 31 December 2012	As at 30 June 2013
RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(See Note 1 below)	*(See Note 1 below)*	*(See Note 2 below)*	*(See Note 2 below)*	*(See Note 1 below)*	*(See Note 1 below)*	*(See Note 2 below)*	*(See Note 2 below)*	*(See Note 1 below)*	*(See Note 1 below)*	*(See Note 2 below)*	*(See Note 2 below)*
5	129,999	450,055	81,220	(6,515)	45,122	118,860	2,033	551,894	600,468	664,432	664,102

Notes:

1. These are audited financial figures prepared in accordance with CASBE.

2. These are unaudited financial figures prepared in accordance with CASBE.

Rationale for non-inclusion

The Directors and the proposed executive Directors consider that there is no material competition between FengShengShangHui (豐盛商匯) and the property projects of the Enlarged Group, since:

- Market segment delineation

  The Enlarged Group focuses on the development of the residential properties, and the Controlling Shareholders, through the Excluded Companies, mainly focus on the development of the non-residential properties. The property projects of the Enlarged Group are mainly developed for residential use consisting of high-rise apartment building, but FengShengShangHui (豐盛商匯) is a commercial project consisting of office buildings, hotels and shopping malls. As such, their customers are not in the same category in terms of different demands.

Conclusion

Due to the reasons set out above, the Directors and the proposed executive Directors consider that there is no material competition between FengShengShangHui (豐盛商匯) and the property projects of the Enlarged Group.

The Directors and the proposed executive Directors also consider that it is neither necessary nor appropriate to include FengShengShangHui (豐盛商匯) into the Enlarged Group. The Enlarged Group has no current plan to acquire Mr. Ji's interest in Nanjing Fullshare Technology in near future, but it will review the position from time to time.

(iii) Hainan Zhongkun

Description of business

Hainan Zhongkun is an indirect wholly-owned subsidiary of Nanjing Fullshare Holding. Hainan Zhongkun is currently engaged in development of a property project named WenChangQingLanBanDao (文昌清瀾半島) in Wenchang, Hainan Province. WenChangQingLanBanDao (文昌清瀾半島) is planned to be a tourism and recreational project including villas, high-rise apartment buildings for residential use targeted at tourists, hotels and commercial facilities with an aggregate site area of approximately 1,051,911 sq.m. and expected to have an aggregate GFA of approximately 1,121,337 sq.m. upon completion. The expected aggregate GFA of villas and high-rise apartment buildings is approximately 164,000 sq.m. and approximately 656,000 sq.m., respectively. The financial information on Hainan Zhongkun during the Track Record Period is set out in the table below:

Revenue				Net profits (loss)				Net assets			
For the year ended 31 December 2010	For the year ended 31 December 2011	For the year ended 31 December 2012	For the six months ended 30 June 2013	For the year ended 31 December 2010	For the year ended 31 December 2011	For the year ended 31 December 2012	For the six months ended 30 June 2013	As at 31 December 2010	As at 31 December 2011	As at 31 December 2012	As at 30 June 2013
RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(See Note 1 below)	*(See Note 1 below)*	*(See Note 2 below)*	*(See Note 2 below)*	*(See Note 1 below)*	*(See Note 1 below)*	*(See Note 2 below)*	*(See Note 2 below)*	*(See Note 1 below)*	*(See Note 1 below)*	*(See Note 2 below)*	*(See Note 2 below)*
0	0	0	0	(2,528)	(5,295)	(5,467)	(4,901)	253,472	248,177	243,111	238,129

Notes:

1. These are audited financial figures prepared in accordance with CASBE.

2. These are unaudited financial figures prepared in accordance with CASBE.

Rationale for non-inclusion

As confirmed by the PRC legal advisers of the Company, King & Wood Mallesons Lawyers, the foreign investors (like the Enlarged Group) are forbidden to be involved in the development of the villas since 30 January 2012 as pursuant to a revised Foreign Investment Industrial Guidance Catalogue (2011 Version) (《外商投資產業指導目錄(2011年修訂)》), which became effective on 30 January 2012 and is applicable nationwide in the PRC, the construction and operation of the villas are in the prohibited category. As advised by the PRC legal advisers of the Company, King & Wood Mallesons Lawyers, according to the previous version of Foreign Investment Industrial Guidance Catalogue expired on 30 January 2012, the construction and operation of the villas were in the restricted category. Therefore the foreign investors were able to get involved in the development of the villas provided

(i) the land use right grant contract in relation to that parcel of land was signed before 30 January 2012; and (ii) the foreign investment in such project has been approved by relevant competent government authorities before 30 January 2012.

In addition, as advised by the PRC legal advisers of the Company, there is no legal or any official definition of "villa" in the PRC. The Catalogue 2011 does not provide for any definition of "villa" either. As further advised by the PRC legal advisers of the Company, in practice, relevant local competent government authorities may have different interpretations on the definition of "villa" based on the substances of each application.

In addition, (i) as advised by the proposed executive Directors, the development of WenChangQingLanBanDao (文昌清瀾半島) is at an early stage. The PRC legal advisers of the Company, King & Wood Mallesons Lawyers, have advised the Company that under the Law of Administration of Urban Real Estate in the PRC (中華人民共和國城市房地產管理法), any transfer of a real estate of which the land use right is obtained by a way of land grant shall not be permitted unless the investment in this land has exceeded 25% of its total investment (not including land use rights costs). As advised by the proposed executive Directors, the investment in WenChangQingLanBanDao (文昌清瀾半島) will not exceed 25% of its total investment by 31 December 2013; (ii) the PRC legal advisers of the Company further advise the Company that even when the above-mentioned legal restriction is cleared, any proposed transfer of the non-villa residential portion of WenChangQingLanBanDao (文昌清瀾半島) shall be subject to a specifical and sophisticated approval process with relevant PRC authorities including but not limited to the change of registration, for the project at the NDRC, land use right transfer registration with the land bureau and the change of registration of relevant permits and licences for the project with other relevant authorities, because this project was originally approved as an integral property project and the transfer will cause a change of the land user and the developer. Given that obtaining such approval and completing such legal procedures will involve certain uncontrollable factors and would be extremely time-consuming, therefore it is not practicably feasible to separately inject the non-villa residential portion of WenChangQingLanBanDao (文昌清瀾半島) into the Enlarged Group before the Resumption; and (iii) it is also not feasible for the Target Group to acquire the equity interest in Hanian Zhongkun because this will result in an indirect involvement in developing villas by the Target Group, which is forbidden according to the PRC law mentioned above, and will result in an indirect involvement in developing commercial properties by the Target Group, which will cause an immediate direct competition between the Enlarged Group and the Controlling Shareholders.

In addition, the Directors and the proposed executive Directors consider that there is no material competition between WenChangQingLanBanDao (文昌清瀾半島) and the property projects of the Enlarged Group, since:

- Market segment delineation

  WenChangQingLanBanDao (文昌清瀾半島) will include villas. The property projects of the Enlarged Group mainly consist of high-rise apartment building, none of them includes the villas. The villas of WenChangQingLanBanDao (文昌清瀾半島) and the property projects of the Enlarged Group are targeted at different segments of the market. For the avoidance of doubt, as advised by the PRC legal advisers of the Company, (i) there is no legal definition of "high-rise apartment building" under the PRC laws; and (ii) the legal restriction on 25% investment cost is not designed to restrict a transfer of "high-rise apartment building" only. Instead, this restriction shall be generally applicable to a transfer of the PRC real estate of which the land use right is obtained by a way of land grant.

  The Enlarged Group has never been involved in the villas development project. Therefore, the Enlarged Group has no experience on the operation and management of the villas development project and it is unfamiliar with the specific risks, if any, associated with such kind of development project.

Conclusion

Due to the reasons set out above, the Directors and the proposed executive Directors consider that there is no material competition between WenChangQingLanBanDao (文昌清瀾半島) and the property projects of the Enlarged Group.

The Directors and the proposed executive Directors also consider that it is neither necessary nor appropriate to include WenChangQingLanBanDao (文昌清瀾半島) into the Enlarged Group. The Enlarged Group has no current plan to acquire Mr. Ji's interest in Hainan Zhongkun in near future, but it will review the position from time to time. The Controlling Shareholders have granted the Company a right of first refusal to acquire the land use right of non-villa residential portion of WenChangQingLanBanDao (文昌清瀾半島). The exercise of such right by the Company shall be subject to the following conditions: (i) the aforesaid PRC legal restriction on 25% of the total investment has been satisfied; (ii) approvals from relevant PRC authorities have been obtained; and (iii) the villas has been disposed of and no longer form part of WenChangQingLanBanDao (文昌清瀾半島). For details, please refer to the paragraph headed "Non-Competition Undertaking" of this section.

(iv) Jiangsu Anke

Description of business

Jiangsu Anke is an indirectly non-wholly owned subsidiary of Nanjing Fullshare Holding. Jiangsu Anke is currently engaged in development of a property project named XinChengKeJiYuan (新城科技園) in Nanjing. XinChengKeJiYuan (新城科技園) is developed for scientific and educational use mainly consisting of office buildings with an aggregate site area of approximately 14,525 sq.m. and expected to have an aggregate GFA of approximately 94,454 sq.m. upon completion. The financial information on Jiangsu Anke during the Track Record Period is set out in the table below:

Revenue				Net profits (loss)				Net assets			
For the year ended 31 December 2010	For the year ended 31 December 2011	For the year ended 31 December 2012	For the six months ended 30 June 2013	For the year ended 31 December 2010	For the year ended 31 December 2011	For the year ended 31 December 2012	For the six months ended 30 June 2013	As at 31 December 2010	As at 31 December 2011	As at 31 December 2012	As at 30 June 2013
RMB'000 (See Note below)	*RMB'000 (See Note below)*	*RMB'000 (See Note below)*	*RMB'000 (See Note below)*	*RMB'000 (See Note below)*	*RMB'000 (See Note below)*	*RMB'000 (See Note below)*	*RMB'000 (See Note below)*	*RMB'000 (See Note below)*	*RMB'000 (See Note below)*	*RMB'000 (See Note below)*	*RMB'000 (See Note below)*
0	0	0	0	(547)	(11,227)	(2,699)	(998)	19,419	5,766	32,990	31,992

Note: These are unaudited financial figures prepared in accordance with CASBE.

Rationale for non-inclusion

The Directors and the proposed executive Directors consider that there is no material competition between XinChengKeJiYuan (新城科技園) and the property projects of the Enlarged Group, since:

- Market segment delineation

  The Enlarged Group focuses on the development of the residential properties, and the Controlling Shareholders, through the Excluded Companies, mainly focus on the development of the non-residential properties. The property projects of the Enlarged Group are mainly developed for residential use, but XinChengKeJiYuan (新城科技園) is developed for scientific and educational use, as confirmed by the PRC legal advisers of the Company, King & Wood Mallesons Lawyers, the land for such use can not be used for the development of the residential real estate.

Conclusion

Due to the reasons set out above, the Directors and the proposed executive Directors consider that there is no material competition between XinChengKeJiYuan (新城科技園) and the property projects of the Enlarged Group.

The Directors and the proposed executive Directors also consider that it is neither necessary nor appropriate to include XinChengKeJiYuan (新城科技園) into the Enlarged Group. The Enlarged Group has no current plan to acquire Mr. Ji's interest in Jiangsu Anke in future, but it will review the position from time to time.

(v) Chengdu Taida

Description of business

Chengdu Taida is owned as to 20% by Nanjing Fullshare Holding. Chengdu Taida is currently engaged in development of a property project named TaiDaShangQingCheng (泰達 • 上青城) in Dujiangyan, Sichuan Province. TaiDaShangQingCheng (泰達 • 上青城) is developed for industrial, commercial and residential use mainly consisting of office buildings, commercial ancillary facilities and the apartments targeted at technical and administrative staffs of the high-tech research and development enterprises with an aggregate site area of approximately 350,860 sq.m. and expected to have an aggregate GFA of approximately 280,000 sq.m. upon completion. The financial information on Chengdu Taida during the Track Record Period is set out in the table below:

Revenue				Net profits (loss)				Net assets			
For the year ended 31 December 2010	For the year ended 31 December 2011	For the year ended 31 December 2012	For the six months ended 30 June 2013	For the year ended 31 December 2010	For the year ended 31 December 2011	For the year ended 31 December 2012	For the six months ended 30 June 2013	As at 31 December 2010	As at 31 December 2011	As at 31 December 2012	As at 30 June 2013
RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(See Note 1 below)	*(See Note 1 below)*	*(See Note 2 below)*	*(See Note 2 below)*	*(See Note 1 below)*	*(See Note 1 below)*	*(See Note 2 below)*	*(See Note 2 below)*	*(See Note 1 below)*	*(See Note 1 below)*	*(See Note 2 below)*	*(See Note 2 below)*
0	0	0	0	(11,067)	42,656	(8,193)	(2,548)	31,521	74,177	65,983	63,435

Notes:

1. These are audited financial figures prepared in accordance with CASBE.

2. These are unaudited financial figures prepared in accordance with CASBE.

Rationale for non-inclusion

The Directors and the proposed executive Directors consider that there is no material competition between TaiDaShangQingCheng (泰達 • 上青城) and the property projects of the Enlarged Group, since:

- Market segment delineation

  The Enlarged Group focuses on the development of the residential properties, and the Controlling Shareholders, through the Excluded Companies, mainly focus on the development of the non-residential properties. The property projects of the Enlarged Group mainly consist of high-rise apartment building targeted at mass market home buyer, but TaiDaShangQingCheng (泰達 • 上青城) is a project consisting of office buildings, commercial ancillary facilities and the apartments targeted at technical and administrative staffs of the high-tech research and development enterprises. As such, their customers are not in the same category.

- Minority interest

Mr. Ji, through his 76.73% equity interest in Nanjing Fullshare Holding, which in turn owns a 20% equity interest in Chengdu Taida, indirectly owns only approximately 15% equity interest in Chengdu Taida. Mr. Ji and Nanjing Fullshare Holding also do not participate in the management of TaiDaShangQingCheng (泰達 • 上青城). The Company is of the opinion that such interest in Chengdu Taida is merely a minority interest without management control, therefore does not fit the acquisition criteria of the Company and will not be in the best interest of the Company.

Conclusion

Due to the reasons set out above, the Directors and the proposed executive Directors consider that there is no material competition between TaiDaShangQingCheng (泰達 • 上青城) and the property projects of the Enlarged Group.

The Directors and the proposed executive Directors also consider that it is neither necessary nor appropriate to include TaiDaShangQingCheng (泰達 • 上青城) into the Enlarged Group. The Enlarged Group has no current plan to acquire Mr. Ji's interest in Chengdu Taida in near future, but it will review the position from time to time.

(vi) Nanjing Yanziji

Nanjing Yanziji is an indirect wholly-owned subsidiary of Nanjing Fullshare Holding. Nanjing Yanziji is currently engaged in development and sale of a property project named ShengShiGongGuan (盛世公館) in Nanjing. ShengShiGongGuan (盛世公館) is a commercial project consisting of office buildings with an aggregate GFA of approximately 35,297 sq.m.. The aggregate GFA of the units of ShengShiGongGuan (盛世公館) which has been sold as at 31 December 2012 is approximately 26,677 sq.m., representing 93.90% of the total salable GFA of ShengShiGongGuan (盛世公館) of 28,411 sq.m. and the remaining portion is expected to be sold out before completion of the Acquisition. The financial information on Nanjing Yanziji during the Track Record Period is set out in the table below:

Revenue				Net profits (loss)				Net assets			
For the year ended 31 December 2010	For the year ended 31 December 2011	For the year ended 31 December 2012	For the six months ended 30 June 2013	For the year ended 31 December 2010	For the year ended 31 December 2011	For the year ended 31 December 2012	For the six months ended 30 June 2013	As at 31 December 2010	As at 31 December 2011	As at 31 December 2012	As at 30 June 2013
RMB'000 (See Note below)	*RMB'000 (See Note below)*	*RMB'000 (See Note below)*	*RMB'000 (See Note below)*	*RMB'000 (See Note below)*	*RMB'000 (See Note below)*	*RMB'000 (See Note below)*	*RMB'000 (See Note below)*	*RMB'000 (See Note below)*	*RMB'000 (See Note below)*	*RMB'000 (See Note below)*	*RMB'000 (See Note below)*
0	6	295,024	0	(2,919)	(4,899)	72,667	(5,885)	7,012	2,113	72,276	150,336

Note: These are unaudited financial figures prepared in accordance with CASBE.

The Directors and the proposed executive Directors consider that there is no material competition between ShengShiGongGuan (盛世公館) and the property projects of the Enlarged Group.

(vii) Overseas Property Project Companies

Description of business

Mr. Ji has the interest in the Overseas Property Project Companies which are currently engaged in development of nine residential property project located in Australia with an aggregate site area of approximately 9,867,093 sq.m. and one residential and commercial property project in Canada with an aggregate site area of approximately 441,640 sq.m., respectively. Apart from Fullmarr Properties NQ Pty Ltd., Fullmarr Country Club NQ Pty Ltd. and Leopard Canada Ltd., as each of the Overseas Property Project Companies was incorporated in 2013, currently the financial information of these companies is not available. The financial information on Fullmarr Properties NQ Pty Ltd., Fullmarr Country Club NQ Pty Ltd. and Leopard Canada Ltd. during the Track Record Period is set out in the table below:

	Revenue				Net profits (loss)				Net assets			
	For the year ended 31 December 2010 '000	For the year ended 31 December 2011 '000 (See Note 2 below)	For the year ended 31 December 2012 '000 (See Note 2 below)	For the six months ended 30 June 2013 '000 (See Note 2 below)	For the year ended 31 December 2010 '000	For the year ended 31 December 2011 '000 (See Notes 2 and 3 below)	For the year ended 31 December 2012 '000 (See Notes 2 and 3 below)	For the six months ended 30 June 2013 '000 (See Notes 2 and 3 below)	As at 31 December 2010 '000	As at 31 December 2011 '000 (See Notes 2 and 3)	As at 31 December 2012 '000 (See Notes 2 and 3)	As at 30 June 2013 '000 (See Notes 2 and 3)
Fullmarr Properties NQ Pty Ltd. (an Australian company)	0	0	0	0	0	AUD(272) (equivalent to approximately RMB(1,722))	AUD(19) (equivalent to approximately RMB(120))	AUD(79) (equivalent to approximately RMB(500))	0	AUD4,478 (equivalent to approximately RMB28,346)	AUD4,459 (equivalent to approximately RMB28,225)	AUD4,379 (equivalent to approximately RMB27,719)

	Revenue				Net profits (loss)				Net assets			
	For the year ended 31 December 2010 '000	For nine months ended 31 December 2011 '000 (See Notes 2, 3 and 5 below)	For the year ended 31 December 2012 '000 (See Notes 2 and 3 below)	For the six months ended 30 June 2013 '000 (See Notes 2 and 3 below)	For the year ended 31 December 2010 '000	For nine months ended 31 December 2011 '000 (See Notes 2, 3 and 5 below)	For the year ended 31 December 2012 '000 (See Notes 2 and 3 below)	For the six months ended 30 June 2013 '000 (See Notes 2 and 3 below)	As at 31 December 2010 '000	As at 31 December 2011 '000 (See Notes 2 and 3)	As at 31 December 2012 '000 (See Notes 2 and 3)	As at 30 June 2013 '000 (See Notes 2 and 3)
Fullmarr Country Club NQ Pty Ltd. (an Australian company)	0	AUD1,049 (equivalent to approximately RMB6,640)	AUD1,105 (equivalent to approximately RMB6,995)	AUD398 (equivalent to approximately RMB2,519)	0	AUD(634) (equivalent to approximately RMB(4,013))	AUD(893) (equivalent to approximately RMB(5,653))	AUD(460) (equivalent to approximately RMB(2,912))	0	AUD1,966 (equivalent to approximately RMB12,445)	AUD1,074 (equivalent to approximately RMB6,798)	AUD614 (equivalent to approximately RMB3,887)

	Revenue			Net profits (loss)			Net assets		
	For the year ended 30 April 2010 '000	For the year ended 30 April 2011 '000 (See Note 1 below)	For the year ended 30 April 2012 '000 (See Note 1 below)	For the year ended 30 April 2010 '000	For the year ended 30 April 2011 '000 (See Notes 1 and 4 below)	For the year ended 30 April 2012 '000 (See Notes 1 and 4 below)	As at 30 April 2010 '000	As at 30 April 2011 '000 (See Notes 1 and 4 below)	As at 30 April 2012 '000 (See Notes 1 and 4 below)
Leopard Canada Ltd. (a Canadian company)	0	0	0	0	CAD(0.019) (equivalent to approximately RMB(0.115))	CAD(437) (equivalent to approximately RMB(2,648))	0	CAD9,484 (equivalent to approximately RMB57,475)	CAD9,484 (equivalent to approximately RMB57,475)

Notes:

1. These financial figures were prepared in accordance with Canadian accounting standards for private enterprises and were reviewed by a Canadian chartered accountant.

2. These are unaudited financial figures prepared in accordance with Australian accounting standards.

3. For the purpose of this table, conversion of Renminbi into Australian dollars ("AUD") is based on the approximate exchange rate of RMB6.33 to AUD1. Such exchange rate is for the purpose of illustration only.

4. For the purpose of this table, conversion of Renminbi into Canadian dollars ("CAD") is based on the approximate exchange rate of RMB6.06 to CAD1. Such exchange rate is for the purpose of illustration only.

5. Fullmarr Country Club NQ Pty Ltd. was incorporated in April 2011.

Rationale for non-inclusion

The Directors and the proposed executive Directors consider that there is no material competition between these ten overseas property projects and the property projects of the Enlarged Group, since none of property projects of the Enlarged Group is located overseas as well as the Enlarged Group has no intention to develop the overseas real estate at this stage.

Conclusion

Due to the reasons set out above, the Directors and the proposed executive Directors consider that there is no material competition between ten overseas property projects and the property projects of the Enlarged Group.

The Directors and the proposed executive Directors also consider that it is neither necessary nor appropriate to include ten overseas property projects into the Enlarged Group. The Enlarged Group has no current plan to acquire Mr. Ji's interest in Overseas Property Project Companies in near future, but it will review the position from time to time.

The Enlarged Group is financially and operationally independent from each of the Excluded Companies. For details regarding the Enlarged Group's management independence from the Excluded Companies, please refer to the section headed "Independence from the Controlling Shareholders — Management Independence" below.

C. Disposals of Jiangsu Anjiali Zhiye Company Limited (江蘇安家利置業有限公司) ("Jiangsu Anjiali") and Nanjing Susheng Property Development Limited (南京蘇盛房地產開發有限公司) ("Nanjing Susheng") in March (the "March Disposals")

On 19 March 2013, Nanjing Fullshare Holding, Mr. Shi Zhiqiang, Ms. Yuan Yaxin and Mr. Ji entered into an equity transfer agreement with an independent third party, pursuant to which Nanjing Fullshare Holding, Mr. Shi Zhiqiang, Ms. Yuan Yaxin and Mr. Ji agreed to sell 100% equity interest in Jiangsu Anjiali to such independent third party at a consideration of RMB402.5 million. On the same day, Nanjing Fullshare Holding entered into an equity transfer agreement with such independent third party, pursuant to which Nanjing Fullshare Holding agreed to sell 100% equity interest in Nanjing Susheng to such independent third party at a consideration of RMB30 million.

Jiangsu Anjiali is currently engaged in development of a property project named HuPoHuaYuan (琥珀花園) in Nanjing. HuPoHuaYuan (琥珀花園) is a residential project consisting of high-rise apartment buildings with an aggregate site area of approximately 79,717 sq.m. and expected to have an aggregate GFA of approximately 214,641 sq.m. upon completion. Nanjing Susheng is currently engaged in development of two property projects named YuHuaTing (雨花庭) land parcel No. 5 and YuHuaTing (雨花庭) land parcel No.6 ("**YuHuaTing (雨花庭) Project**") in Nanjing. YuHuaTing (雨花庭) Project is a residential project with an aggregate site area of approximately 132,323 sq.m. and expected to have an aggregate GFA of approximately 328,625 sq.m. upon completion.

The Directors and the proposed executive Directors are of the opinion that the March Disposals does not demonstrate that the Target Group is formed solely for the purpose of satisfying the listing requirements, in particular the minimum profit requirement, or to enhance the apparent attractiveness of the Target Group as (i) as set out in the table below, whether or not to include Jiangsu Anjiali and Nanjing Susheng into the Target Group will not significantly adversely affect on the financial performance of the Target Group in terms of net profits, and the Target Group is able to meet the minimum profit requirement under the Listing Rules under either circumstance; (ii) the only reason for the March Disposals is to mitigate the competition between the Enlarge Group and the Controlling Shareholders. Competition has been effectively mitigated after the March Disposals as the Controlling Shareholder has reduced its level of participation in residential property projects in Jiangsu Province, and the only residential property project remains in Jiangsu Province would be YunHuYuShu (雲湖御墅) developed by Kunshan Zhongzhe; and (iii) the reason why Jiangsu Anjiali and Nanjing Susheng were disposed of to the independent third party is because (a) the assets to be acquired and the consideration to be paid for the Acquisition under the Acquisition Agreement have been determined between the parties as at the date of the Acquisition Agreement (*i.e.* 21 August 2012); (b) the size of the Open Offer and the issue of Convertible Bonds was determined with reference to the assets to be acquired and the consideration to be paid under the Acquisition Agreement which did not take into account such two additional companies as the Target Group intended to concentrate its resources in the market of Chongqing and Yancheng; and (c) such independent third party expressed its willingness to acquire such two companies at the relevant time.

The net profits of the Target Group in case of including Jiangsu Anjiali and Nanjing Susheng for the three years ended 31 December 2012:

	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Target Group	12,733	77,890	33,397
Add:			
Nanjing Susheng	—	—	(5)[(1)]
Jiangsu Anjiali	(3,092)[(2)]	1,731[(2)]	(4,125)[(2)]
Total	9,641	79,621	29,267

Notes:

1. These are unaudited financial figures prepared in accordance with CASBE.

2. These are audited financial figures prepared in accordance with CASBE.

NON-COMPETITION UNDERTAKING

In order to minimise the direct competition between the Controlling Shareholders and the Enlarged Group in the future, the Company entered into a Non-Competition Undertaking with Mr. Ji and Magnolia Wealth on 25 October 2013 for the benefit of the Company (for itself and on behalf of each other member of the Enlarged Group) following completion of the Acquisition, pursuant to which Mr. Ji and Magnolia Wealth have undertaken to the Company that, conditional upon completion of the Acquisition and during the Non-Compete Period (as defined below), other than the Excluded Projects, they will not, and will procure that their respective associates (other than the Enlarged Group) will not, directly or indirectly, whether on their own or jointly with another person or company, own, invest in, participate in, develop, operate or engage in any business or company which directly or indirectly competes or may compete with any business (the "**Restricted Business**") of the real estate development of the residential properties and the mixed-use properties (as defined in the section headed Glossary of Technical Terms of the circular) in the PRC (including the Target Cities, the Excluded Cities and the Unoccupied Cities).

Notwithstanding the foregoing, each of Mr. Ji and Magnolia Wealth may either himself or itself or through their respective associates:

(i) hold and/or be interested in any shares or other securities in any company which is listed on a recognised stock exchange and engages or is involved in any activity or business which directly or indirectly competes with the Restricted Business, provided that the aggregate shareholding held by him or it, together with his or its associates in such company, whether directly or indirectly, does not exceed five (5) per cent. of the issued share capital of such listed company, and provided further that Mr. Ji, Magnolia Wealth, together with their respective associates would not participate in or be otherwise involved in the management of the listed company; and

(ii) hold and/or be interested in any shares and other securities in any member of the Enlarged Group.

The Controlling Shareholders have also undertaken in the Non-Competition Undertaking that during the term of the Non-Competition Undertaking if the Controlling Shareholders or any of their respective associates (other than the Enlarged Group) becomes aware of any business opportunity to own, invest in, participate in, develop, operate or engage in any business or company which directly or indirectly competes with the Restricted Business (the "**Business Opportunity**"), they or any of their respective associates (other than the Enlarged Group) shall first refer the Business Opportunity to the Company in writing immediately upon becoming aware of it. Any decision on whether to take up the Business Opportunity shall be decided by the independent non-executive Directors within 30 days (or such other period as may be agreed between the parties if Shareholders' approval is required) after receiving the written notice. Even if the Company has issued a written confirmation signed by the independent non-executive Directors confirming that the Company has decided not to take up the Business Opportunity, Mr. Ji or Magnolia Wealth or their respective associates will not take up the Business Opportunity.

Pursuant to the Non-Competition Undertaking, the Controlling Shareholders have granted the Company a right of first refusal (the "**Right**") to acquire the land use right of non-villa residential portion of WenChangQingLanBanDao (文昌清瀾半島). The exercise of the Right by the Company shall be subject to the following conditions: (i) the PRC legal restriction on 25% of the total investment has been satisfied; (ii) approvals from relevant PRC authorities have been obtained; and (iii) the villas has been disposed of and no longer form part of WenChangQingLanBanDao (文昌清瀾半島)). Once the above conditions are satisfied, the Controlling Shareholders shall forthwith give a written notice to the Company. The Right shall become exercisable after receipt of such notice. Any decision to exercise or not to exercise the Right under the Non-Competition Undertaking shall be made by the independent non-executive Directors.

Pursuant to the Non-Competition Undertaking and relevant arrangements as set out above, after completion of the Acquisition, save for continuing their engagements in the Excluded Projects, the Controlling Shareholders will not be allowed to engage in any residential property (including villas) and mixed-use property (as defined in the section headed Glossary of Technical Terms of the circular) development business in the PRC unless any of the circumstances (i) to (ii) under the Non-Competition Undertaking arises as set out above and they will be only involved in the commercial property development business.

In order to properly manage any potential or actual conflict of interest between the Enlarged Group and the Controlling Shareholders, the Company have adopted the following corporate governance measures:

(i) the independent non-executive Directors shall review, at least annually, the compliance with and enforcement of the terms of the Non-Competition Undertaking by the Controlling Shareholders;

(ii) the Company will disclose the annual declarations by the Controlling Shareholders on compliance with and the Non-Competition Undertaking in the annual report of the Company;

(iii) each of the Controlling Shareholders undertakes to provide all information necessary for the annual review described in (i) above;

(iv) as provided in the Articles, except certain matters, a Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested; and

(v) any independent non-executive Directors' findings on the review of the compliance and enforcement of the Non-Competition Undertaking by the Controlling Shareholder and any decision and rationale for it made by the independent non-executive Directors as to whether to take any Business Opportunity which is referred to the Company by Mr. Ji or Magnolia Wealth or their respective associates and whether to exercise of the Right pursuant to the Non-Competition Undertaking will be disclosed by the Company in its annual report and interim report for the year in which the decision is made. The independent non-executive Directors immediately following completion of the Acquisition will be Mr. Lau Chi Keung, Mr. Chow Siu Lui and Mr. Tsang Sai Chung. Mr. Lau has over 18 years of management experience in the real estate industry in the PRC and in Hong Kong and also served as a director of Henderson Investment Limited, a real estate development company since 1995. Mr. Chow is a certified public accountant and has many years working experience as a partner at one of the four largest certified public accounting firms in the world. Mr. Tsang was a trainee solicitor and an associate of Baker & McKenzie from September 1993 to January 1999 and has over 8 years of working experience as the general counsel and the company secretary of the listed companies in Hong Kong. The Company believes the independent non-executive Directors possess sufficient expertise and experience and will be able to review the compliance and enforcement of the Non-Competition Undertaking by the Controlling Shareholders to protect the interests of the public Shareholders. Details of the independent non-executive Directors are set out in the section headed "Directors and Senior Management of the Enlarged Group" in this circular. The Company will also comply with all applicable requirements of the Listing Rules (including the requirements under Chapter 14 and 14A of the Listing Rules) as appropriate.

The Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the Controlling Shareholders, their respective associates and the Enlarged Group and to protect the interests of the Shareholders, in particular, the minority Shareholders.

The Non-Competition Undertaking took effect on 25 October 2013 and shall remain effective until the earlier of (a) the date on which the Controlling Shareholders, in aggregate, directly or indirectly beneficially holds less than 30% of the issued share capital of the Company; and (b) the date on which the Shares cease to be listed on the Hong Kong Stock Exchange (the ''Non-Compete Period'').

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, the Directors and the proposed executive Directors believe that the Enlarged Group is capable of carrying on its business independently of Mr. Ji and Magnolia Wealth after completion of the Acquisition:

Management Independence

Following completion of the Acquisition, all major decisions of the Company will be made by the Board as a whole, and the day-to-day management of the real estate development business of the Enlarged Group will be carried out by the senior management of the Target Company, led by Mr. Shi Zhiqiang, a proposed executive Director. The Board will comprise of 4 executive Directors and 3 independent non-executive Directors, and the senior management of the Target Company will comprise of 5 members including 2 executive Directors (namely Mr. Shi Zhiqiang and Mr. Zhou Yanwei), after completion of the Acquisition. Other than Mr. Ji, all executive Directors and the then senior management of the Target Company will be full-time employees of the Enlarged Group and they will be all independent from the Controlling Shareholders. Please also refer to the section headed ''Directors and Senior Management of the Enlarged Group'' of the circular for the biographical details of the proposed Directors and the proposed senior management of the Target Company immediately following completion of the Open Offer.

Mr. Ji will be an executive Director and the chairman of the Company after completion of the Acquisition, and he will be responsible for overseeing day-to-day management of the Company's operations and formulating business strategies, annual business plan and objectives of the Company. Mr. Ji is also a director and the chairman of Nanjing Fullshare Holding, and he is primarily responsible for the corporate development and strategic planning of Nanjing Fullshare Holding. Mr. Ji also undertakes that he will allocate over 50% of his time to the Company after completion of the Acquisition.

Each of the Directors and the proposed Directors is aware of his fiduciary duties as a Director of the Company which require, among other things, that he acts for the benefit and in the best interests of the Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Enlarged Group and the Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum.

As a company listed on the Stock Exchange, the Board will be required to comply with provisions under the Listing Rules. The Company has adopted corporate governance measures to require that a Director shall not vote on any board resolution approving any contract or arrangement or any other proposal in which he or she, or any of his or her associates, has a material interest, nor will they be counted towards the quorum at the meeting in respect of the same, nor will such Director attend the relevant Board meeting. In addition, certain matters, such as connected transactions, are required to be reviewed by the Company's independent non-executive Directors.

Having considered the above factors, the Directors and the proposed executive Directors are satisfied that they are able to perform their roles in the Enlarged Group independently, and the Directors and the proposed executive Directors are of the opinion that they are capable of managing the business of the Enlarged Group independently from Mr. Ji and Magnolia Wealth after completion of the Acquisition.

Operational Independence

The Company and the relevant project companies hold the relevant licences and qualifications that are essential to the business operations of the Enlarged Group. The contractors of the Target Group used for construction work of its real estate development projects are engaged through a bidding process which invites at least three qualified contractors to attend the bidding, and the properties of the Target Group are primarily sold to individual consumers in the PRC. The Enlarged Group has its own capabilities and personnel to perform all essential administrative functions, including financial and accounting management, invoicing and billing, human resources and information technology. the Enlarged Group has also established a set of internal controls to facilitate the effective operation of its business.

During the Track Record Period, Jiangsu Fullshare Property entered into the following transactions with certain associates of Mr. Ji in relation to the operation of the Target Group:

(i) Jiangsu Fullshare Property, through a bidding process, engaged Nanjing Jiangong (an associate of Mr. Ji by way of over 50% of its equity interest being beneficially owned by Mr. Ji Changbin, elder brother of Mr. Ji) as the contractor, to provide the construction services of building works and water and electricity installation works to Phase 3 of XiChengYiPinHuaYuan (西城逸品花園) (also with a promotion name of Fullshare XiChenYiPin (豐盛 • 西城逸品)) and Phases 1 and 2 of XiChengFuDi (西城府邸) (also with a promotion name of Fullshare XiChengZhongYang (豐盛 • 西城中央)) developed by Jiangsu Fullshare Property. The construction service fees paid by Jiangsu Fullshare Property to Nanjing Jiangong for the three years ended 31 December 2012 and the six months ended 30 June 2013 was approximately RMB75,115,000, RMB72,705,500, RMB75,083,800 and RMB35,527,369.

(ii) Jiangsu Fullshare Property, through a bidding process, engaged Nanjing Jiasheng Landscape (an associate of Mr. Ji by way of approximately 50% of its equity interest being beneficially owned by Mr. Ji Changbin, elder brother of

Mr. Ji, and Mr. Ji Changrong, a younger brother of Mr. Ji) as the contractor, to provide the greening services to XiChengYiPinHuaYuan (西城逸品花園) developed by Jiangsu Fullshare Property. The service fees paid by Jiangsu Fullshare Property to Nanjing Jiasheng Landscape for each of the three years ended 31 December 2012 and the six months ended 30 June 2013 was approximately RMB1,487,700, RMB2,003,600, RMB2,923,600 and RMB141,000.

(iii) Jiangsu Fullshare Property purchased certain materials, mainly the steel bars, from Jiangsu Fullshare Trading, an associate of Mr. Ji by way of over 30% of its equity interest being owned by Mr. Ji. The total amount of purchases by Jiangsu Fullshare Property from Jiangsu Fullshare Trading for the three years ended 31 December 2012 and the six months ended 30 June 2013 was approximately RMB27,498,000, RMB71,186,000, RMB25,952,000 and RMB8,510,000, respectively, representing approximately 15.16%, 20.96%, 9.06% and 3.48% of the Target Group's total construction cost for the corresponding periods.

(iv) Jiangsu Anke Medical, an associate of Mr. Ji by way of over 30% of its equity interest being owned by Mr. Ji, provided decoration construction services to the model apartment developed by Jiangsu Fullshare Property. The total amount of service fee paid by Jiangsu Fullshare Property to Jiangsu Anke Medical for the three years ended 31 December 2012 and the six months ended 30 June 2013 was approximately RMB116,900, Nil, RMB450,000 and Nil, respectively.

(v) Jiangsu Fullshare Property engaged Nanjing Fullshare Energy (an associate of Mr. Ji by way of over 30% of its equity interest being owned by Mr. Ji) as a service provider to provide the property management services to XiChengYiPinHuaYuan (西城逸品花園) developed by Jiangsu Fullshare Property. The service fees paid by Jiangsu Fullshare Property to Nanjing Fullshare Energy for each of the three years ended 31 December 2012 and the six months ended 30 June 2013 was approximately RMB346,000, RMB524,000, RMB170,000 and RMB89,000. The relevant agreements and services will be terminated before 31 October 2013.

The Target Group has not further engaged such associates of Mr. Ji, nor has any intention to further engage them, as its contractors or suppliers after completion of Acquisition. If any transaction is to be entered into between the Enlarged Group and them after completion of the Acquisition, the Company will comply with all the applicable disclosure, reporting and/or shareholders' approval requirements under the Listing Rules in relation to such transaction.

The Directors and the proposed executive Directors are of the opinion that it will not have any material adverse impact on the Target Group, if the Target Group does not engage them as its contractors/suppliers due to the following reasons: (i) the Target Group always selects its contractor for construction work through a bidding process, there are alternative independent contractors capable of carrying out construction work in the market which are readily available to the Target Group, and the Target Group also has alternative independent suppliers which provide the same goods with similar quality, price and terms, if required in the future. As such, the Enlarged Group has independence of access to such contractors and suppliers and does not rely on the Controlling Shareholders for its contractors and suppliers; and (ii) given that current market for provision of construction services and procurement of construction materials is the buyer's market, even if the Target Group engages alternative contractors or suppliers after completion of the Acquisition, the Target Group will still have the strong bargaining power in the price with these contractors and suppliers. As such, the Directors and the proposed executive Directors are also of the opinion that there is no material adverse impact in terms of costs in engaging alternative contractors and suppliers.

Financial Independence

The Enlarged Group has an independent financial system and makes financial decisions according to its own business needs. The Directors and the proposed executive Directors confirm that, as of the Latest Practicable Date, the Enlarged Group does not have any outstanding loans or guarantees provided by Mr. Ji or Magnolia Wealth.

During the Track Record Period, Nanjing Fullshare Holding provided guarantee to the Target Group's bank loans. As at the Latest Practicable Date, Nanjing Fullshare Holding and the relative banks had terminated the guarantee contracts between them.

The Directors and the proposed executive Directors are of the opinion that the Enlarged Group is capable of obtaining financing from third parties without relying on any loan, guarantee or security provided by the Controlling Shareholders upon completion of the Acquisition.

On the basis of the foregoing, the Directors and the proposed executive Directors are of the opinion that, following completion of the Acquisition, the Enlarged Group will be able to operate independently from the Controlling Shareholders from a financial perspective.

RELATIONSHIP WITH THE OTHER DIRECTORS

Since Mr. Shi Zhiqiang, a proposed executive Director, holds approximately 9.32% equity interest in Nanjing Fullshare Holding, he is also indirectly interested in the business engaged by the Excluded Companies (other than those engaged by the Overseas Property Project Companies). For more details, please refer to the paragraph headed "B. Business engaged by the Excluded Companies" of this section. Apart from the contents set out therein, Mr. Shi Zhiqiang had no interest in any company (other than the Enlarged Group) which, directly or indirectly held interest in a business that may, directly or indirectly, compete with the Enlarged Group's business.

Save as disclosed above, as of the Latest Practicable Date, none of other Directors or the proposed Directors had interests in any company (other than the Enlarged Group) which, directly or indirectly held interest in a business that may, directly or indirectly, compete with the Enlarged Group's business.

OVERVIEW

Mr. Ji and Magnolia Wealth, are the Controlling Shareholders. Therefore, after completion of the Acquisition, Mr. Ji, Magnolia Wealth, and their respective associates will constitute the connected persons of the Company.

The definition of connected persons under Chapter 14A of the Listing Rules is different from the definition of related parties under HKFRS. Accordingly, connected transactions set out in this section, which are described and disclosed in accordance with Chapter 14A of the Listing Rules, differ from the significant related party transactions set out in Note 34 to "Appendix I — Accountant's Report on the Target Group".

TYPES OF CONNECTED TRANSACTIONS

As of the Latest Practicable Date, the following connected transactions had been entered into between the Enlarged Group and the relevant connected persons of the Company and their respective associates:

Non-recurrent Transactions

- Non-Competition Undertaking
- Deed of Indemnity

On-going Transactions under Subsisting Agreements

- IT Services Provision Agreement
- Property Leasing Agreement

DETAILS OF THE CONNECTED TRANSACTIONS

Non-recurrent Transactions

Non-competition Undertaking

The Company entered into a Non-Competition Undertaking with Mr. Ji and Magnolia Wealth on 25 October 2013 for the benefit of the Company (for itself and on behalf of each other member of the Enlarged Group) following completion of the Acquisition. Pursuant to such undertaking, Mr. Ji and Magnolia Wealth have undertaken to the Company that, conditional upon completion of the Acquisition and during the Non-Compete Period, other than the Excluded Companies which engage in real estate development business, they will not, and will procure that their respective associates (other than the Enlarged Group) will not, directly or indirectly, whether on their own or jointly with another person or company, own, invest in, participate in, develop, operate or engage in any business or company which directly or indirectly competes or may compete with the Restricted Business, subject to certain exceptions described in the section headed "Relationship with the Controlling Shareholders".

Deed of Indemnity

Mr. Ji, Magnolia Wealth and the Company entered into the Deed of Indemnity on 25 October 2013 according to which Mr. Ji and Magnolia Wealth will fully indemnify the Company against any loss or liability suffered by the Company and/or any other member of the Enlarged Group, resulting from or by reference to any non-compliance of the Target Group described in the paragraph headed "Business of the Target Group — Non-compliance" of the section headed "Business of the Target Group" of the circular.

Implication under the Listing Rules

Any transaction that might take place after completion of the Acquisition pursuant to any agreement described in this "Non-Recurrent Transactions" section is made in the performance of the relevant party's obligation(s) under the relevant deed or agreement already entered into before completion of the Acquisition. Such transactions therefore will not constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules, and will not be subject to further regulatory requirements under the Listing Rules.

On-going Transactions under Subsisting Agreements

IT Services Provision Agreement

On 22 September 2013, the Target Company entered into the IT Services Provision Agreement with Nanjing Fullshare Holding, pursuant to which Nanjing Fullshare Holding has agreed to provide the Target Company with the information technology services, including leasing the information technology related equipment and system, and providing technical support and service relating to the information technology system.

The initial term of the IT Services Provision Agreement shall be 3 years from the date of the IT Services Provision Agreement, unless at any time during such term either party gives at least three months' prior written notice of termination to the other party. The term of the IT Services Provision Agreement can be extended, provided that the relevant parties agree to such extension.

The amount of annual service fees payable by the Target Company to Nanjing Fullshare Holding is RMB137,600.

Property Leasing Agreement

On 22 September 2013, the Target Company entered into the Property Leasing Agreement with Nanjing Fullshare Technology for a term of 3 years commencing on 1 January 2013 (unless at any time either party gives at least three months' prior written notice of termination to the other party and agreed by such party), pursuant to which Nanjing Fullshare Technology has agreed to lease a property located in Nanjing to the Target Company. The information about such property is as follows:

Premises:	Room 209–211, Building No.8, No.119 Ruan Jian Da Dao, Nanjing, Jiangsu, the PRC
Leased Area:	478.93 m^2
Usage	Office premises

The amount of annual rental payable by the Target Company to Nanjing Fullshare Holding is RMB786,642. CBRE Limited, the independent property valuer of the Company, has confirmed that the annual rental payable under the Property Leasing Agreement is no less favorable to the Target Company than that payable by an independent third party.

Implication under the Listing Rules

Nanjing Fullshare Holding and Nanjing Fullshare Technology are respectively owned as to 76.73% and 76.75% by Mr. Ji, one of the Controlling Shareholders, therefore they will be connected persons of the Company after completion of the Acquisition by way of being an associate of Mr. Ji. Accordingly, the transactions under the IT Services Provision Agreement and the Property Leasing Agreement will constitute continuing connected transactions of the Company after completion of the Acquisition.

As the relevant percentage ratios applicable to the amount of the annual service fees/ annual rental (as applicable) for the three years ending 31 December 2015 for the transactions under IT Services Provision Agreement and Property Leasing Agreement are expected to exceed 0.1% but be less than 5% (the annual consideration is less than HK1,000,000), such transactions are de minimus transactions and are exempted from the reporting, announcement and Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) and the proposed executive Directors consider that the IT Services Provision Agreement and the Property Leasing Agreement have been entered into in the ordinary and usual course of business of the Enlarged Group, on normal commercial terms, and are fair and reasonable and in the interests of the Shareholders as a whole, and that the annual service fees/annual rental (as applicable) of each of the continuing connected transactions disclosed above are fair and reasonable and in the interests of the Shareholders as a whole.

All the existing Directors will resign as Directors which shall take effect immediately following completion of the Acquisition.

The following sets out the biographical details of the proposed Directors of the Company and the proposed senior management of the Target Company immediately following completion of the Acquisition:

DIRECTORS OF THE COMPANY

The following table sets forth information regarding the proposed Directors of the Company immediately following completion of the Acquisition.

Name	Age	Position
Mr. Ji Changqun (季昌群先生)	44	Chairman and executive Director
Mr. Shi Zhiqiang (施智強先生)	37	Executive Director
Mr. Zhou Yanwei (周延威先生)	63	Executive Director
Mr. Eddie Hurip (丘鉅淙先生)	54	Executive Director
Mr. Chi-keung Lau (劉智強先生)	64	Independent non-executive Director
Mr. Chow Siu Lui (鄒小磊先生)	52	Independent non-executive Director
Mr. Tsang Sai Chung (曾細忠先生)	50	Independent non-executive Director

Executive Directors

Mr. Ji Changqun ("Mr. Ji"), aged 44, will be appointed as an executive Director and the chairman of the Company immediately following completion of the Acquisition. Mr. Ji has over six years of management experience in the real estate industry in the PRC. Mr. Ji has been a director and the chairman of Nanjing Fullshare Holding since November 2002. He obtained a diploma of adult higher education majoring in highway and city road issued by Nanjing Associated Workers' College (南京聯合職工大學) in February 1999. Mr. Ji studied the courses for postgraduates majoring in management science and engineering in Southeast University from September 2003 to September 2005. Mr. Ji obtained a master's degree majoring in business administration issued by Macau University of Science and Technology in June 2006. Mr. Ji is a PRC senior engineer and senior economist. Mr. Ji worked as the project manager and the branch manager of Nanjing Jiasheng Infrastructure Engineering Co., Ltd. (南京嘉盛基礎建設工程有限公司) from March 1993 to August 1995. Mr. Ji worked as the deputy general manager and the general manager of Jiasheng Construction Group Co., Ltd. (嘉盛建設集團有限公司) from September 1995 to November 2011. Mr. Ji holds a lot of important social positions, including the representative of People's Congress of Nanjing, the vice chairman of Jiangsu Federation of Industrial Economics, Jiangsu Enterprise Confederation and Jiangsu Enterprise Directors Association, the chairman of Anhui Chamber of Commerce of Jiangsu (江蘇省安徽商會), the vice president and vice chairman of Nanjing Federation of Industry and

Commerce, the vice chairman of Nanjing Yuhuatai District Private and Individual Economy Association and Nanjing Overseas Exchange Association, the member of the council of Nanjing University, the guest professor of Nanjing University of Chinese Medicine, the dean of Fullshare Health Institute (豐盛健康學院). Mr. Ji was awarded with various honors, including Nanjing Model Worker in 2006, Outstanding Contribution Entrepreneur of Jiangsu Construction Industry (江蘇省建築業突出貢獻企業家) in 2007, Nanjing Guangcai Programme Star (南京市光彩事業之星) in 2010, National Outstanding Entrepreneur on Staff Caring in Private Sector (全國關愛員工優秀民營企業家) in 2011, May 1 Labour Medal award winner of Jiangsu Province (江蘇省五一勞動獎章) in 2012, Outstanding Builder of Socialism with Chinese Characteristics of Jiangsu Province (江蘇省優秀中國特色社會主義事業建設者) in 2012, and Top 10 Integrity Models (十大誠信標兵) issued by Jiangsu Province in 2012.

Mr. Shi Zhiqiang ("Mr. Shi"), aged 37, will be appointed as an executive Director of the Company immediately following the Renewed Business License having been obtained by the Target Company. Mr. Shi has over four years of management experience in the real estate industry in the PRC. Mr. Shi has been a director, the general manager and the legal representative of the Target Company since its establishment in July 2012. Mr. Shi has been a director, the general manager and the legal representative of Jiangsu Fullshare Property since August 2012 and a director of Chongqing Tongjing since July 2011. Mr. Shi is currently a director of several subsidiaries of Nanjing Fullshare Holding. Mr. Shi obtained a diploma majoring in financial accounting issued by the Township Enterprise Management Institution organised by the Department of Agriculture of the PRC. Mr. Shi is a PRC accountant and an international certified internal auditor. Mr. Shi worked as the financial manager of Jiangsu Zhongda Communication Industry Co., Ltd. (江蘇中大通信實業有限公司) from December 2004 to July 2005. Mr. Shi worked as the deputy manager of financial management, audit manager, audit director, chief financial officer Nanjing Fullshare Holding from July 2005 to March 2011. Mr. Shi worked as a director of Nanjing Fullshare Holding from June 2011 to April 2013 and the assistant to the chairman of Nanjing Fullshare Holding from March 2011 to January 2013.

Mr. Zhou Yanwei ("Mr. Zhou"), aged 63, will be appointed as an executive Director of the Company immediately following completion of the Acquisition. Mr. Zhou has over four years of management experience in the real estate industry in the PRC. Mr. Zhou has been the head of Yancheng department of Nanjing Fullshare Holding since April 2011, a director and the chairman of Jiangsu Fullshare Property since November 2012 and the deputy general manager and the head of the cost management centre of the Target Company since January 2013. Mr. Zhou obtained a diploma majoring in highway and bridge issued by Jinling Vocational College in July 1993 and was a PRC senior engineer. Mr. Zhou worked as the section chief of Nanjing Highway Construction Place (南京市公路建設處) from September 1989 to January 1996, and the chief of division, chief engineer and secretary of Nanjing Municipal Engineering Construction Place (南京市市政工程建設處) from January 1996 to March 2008. Mr. Zhou worked as the general manager and the deputy general manager of the real estate department of Nanjing Fullshare Holding from April 2008 to July 2010. Mr. Zhou worked as the general manager of Jiangsu Fullshare Property from December 2009 to August 2012 and a director of Jiangsu Fullshare Property from April 2009 to July 2012 and was re-appointed as a director of this company in November 2012.

Mr. Eddie Hurip ("Mr. Hurip"), aged 54, will be appointed as an executive Director of the Company immediately following the Renewed Business License having been obtained by the Target Company. Mr. Hurip has over five years of management experience in the real estate industry in the PRC and in Hong Kong. Mr. Hurip has been a consultant primarily responsible for providing consulting services for the Acquisition of the Target Group and the resumption of trading in the Shares of the Company since October 2012. Mr. Hurip obtained a bachelor's degree majoring in science from UC Berkeley in 1983 and a MBA degree jointly offered by Shanghai Jiao Tong University and University of Southern California Gordon S. Marshall School of Business in 2009. Mr. Hurip worked as an executive director of Shell Electric Mfg. (Holdings) Co., Ltd. (Hong Kong stock code: 00081) from 2006 to 2010.

Independent non-executive Directors

Mr. Lau Chi Keung ("Mr. Lau"), aged 64, will be appointed as an independent non-executive Director of the Company immediately following completion of the Acquisition. Mr. Lau has over 18 years of management experience in the real estate industry in the PRC and in Hong Kong. Mr. Lau obtained a higher diploma majoring in surveying/building technology issued by Hong Kong Technical College (currently known as Hong Kong Polytechnic University) in 1970. Mr. Lau was a fellow member of the Royal Institution of Chartered Surveyors in 1987. Mr. Lau was appointed as a director of Henderson Investment Limited in 1995 and was appointed as a director of Henderson China Development Limited in 2005. Mr. Lau served in many social positions, including a member of the Construction Industry Training Authority, a member of the Administrative Appeals Board from 2003 to 2009 and an external examiner of the Hong Kong Polytechnic University — B.Sc. (Hons) programme in Building Surveying from 2005 to 2007. Mr. Lau currently holds several social positions, including a member of the Disciplinary Panel of Hong Kong Institute of Surveyors, a member of the Appeal Tribunal Panel of Planning and Lands Branch, Development Bureau of Government Secretariat. Mr. Lau was awarded with "Justice of the Peace" issued by the Hong Kong government in 2001 and "Medal of Honour" issued by the Hong Kong government in 2005.

Mr. Chow Siu Lui ("Mr. Chow"), aged 52, will be appointed as an independent non-executive Director of the Company immediately following completion of the Acquisition. Mr. Chow is the Managing Director (Private Equities) of VMS Investment Group. Mr. Chow is currently a council member and the Treasurer of the Hong Kong Institute of Chartered Secretaries and the chairman of the Professional Conduct Committee of the Hong Kong Institute of Certified Public Accountants. Previously, he was a member of both of the Listing Committee of the Stock Exchange and the Dual Filing Advisory Group of the Securities and Futures Commission. Mr. Chow is a fellow of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants. Mr. Chow had been working with one of the four largest certified public accounting firms in the world as a partner for many years. He has an in-depth knowledge on the accounting standards and business regulations in Hong Kong. Mr. Chow was appointed as an independent non-executive director of NWS Holdings Limited (Hong Kong stock code: 00659) and a member of the nomination committee of this company on 1 March 2012 and resigned on 12 June 2012.

Mr. Tsang Sai Chung ("Mr. Tsang"), aged 50, will be appointed as an independent non-executive Director of the Company immediately following completion of the Acquisition. Mr. Tsang obtained a bachelor's degree of arts issued by the University of Hong Kong in 1985 and completed PCLL programme in University of Hong Kong in 1993. Mr. Tsang worked as a trainee solicitor and an associate of Baker & McKenzie from September 1993 to January 1999. Mr. Tsang worked as an executive director, general counsel and company secretary of HKC (Holdings) Limited (Hong Kong stock code: 00190) from April 2004 to September 2009. Mr. Tsang has been the general counsel and company secretary of Sa Sa International Holdings Limited (Hong Kong stock code: 00178) since September 2012.

Save as disclosed in this circular, each of the proposed Directors confirms for himself that: (i) he has not held any directorships, current or past, since 1 January 2010 up to the date of the circular in any public companies, the securities of which are listed on any securities market in Hong Kong and/or overseas; (ii) he is not related to any other Director or proposed Director, member of senior management or substantial or controlling shareholders of the Company, nor he has any interests in the Shares within the meaning of Part XV of the SFO; (iii) no additional information is required to be disclosed pursuant to the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules; (iv) he is not interested in any business apart from the business of the Enlarged Group, which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group; (v) there are no other matters that need to be brought to the attention of holders of securities of the Company; and (vi) all the requirements under Rule 13.51(2) of the Listing Rules have been fulfilled.

SENIOR MANAGEMENT OF THE TARGET COMPANY

The following table sets forth information regarding the senior management of the Target Company who will remain following completion of the Acquisition. The senior management are responsible for the day-to-day management of the business of the Target Group.

Name	Age	Position
Mr. Shi Zhiqiang (施智強先生)	37	General manager
Mr. Zhou Yanwei (周延威先生)	63	Deputy general manager Head of the cost management centre
Mr. Liu Yi (劉毅先生)	45	Head of the product management centre
Mr. Zhu Jihua (朱吉華先生)	43	Head of the finance management centre
Mr. Zhao Hu (趙虎先生)	37	Head of the investment development centre

Mr. Shi Zhiqiang ("Mr. Shi"), aged 37, has been the general manager of the Target Company since its establishment in July 2012. Please refer to the paragraph headed "Directors of the Company" in this section for his biography.

Mr. Zhou Yanwei ("Mr. Zhou"), aged 63, has been the deputy general manager and the head of the cost management centre of the Target Company since January 2013. Please refer to the paragraph headed "Directors of the Company" in this section for his biography.

Mr. Liu Yi ("Mr. Liu"), aged 45, has been the head of the product management centre of the Target Company since October 2012. Mr. Liu obtained a bachelor's degree majoring in agriculture issued by Nanjing Agricultural University in July 1991 and a master's degree majoring in business administration issued by Nanjing University in December 2003. Mr. Liu worked as the deputy general manager of Nanjing Orient Consulting Co., Ltd. (南京東方智業管理顧問有限公司) from January 2003 to October 2005, and the assistant president of Landsea Real Estate Group (朗詩地產集團) and the general manager of its property management company from November 2005 to May 2010. Mr. Liu worked as the executive general manager of Nanjing Fullshare New Energy Science & Technology Co., Ltd. (南京豐盛新能源科技股份有限公司) from May 2010 to May 2011, and the deputy general manager of district company (區域公司) of Greentown Orient Construction Management Co., Ltd. (綠城東方建設管理有限公司) from April 2011 to October 2012.

Mr. Zhu Jihua ("Mr. Zhu"), aged 43, has been the head of the finance management centre of the Target Company since January 2013. Mr. Zhu obtained a diploma issued by Nanjing Agricultural Technology College in July 1994 and the certificate of medium level accountant in October 2001. Mr. Zhu worked at Suning Real Estate Group Co., Ltd. (蘇寧置業集團有限公司) from October 1996 to March 2010 and was the deputy chief financial officer when he resigned. Mr. Zhu worked as the chief financial officer for projects, the fund head and the deputy head of the budget and cost division of the real estate department of Nanjing Fullshare Holding from April 2010 to November 2012.

Mr. Zhao Hu ("Mr. Zhao"), aged 37, has been the head of the investment development centre of the Target Company since January 2013. Mr. Zhao obtained a bachelor's degree majoring in real estate operation and management issued by Nanjing Institute of Architectural and Civil Engineering (南京建築工程學院) in July 1998 and a master's degree majoring in project management issued by Nanjing University of Technology in December 2010. Mr. Zhao worked as the manager of the real estate investment department and the senior manager of investment department of Nanjing Fullshare Holding from June 2006 to December 2012. Mr. Zhao has been a member of the real estate management committee of Nanjing Fullshare Holding since March 2011.

COMPANY SECRETARY

The existing company secretary of the Company, namely Ms. Ha Cheuk Man, will resign as the company secretary which shall take effect immediately following completion of the Acquisition.

Ms. Seto Ying ("Ms. Seto"), aged 37, will be appointed as the company secretary of the Company immediately following completion of the Acquisition. Ms. Seto has been an executive Director of the Company since June 2008 and has also been a director of a wholly-owned subsidiary of the Company since June 2008. Ms. Seto obtained a bachelor's degree majoring in business administration in accountancy issued by the Chinese University of Hong Kong in 1998. Ms. Seto is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a graduate member of the Hong Kong Institute of Chartered Secretaries. Ms. Seto has more than 10 years of experience in the field of finance and accounting including working in an international accounting firm.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee of the Company are to review and supervise the financial reporting process and internal control system of the Group and to review the Company's interim and annual reports and financial statements. Currently, the audit committee of the Company consists of Mr. Li Siu Yui, Mr. Ip Woon Lai and Mr. Lee Kong Leong and is chaired by Mr. Li Siu Yui, an independent non-executive Director.

REMUNERATION COMMITTEE

The Company established a remuneration committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee of the Company are to determine the specific remuneration packages of all executive Directors and senior management of the Company, including benefits-in-kind, pension rights and compensation payments, and to advise the Board on the remuneration of the non-executive Directors. In developing remuneration policies and making recommendation as to the remuneration of the Directors and senior management of the Company, the remuneration committee of the Company takes into account the performance of the Group as well as individual Directors and senior management of the Company. Currently, the remuneration committee of the Company consists of Mr. Li Siu Yui, Mr. Ip Woon Lai and Mr. Lee Kong Leong and is chaired by Mr. Li Siu Yui, an independent non-executive Director.

NOMINATION COMMITTEE

The Company established a nomination committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary function of the nomination committee is to make recommendations to the Board on potential candidates to fill vacancies on or additional appointment to the Board and for senior management positions. Nominations of directors and senior management candidates by the nomination committee are based on considerations such as vacancy available, the candidate's competence and experience, possession of requisite skills and qualifications, independence and integrity. Currently, the nomination committee of the Company consists of Mr. Li Siu Yui, Mr. Ip Woon Lai and Mr. Lee Kong Leong and is chaired by Mr. Ip Woon Lai, an independent non-executive Director.

REMUNERATION POLICY

Competitive remuneration packages paid by the Company to the Directors and senior management of the Company including discretionary bonus, retirement scheme benefits and share options are structured to commensurate with individual job duties, qualifications, performance and years of experience.

The above remuneration policy is expected to continue and apply to the Directors and the proposed Directors and senior management of the Enlarged Group after completion of the Acquisition.

During the three years ended 31 December 2010, 2011 and 2012, the Group did not suffer any material disruption to its business operations as a result of labour disputes.

COMPLIANCE ADVISER

The Company has appointed CMBI as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules to advise in the following circumstances in accordance with Rule 3A.23 of the Listing Rules:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(c) where the business activities, developments or results of the Group deviate from any forecast, estimate or other information in the circular; and

(d) where the Stock Exchange makes an inquiry of the Company of unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the date of Resumption and end on the date on which the Company sends its financial results as required under Rule 13.46 of the Listing Rules for the first full financial year commencing after Resumption.

MANAGEMENT PRESENCE

As at the Latest Practicable Date, Mr. Li Kai Yien, Arthur Albert and Ms. Seto Ying are the authorised representatives of the Company. As Mr. Li Kai Yien, Arthur Albert will resign as an authorised representative of the Company with effect immediately following completion of the Acquisition, the Company proposes to appoint Mr. Eddie Hurip, a proposed executive Director, as an authorised representative of the Company immediately following completion of the Acquisition.

According to Rule 8.12 of the Listing Rules, the Company must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Since its headquarters and all of its business operations are based, managed and conducted in the PRC, the Enlarged Group will not, on completion of the Acquisition or in the foreseeable future, have enough executive Directors who are ordinarily resident in Hong Kong, for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 of the Listing Rules. We have made arrangements to maintain effective communication between the Stock Exchange and us as follows:

(i) the authorised representatives will act as the principal channel of communication with the Stock Exchange, and should have means of contacting all Directors promptly at all times as and when the Stock Exchange wish to contact the Directors on any matters;

(ii) each Director has provided the Stock Exchange with their respective mobile and office phone numbers, email address and fax number;

(iii) each Director who is not ordinarily resident in Hong Kong possesses valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period; and

(iv) the compliance adviser will act as the Company's additional channel of communication with the Stock Exchange.

You should read the following discussion in conjunction with the consolidated financial statements of the Target Group included in the accountants' report and the notes thereto included in Appendix I to the circular and the selected historical financial information and operating data included elsewhere in the circular. The consolidated financial statements have been prepared in accordance with HKFRS. The historical results of the Target Group do not necessarily indicate results expected for any future periods. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. The actual results of the Target Group may differ from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth in the sections headed "Forward-Looking Statements" and "Risk Factors" in the circular.

The financial information extracted from the consolidated financial statements of the Target Group as of and for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 included in the circular is audited.

OVERVIEW

The Target Group is a property developer primarily focusing on developing and selling residential properties in Yancheng and Chongqing in the PRC. All the projects currently being developed by the Target Group are located in either Yancheng or Chongqing.

As of 31 July 2013, the Target Group had completed property development with an aggregate GFA of approximately 344,104 sq.m. in Yancheng. In addition, the Target Group had five projects under development or held for future development as of 31 July 2013, including an aggregate GFA of approximately 414,821 sq.m. under development and approximately 569,127 sq.m. held for future development.

For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, the Target Group's revenue was approximately RMB111.6 million, RMB310.9 million, RMB399.1 million and RMB303.1 million, respectively, and the Target Group's profit and total comprehensive income for the year was approximately RMB12.7 million, RMB77.9 million, RMB33.4 million and RMB34.5 million, respectively.

FACTORS AFFECTING THE RESULTS OF OPERATIONS OF THE TARGET GROUP

Economic growth and demand for residential property in the PRC

The Target Group's business and results of operations are significantly affected by trends and developments in the PRC economy, including disposable income levels, urbanisation rate, population growth, and availability of project and consumer financing. During the past decade, the PRC has experienced significant economic growth, which has created a favorable market condition for the Target Group in the cities where it operates. For example, as of 31 December 2012 and 30 June 2013, approximately 94.9% and 90.9% of the aggregate GFA of the Target Group's completed project phases had been sold. The Target Group expects that the PRC's economy will continue to grow, resulting in increases in disposable income of residents and growth in urban population. These factors will continue to drive demand for residential properties in the PRC.

Regulatory measures for the real estate industry in the PRC

PRC governmental policies and measures on property development and related industries have a direct impact on the Target Group's business and results of operations. From time to time, the PRC government adjusts its macro-economic measures to encourage or restrict development in the private property industry through regulating, among others, land supply, foreign exchange, pre-sale of properties, land usage, plot ratio, bank financing, taxation, and foreign investment. In particular, since the second half of 2009, the PRC government has increased its efforts to control excessive liquidity and speculation transactions in the real estate industry. The regulatory measures implemented by the PRC government affecting the real estate industry, including those relating to tax, land grant, pre-sales, interest rate, consumer credit and mortgage financing, have had and will continue to have a significant impact on demand for the Target Group's properties and its business, financial condition and results of operations. Please see "Summary of Principal PRC Legal and Regulatory Provisions" in Appendix VI in the circular.

The Target Group's ability to acquire suitable land for future development at reasonable cost

The continual growth of the Target Group will depend largely on its ability to secure suitable land at reasonable prices. However, as the PRC economy continues to grow and demand for residential properties remains relatively strong, the Target Group expects that competition for land reserves suitable for property development will intensify. Over the years, land premiums have generally increased steadily in the PRC due to the economic growth, urbanisation process, intensified competition and increase in demolition and relocation costs. Land use rights costs, which represent costs relating to acquisition of the rights to occupy, use and develop land, including land premiums, demolition and relocation costs, and land related taxes, constituted a significant portion of the cost of sales of the Target Group during the Track Record Period. For example, for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, land use rights costs represented 22.7%, 22.3%, 20.2% and 23.3%, respectively, of the cost of sales of the Target Group. It is expected that the land premium will continue to rise as the PRC economy continues to grow along with urbanisation and growth in population in the future.

Pricing of properties

The pricing of the properties developed by the Target Group is affected by a number of factors, including the types, features, locations of the properties and the supply and demand condition of the local market. The Target Group is a property developer currently focusing on developing and selling residential units in Yancheng and Chongqing in the PRC. As a result, the selling prices of the Target Group depend significantly on the supply and demand condition of the property market in Yancheng and Chongqing, which is in turn primarily affected by the local economic growth, urbanisation and standards of living. See the section headed "Industry Overview" in the circular for more information about the property market in Yancheng and

Chongqing. Any slowdown in the economic growth, urbanisation or improvement of the standards of living in these two cities could adversely affect the demand for the properties developed by the Target Group and consequently the prices of those properties.

Construction costs

Construction costs constituted the most significant portion of the cost of sales of the Target Group during the Track Record Period. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, construction costs represented 73.5%, 73.3%, 72.6% and 72.2%, respectively, of the cost of sales of the Target Group. Construction costs consist primarily of cost of construction materials and labor costs. Any increase in construction material costs or labor costs will impact the Target Group's cost of sales and overall project development costs. In addition, as the Target Group pre-sells some of its properties prior to their completion, the Target Group may not be able to pass any increase in construction costs subsequent to the time of pre-sale to its customers.

Timing of Property Development

The Target Group's results of operations tend to fluctuate from period to period. The Target Group recognises revenue from the sale of a property upon the completion and delivery of the property to the purchaser. The timing for the completion and delivery of a property is, however, subject to a number of factors, some of which are beyond the Target Group's control. Any of these factors may affect the recognition of revenue from sales of the Target Group's properties and, as a result, the results of operations of the Target Group may vary significantly from period to period.

Periods of substantial GFA completed and property delivery to purchasers typically correspond to periods of substantial revenues. In addition, the Target Group can only undertake a limited number of projects during any particular period due to the substantial capital requirements of land acquisitions and construction as well as the limited supply of land. Further, developing a property is time consuming and may take months or even years before the Target Group may commence pre-sales. Therefore, the progress of each project significantly affects the financial condition and operating results of the Target Group. In addition, revenue of the Target Group in a particular period depends on its ability to gauge the expected demand in the market at the completion of a particular project, while delays in construction, regulatory approval processes and other factors may adversely affect the timetables of the Target Group's projects, which may in turn adversely affect the financial condition and operating results of the Target Group.

Access to and cost of financing

Property development requires substantial capital investment for land acquisition and construction, and it may take months or even years before cash inflows can be generated from a project. Bank borrowings are an important source of funding for the property development of the Target Group. Access to capital and cost of financing of the Target Group are affected by restrictions imposed from time to time by the PRC national and local governments on bank lending for property development. Changes in interest rates have affected and will continue to affect the Target Group's financing costs and construction costs (if interest is capitalised) and ultimately, its results of operations. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, the interest expenses of the Target Group's bank borrowings (fully capitalised) were approximately RMB6.6 million, RMB18.3 million, RMB19.5 million and RMB10.6 million, respectively. Increases in interest rates may also affect the Target Group's customers' ability to secure mortgages loans on acceptable terms, which in turn may affect their ability to purchase the Target Group's properties. As all of the Target Group's borrowings are in Renminbi, the interest rates on its borrowings are primarily affected by the benchmark interest rates set by the PBOC, which have fluctuated in recent years. The PBOC raised the benchmark one-year lending rate several times to 6.56% from 2010 to 2011. Since then, the PBOC has lowered the benchmark one-year lending rate, which as of the Latest Practicable Date was at 6.00%. If the PBOC raises the benchmark lending rate in the future, the borrowing costs of the Target Group and the mortgage financing costs of its property buyers will increase accordingly, which may adversely affect the Target Group's sales of property, results of operations, financial condition and prospects.

Pre-Sale

Proceeds from pre-sales are a critical source of the Target Group's operating cash inflows. PRC laws and regulations allow property developers including the Target Group to pre-sell properties before completion upon satisfaction of certain conditions provided that the pre-sales proceeds must be used to develop such properties. The amount and timing of proceeds from pre-sales are affected by a number of factors, including satisfaction of the requirements and conditions relating to the construction and pre-sale schedules of the Target Group's relevant projects and the market demand for the Target Group's properties available for pre-sale.

SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The discussion and analysis of the financial position and results of operations of the Target Group are based on the consolidated financial statements prepared in accordance with the significant accounting policies set forth in the accountants' report on the Target Group included in Appendix I to the circular. Preparation of the Target Group's individual and consolidated financial information requires its management to make estimates and judgments in applying certain accounting policies which may have a significant impact on the consolidated results. The management bases its estimates on historical experience and other assumptions which the management believes to be reasonable under the circumstances. Results may differ from these estimates under different assumptions and conditions. The following are regarded as significant accounting policies which may require estimates and assumptions from the Target Group's management.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the ordinary course of business, net of sales related taxes.

(i) Sales of properties

Revenue from sales of properties in the ordinary course of business is recognised when the risks and rewards of properties are transferred to the purchasers, i.e., when the construction of the relevant properties have been completed, the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured.

Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under receipts in advance.

(ii) Interest income

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

Plant and equipment

Plant and equipment held for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of 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. Any changes are recognised in estimated amount on a prospective basis.

An item of 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 from disposal or retirement of an item of plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Properties under development

Properties under development are stated at the lower of cost and net realisable value. Cost comprises the costs of land use rights, construction costs, borrowing costs capitalised and other direct development expenditure. Net realisable value of properties under development is the estimated selling price in the ordinary course of business less the estimated costs to completion and applicable selling expenses. On completion, the properties are transferred to properties held for sale.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value of properties held for sale is determined by reference to the sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses at the end of the reporting period, or by management estimates based on prevailing market conditions.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Target Group are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Target Group after deducting all of its liabilities.

Financial instruments

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Target Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to the initial recognition, the Target Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position 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 those deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Government grants

The Target Group does not recognise government grants until there is reasonable assurance that it will comply with the conditions attaching to the grants and that the grants will be received. Government grants as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Target Group with no future related costs are recognised in the profit or loss in the period in which they become receivable.

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. Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that require substantial time to be ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

PRC land appreciation tax

The Target Group is subject to land appreciation tax in the PRC. The provision of the land appreciation tax is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual land appreciation tax liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Target Group has not finalised its land appreciation tax calculation and payments with the tax authorities for its property development projects. The final outcome could be different from the amounts that were initially recorded.

Estimated net realisable value of properties held for sale

The management of the Target Group determines the net realisable value of properties held for sale by using prevailing market data such as most recent sales transactions and internal estimates of cost based on quotes from contractors. These estimates require judgment as to the anticipated sales prices by reference to recent sales transactions in locations in close proximity, prices of new property sales, marketing costs (including price discounts required to stimulate sales), the legal and regulatory framework and general market conditions.

Estimated net realisable value of properties under development

In determining whether allowances should be made to the Target Group's properties under development, the director of the Target Company takes into consideration the current market condition and the estimated market value (*i.e.* the estimated selling price less estimated costs to sell) less estimated costs to completion of the properties. The Target Group makes an allowance if the estimated market value of a property is less than its carrying amount.

Estimated impairment of deposits and other receivables

When there is objective evidence of impairment loss, the director of Target Company takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (*i.e.* the effective interest rate computed at initial recognition).

RESULTS OF OPERATIONS

The following table sets forth the consolidated statement of comprehensive income data of the Target Group for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	(RMB'000) (audited)	%	*(RMB'000)* (audited)	%	*(RMB'000)* (audited)	%	*(RMB'000)* (unaudited)	%	*(RMB'000)* (audited)	%
Revenue	111,634	100.0	310,933	100.0	399,140	100.0	363,130	100.0	303,107	100.0
Cost of sales	(78,459)	(70.3)	(192,570)	(61.9)	(245,051)	(61.4)	(221,288)	(60.9)	(191,552)	(63.2)
Gross profit	33,175	29.7	118,363	38.1	154,089	38.6	141,842	39.1	111,555	36.8
Other income	1,788	1.6	4,287	1.4	2,067	0.5	1,384	0.4	534	0.2
Gain on disposal of subsidiaries	—	—	36,226	11.7	—	—	—	—	—	—
Selling expenses	(7,859)	(7.0)	(17,384)	(5.6)	(21,109)	(5.3)	(13,932)	(3.8)	(9,205)	(3.0)
Administrative expenses	(6,344)	(5.7)	(15,992)	(5.2)	(27,656)	(6.9)	(14,937)	(4.2)	(10,119)	(3.4)
Profit before tax	20,760	18.6	125,500	40.4	107,391	26.9	114,357	31.5	92,765	30.6
Income tax expense	(8,027)	(7.2)	(47,610)	(15.3)	(73,994)	(18.5)	(70,094)	(19.3)	(58,313)	(19.2)
Profit and total comprehensive income for the year	12,733	11.4	77,890	25.1	33,397	8.4	44,263	12.2	34,452	11.4
Profit (loss) and total comprehensive income (expense) for the year attributable to:										
Owners of the Target Company	12,915	11.6	76,693	24.7	30,466	7.6	40,112	11.0	29,580	9.8
Non-controlling interests	(182)	(0.2)	1,197	0.4	2,931	0.7	4,151	1.1	4,872	1.6
	12,733	11.4	77,890	25.1	33,397	8.4	44,263	12.2	34,452	11.4

DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

As the Target Group derives its revenue from sales of properties, its results of operations for a given period depend upon the GFA sold and the sales price of its properties during such period. The GFA sold in a given period is driven primarily by the amount of total salable GFA in accordance with the Target Group's property development schedules. The ASPs in a given period are generally affected by overall market conditions and the product mix.

According to the Target Group's accounting policies, no revenue is recognised with respect to a property development project until it has been completed and delivered to the customers. During the Track Record Period, the Target Group sold only Phase 1, Phase 2 and Stage 1 of Phase 3 of XiChengYiPinHuaYuan (西城逸品花園) and Buildings 2 to 5 and 7 of TongJingYueCheng (同景 • 躍城), and accordingly, all of the Target Group's revenue during the Track Record Period was attributable to the sales of these completed phases, stages and buildings. The following table sets forth the breakdown of the Target Group's revenue, GFA sold and ASP of GFA sold for the periods indicated:

	For the year ended 31 December									For the six months ended 30 June					
	2010			2011			2012			2012			2013		
	Revenue	GFA	ASP	Revenue	GFA	ASP	Revenue	GFA	ASP	Revenue	GFA	ASP	Revenue	GFA	ASP
	(RMB'000)	*(sq.m.)*	*(RMB per sq.m.)*	*(RMB'000)*	*(sq.m.)*	*(RMB per sq.m.)*	*(RMB'000)*	*(sq.m.)*	*(RMB per sq.m.)*	*(RMB'000)*	*(sq.m.)*	*(RMB per sq.m.)*	*(RMB'000)*	*(sq.m.)*	*(RMB per sq.m.)*
Phase/Stage/Building															
XiChengYiPinHuaYuan (西城逸品花園)(1)															
Phase 1	31,842	7,518	4,235	869	182	4,775	14	8	1,653(2)	—	—	—	—	—	—
Phase 2	79,792	19,403	4,112	310,064	66,925	4,633	15,544	3,297	4,715	11,987	2,362	5,075	4,541	912	4,979
Phase 3															
Stage 1	—	—	—	—	—	—	383,582	79,838	4,805	351,143	67,789	5,180	15,238(3)	3,001	5,078
TongJingYueCheng (同景 • 躍城) Buildings 2 to 5 and 7	—	—	—	—	—	—	—	—	—	—	—	—	283,328	50,047	5,661
Overall	**111,634**	**26,921**	**4,147**	**310,933**	**67,107**	**4,633**	**399,140**	**83,143**	**4,801**	**363,130**	**70,151**	**5,176**	**303,107**	**53,960**	**5,617**

Notes:

(1) Comprised the sales of residential units and storage units and transfer of use rights of car parking spaces with use rights transferrable.

(2) The sales of Phase 1 in 2012 were derived from one storage unit, which had a substantially lower average selling price than that of the residential units.

(3) The revenue for the six months ended 30 June 2013 is presented with a business tax of Nanjing of RMB280,000 deducted.

Cost of sales

Cost of sales comprises the costs incurred directly in relation to the property development activities. Cost of sales includes construction costs, land use rights costs, capitalised interest and other costs.

- *Construction costs.* Construction costs represent costs for the design and construction of property projects and consist primarily of fees paid to the contractors, including those responsible for civil engineering, construction, landscaping, equipment installation and interior decoration, as well as infrastructure construction costs and design costs. The construction costs are affected by a number of factors such as the cost of construction materials, the wages of construction workers, the location and type of properties being constructed, and the cost of ancillary facilities.

- *Land use rights costs.* Land use rights costs represent costs relating to acquisition of the rights to occupy, use and develop land, including land premiums, demolition and relocation costs, and other land related taxes. Such costs for a particular project are affected by a number of factors, including the location of the underlying property, market conditions, the project's plot ratios, the designated use of the underlying property, the method of acquisition and changes in PRC laws and regulations.

- *Capitalised interest.* The Target Group capitalises the borrowing costs to the extent that such costs are directly attributable to the development of a particular project. Costs that are not directly attributable to the development of a project are expensed and recorded as finance costs. During the Track Record Period, all the interest expenses of the Target Group were fully capitalised.

- *Other costs.* Other costs represent costs not relating to any of the above.

The following tables set forth the breakdown of the cost of sales for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2010		2011		2012		2012		2013	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
	(audited)		(audited)		(audited)		(unaudited)		(audited)	
Construction costs	57,659	73.5	141,130	73.3	178,160	72.6	160,571	72.6	138,275	72.2
Land use rights costs	17,806	22.7	43,036	22.3	49,175	20.2	44,655	20.2	44,597	23.3
Capitalised interest	2,466	3.1	7,620	4.0	15,569	6.4	14,116	6.4	6,831	3.6
Other costs	528	0.7	784	0.4	2,147	0.8	1,946	0.9	1,849	0.9
Total	78,459	100.0	192,570	100.0	245,051	100.0	221,288	100.0	191,552	100.0

The following table sets forth the Target Group's cost of sales and the average cost of GFA sold for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
Cost of sales *(RMB thousand)*[(1)]	78,459	192,570	245,051	221,288	191,552
Average cost *(RMB per sq.m.)*[(1)]	2,914	2,870	2,947	3,154	3,550

Note:

(1) Comprised the cost of sold residential units and storage units and the cost of use-rights-transferred car parking spaces with use rights transferrable.

The Target Group will continue to effectively manage its construction cost so that it will not significantly exceed the estimated cost. The project companies will monitor the fluctuation of the construction cost during the construction process and identify any excessive cost as compared with the estimated cost every month. If such excessive cost is identified, the project companies will report to the cost management center and senior management in the Target Company for approval.

Other income

Other income primarily includes (i) interest income from the bank balances and pledged bank deposits as well as interest income from loan to a third party and (ii) government grants.

The following table sets forth the details of the Target Group's other income for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Interest income	1,781	3,546	1,803	1,228	525
Government grants	—	672	100	100	—
Others	7	69	164	56	9
Total	1,788	4,287	2,067	1,384	534

Gains on disposal of subsidiaries

Gains on disposal of subsidiaries represent gains the Target Group recognises from disposal of its interest in subsidiaries. For the year ended 31 December 2011, the Target Group recognised gains on disposal of two subsidiaries in the aggregate amount of approximately RMB36.2 million. The Target Group did not recognise any gains on disposal of subsidiaries for the years ended 31 December 2010 and 2012 and in the six months ended 30 June 2012 and 2013.

Selling expenses

Selling expenses primarily include advertisement expenses relating to the sale of properties, commission paid to property sales agents, mortgage loan arranging expenses and other expenses relating to sales and marketing. The following table sets forth a breakdown of the Target Group's selling expenses for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Advertisement expenses	2,953	6,215	9,877	6,577	3,991
Commission paid to agents(1)	4,048	4,618	7,504	4,801	3,305
Mortgage loan arranging expenses	—	4,570	—	—	—
Others	858	1,981	3,728	2,554	1,909
Total	7,859	17,384	21,109	13,932	9,205

Note:

(1) The commission paid to agents did not increase in line with revenue from 2010 to 2012 as the rate of the commission paid to agents varied from approximately 0.7% to 4.2% of the proceeds from the contracted sales from 2010 to 2012, depending on the sales strategy and market condition at the time when the agent was engaged.

Administrative expenses

Administrative expenses primarily include salaries and allowances paid to management and administrative staff, legal and professional fees, general office expenses, rental expenses paid for office, bank charges for arranging loan financing, entertainment and travel expenses, donation and other expenses and other taxes. The following table sets forth a breakdown of the Target Group's administrative expenses for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Legal and professional fees	385	763	7,940	4,808	874
Salaries and allowances	1,453	3,754	6,071	3,872	5,163
Other taxes[(1)]	2,222	3,563	3,613	1,136	1,322
Donations	208	55	2,220	2,123	—
Entertainment expenses	645	1,367	1,612	716	894
Bank charges	256	1,384	1,588	339	135
Others	1,175	5,106	4,612	1,943	1,731
Total	6,344	15,992	27,656	14,937	10,119

Note:

(1) Other tax mainly represented land use tax charged on land held by the Target Group.

Income tax expenses

Income tax expenses represent the sum of the tax currently payable and deferred tax. Under the EIT Law, the current tax rate of the PRC subsidiaries of the Target Group is 25%. PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less certain deductible items including cost of land use rights, borrowing costs and property development expenditures. The following table sets forth a breakdown of the Target Group's income tax expenses for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Current tax:					
PRC EIT	5,017	26,912	29,774[(1)]	32,709[(1)]	17,537
PRC LAT	3,010	20,698	44,220	37,385	43,821
	8,027	47,610	73,994	70,094	61,358
Deferred tax	—	—	—	—	(3,045)
	8,027	47,610	73,994	70,094	58,313
Effective tax rate	39%	38%	69%	61%	63%

Note:

(1) PRC EIT for the year ended 31 December 2012 was lower than that in the six months ended 30 June 2012 as the Target Group recorded a loss for the six months ended 31 December 2012 that was deductible for the final assessment of PRC EIT calculated on a full year basis.

The effective tax rate remained stable from 2010 to 2011 and from the six months ended 30 June 2012 to the six months ended 30 June 2013. The effective tax rate increased significantly from 38% for the year ended 31 December 2011 to 69% for the year ended 31 December 2012, primarily due to the significant increase in PRC LAT. The PRC LAT increased by 113.7% from RMB20.7 million for the year ended 31 December 2011 to RMB44.2 million for the year ended 31 December 2012, primarily because the gross property sales of the Target Group exceeded a threshold amount, which resulted in a higher progressive PRC LAT rate in 2012.

REVIEW OF HISTORICAL OPERATING RESULTS

Six months ended 30 June 2013 compared to six months ended 30 June 2012

Revenue

The Target Group's revenue decreased by 16.5% from approximately RMB363.1 million in the six months ended 30 June 2012 to approximately RMB303.1 million in the six months ended 30 June 2013, primarily due to a decrease in total GFA sold, partially offset by an increase in ASP. The Target Group's total GFA sold decreased by 23.1% from approximately 70,151 sq.m. in the six months ended 30 June 2012 to approximately 53,960 sq.m. in the six months ended 30 June 2013, primarily due to the decrease in sales of Stage 1 of Phase 3 of XiChengYiPinHuaYuan (西城逸品花園), partially offset by sales of Buildings 2 to 5 and 7 of TongJingYueCheng (同景 • 躍城) which the Target Group completed in June 2013. The Target Group's ASP increased by 8.5% from approximately RMB5,176 per sq.m. in the six months ended 30 June 2012 to approximately RMB5,617 per sq.m. in the six months ended 30 June 2013, primarily due to an increase in the proportion of the sales of properties of TongJingYueCheng (同景 • 躍城) in the total sales of properties as the ASP of TongJingYueCheng (同景 • 躍城) was higher than that of XiChengYiPinHuaYuan (西城逸品花園). The ASP of TongJingYueCheng (同景 • 躍城) was higher than that of XiChengYiPinHuaYuan (西城逸品花園), primarily due to the different geographical locations of the two projects. TongJingYueCheng (同景 • 躍城) is located in Chongqing, where the property purchasers have stronger purchasing power than those in Yancheng due to the different levels of economic development in these two cites.

Cost of sales

The Target Group's cost of sales decreased by 13.4% from approximately RMB221.3 million in the six months ended 30 June 2012 to approximately RMB191.6 million in the six months ended 30 June 2013, primarily due to a decrease in total GFA sold. The Target Group's average cost increased by 12.6% from approximately RMB3,154 per sq.m. in the six months ended 30 June 2012 to approximately RMB3,550 per sq.m. in the six months ended 30 June 2013, primarily due to an increase in the proportion of the sales of properties of TongJingYueCheng (同景 • 躍城) in the total sales of properties as the average cost per sq.m. of TongJingYueCheng (同景 • 躍城) was higher than that of XiChengYiPinHuaYuan (西城逸品花園). TongJingYueCheng (同景 • 躍城) comprise high-rise buildings, whereas XiChengYiPinHuaYuan (西城逸品花園) comprise mid-rise buildings. The average construction cost of high-rise buildings is normally higher than that of mid-rise buildings.

Gross profit and gross profit margin

Gross profit decreased by 21.4% from RMB141.8 million in the six months ended 30 June 2012 to RMB111.6 million in the six months ended 30 June 2013. Gross profit margin slightly decreased from 39.1% in the six months ended 30 June 2012 to 36.8% in the six months ended 30 June 2013 primarily because the average cost of sales increased faster than ASP.

Other income

Other income decreased by 64.3% from approximately RMB1.4 million in the six months ended 30 June 2012 to approximately RMB0.5 million in the six months ended 30 June 2013, primarily due to a decrease in interest income. Interest income decreased by 58.3% from approximately RMB1.2 million in the six months ended 30 June 2012 to approximately RMB0.5 million in the six months ended 30 June 2013, primarily due to a decrease in the average bank balances.

Selling expenses

The Target Group's selling expenses decreased by 33.8% from approximately RMB13.9 million in the six months ended 30 June 2012 to approximately RMB9.2 million in the six months ended 30 June 2013, primarily due to a decrease in advertising and publicity expenses and commission paid to agents because the Target Group reduced the promotion efforts of TongJingYueCheng (同景 • 躍城) and ShuXiangYuan (書香苑) as the Target Group sold and pre-sold approximately 80% of the total GFA available for sale and pre-sale in TongJingYueCheng (同景 • 躍城) and ShuXiangYuan (書香苑) in 2012.

Administrative expenses

The Target Group's administrative expenses decreased by 32.2% from approximately RMB14.9 million in the six months ended 30 June 2012 to approximately RMB10.1 million in the six months ended 30 June 2013, primarily due to a decrease in legal and professional fees and a decrease in donations to education institutions, partially offset by an increase in salaries of administrative staff. Legal and professional fees decreased significantly from RMB4.8 million to RMB0.9 million, primarily because the Target Group paid consultation fees of approximately RMB7.4 million for research on property market in Chongqing in 2012, whereas the Target Group did not incur such fees in 2013. Salaries and allowances increased from RMB3.9 million in the six months ended 30 June 2012 to RMB5.2 million in the six months ended 30 June 2013, primarily due to an increase in average salaries as well as an increase in the headcount of administrative staff. The Target Group's average administrative staff headcount increased from 50 in the six months ended June 30, 2012 to 53 in the six months ended 30 June 2013.

Income tax expenses

The Target Group's income tax expenses decreased by 16.8% from approximately RMB70.1 million in the six months ended 30 June 2012 to approximately RMB58.3 million in the six months ended 30 June 2013, primarily due to a decrease in EIT as a result of the decrease in taxable income, partially offset by an increase in PRC LAT. PRC LAT increased by 17.1% from RMB37.4 million in the six months ended 30 June 2012 to RMB43.8 million in the six months ended 30 June 2013 primarily due to an increase in the proportion of the sales of properties of TongJingYueCheng (同景 • 躍城) in the total sales of properties as the applicable PRC LAT rate of TongJingYueCheng (同景 • 躍城) was higher than that of XiChengYiPinHuaYuan (西城逸品花園). Applicable PRC LAT rates are based on the appreciation in the value of projects and the appreciation in the value of TongJingYueCheng (同景 • 躍城) was higher than that of XiChengYiPinHuaYuan (西城逸品花園).

Profit and total comprehensive income for the year

As the result, profit and total comprehensive income for the year of the Target Group decreased significantly from approximately RMB44.3 million in the six months ended 30 June 2012 to approximately RMB34.5 million in the six months ended 30 June 2013. The Target Group's net profit margin decreased from 12.2% in the six months ended 30 June 2012 to 11.4% in the six months ended 30 June 2013.

Financial year ended 31 December 2012 compared to financial year ended 31 December 2011

Revenue

The Target Group's revenue increased by 28.4% from approximately RMB310.9 million in 2011 to approximately RMB399.1 million in 2012, primarily due to an increase in total GFA sold and to a lesser extent, an increase in ASP. The Target Group's total GFA sold increased by 23.9% from approximately 67,107 sq.m. in 2011 to approximately 83,143 sq.m. in 2012, primarily due to the completion and delivery of certain buildings of Phase 3 of XiChengYiPinHuaYuan (西城逸品花園). The Target Group's ASP increased slightly from approximately RMB4,633 per sq.m. in 2011 to approximately RMB4,801 per sq.m. in 2012, primarily due to a general increase in property prices in Yancheng from 2010 to 2011. The Target Group's sales recognised in 2012 was derived mainly from the properties pre-sold in 2011, whereas the Target Group's sales recognised in 2011 was derived mainly from the properties pre-sold in 2010. The Target Group recognised most of its revenue in the first half of 2012 as the Target Group made most of its sales in the first half of 2012.

Cost of sales

The Target Group's cost of sales increased by 27.3% from approximately RMB192.6 million in 2011 to approximately RMB245.1 million in 2012, primarily due to a significant increase in total GFA sold. The Target Group's average cost increased by 2.7% from approximately RMB2,870 per sq.m. in 2011 to approximately RMB2,947 per sq.m. in 2012, primarily due to an increase in labor costs in line with the economic growth in the PRC.

Gross profit and gross profit margin

Gross profit increased by 30.2% from RMB118.4 million in 2011 to RMB154.1 million in 2012. Gross profit margin remained relatively stable at 38.1% in 2011 and 38.6% in 2012.

Other income

Other income decreased by 51.2% from approximately RMB4.3 million in 2011 to approximately RMB2.1 million in 2012, primarily due to a decrease in interest income. Interest income decreased by 48.6% from approximately RMB3.5 million in 2011 to approximately RMB1.8 million in 2012, primarily due to the disposal of the equity interest in Chongqing Heheng by the Target Group in September 2011, which resulted in the disposal of a loan issued by Chongqing Heheng to a third party. As a result, no interest income from such loan was recorded in 2012, whereas the Target Group recorded nine months of interest income on such loan in 2011.

Gains on disposal of subsidiaries

The Target Group recognised gains of approximately RMB36.2 million from disposal of its interest in two subsidiaries in 2011. On 31 May 2011, the Target Company disposed of 100% of the equity interest in Lianyungang Shunfeng Property Company Limited (連雲港順豐房地產有限公司) to a connected party of the Target Group for approximately RMB408.2 million and recognised a gain of approximately RMB31.4 million from such disposal. On 21 September 2011, the Target Company disposed of 90% of the equity interest in Chongqing Heheng to a related party for approximately RMB270.0 million and recognised a gain of approximately RMB4.8 million from such disposal. The Target Group did not dispose of its interest in any of its subsidiaries in 2012.

Selling expenses

The Target Group's selling expenses increased by 21.3% from approximately RMB17.4 million in 2011 to approximately RMB21.1 million in 2012, primarily due to a significant increase in advertising and publicity expenses and commission paid to agents in connection with the sales of XiChengYiPinHuaYuan (西城逸品花園) and pre-sale of ShuXiangYuan (書香苑) and TongJingYueCheng (同景•躍城). To assist its property purchasers in obtaining the mortgage loans, the Target Group agreed to pay the commercial banks in Yancheng fees in an aggregate amount of approximately RMB4.6 million in 2011. The Target Group did not pay such fees to commercial banks before 2011 because the commercial banks did not charge the Target Group such fees at the time. In January 2012, the CBRC issued the Notice of the China Banking Regulatory Commission on Rectifying the Irregular Operations of Banking Financial Institutions (《中國銀監會關於整治銀行業金融機構不規範經營的通知》) and prohibited banks from charging such fees. Therefore, the Target Group did no incur such expenses in 2012. The PRC legal advisers of the Company are of the opinion that the Target Group will not be subject to any administrative penalties for its payment of RMB4.6 million to commercial banks in Yancheng since (i) the Notice of the China Banking Regulatory Commission on Rectifying the Irregular Operations of Banking Financial Institutions (《中國銀監會關於整治銀行業金融機構不規範經營的通知》) was not issued by the CBRC until January 2012, which does not have retroactive force on activities occurred in 2011 and (ii) such notice aims to regulate commercial banks for charging their clients irregular fees but not clients of the commercial banks, such as the Target Group. For the six months ended 31 December 2012, the Target Group incurred selling expenses of RMB7.2 million, which included fixed cost such as salaries and allowance of sales and marketing staff as well as advertising and publicity expenses.

Administrative expenses

The Target Group's administrative expenses increased by 73.1% from approximately RMB16.0 million in 2011 to approximately RMB27.7 million in 2012, primarily due to a significant donation to an educational institution, a significant increase in legal and professional fees as well as an increase in salaries to administrative staff. Legal and professional fees increased significantly from RMB763,000 to RMB7.9 million, primarily because the Target Group paid consultation fees of approximately RMB7.4 million for research on property market in Chongqing in 2012, whereas the Target Group did not incur such fees in 2011. Salaries and allowances increased from RMB3.8 million in 2011 to RMB6.1 million in 2012, primarily due to an increase in average salaries to administrative staff as well as an increase in headcount of administrative staff of the Target Group. The Target Group's average administrative staff headcount increased from 38 in 2011 to 50 in 2012. For the six months ended 31 December 2012, the Target Group incurred administrative expenses of RMB12.8 million, which included fixed cost such as salaries and allowance of administrative staff.

Income tax expenses

The Target Group's income tax expenses increased significantly from approximately RMB47.6 million in 2011 to approximately RMB74.0 million in 2012, primarily due to the significant increase in PRC LAT as a result of a significant increase in the property sales and an increase in applicable PRC LAT rate as PRC LAT is levied at progressive rates.

Profit and total comprehensive income for the year

As the result, profit and total comprehensive income for the year of the Target Group decreased significantly from approximately RMB77.9 million in 2011 to approximately RMB33.4 million in 2012. The Target Group's net profit margin decreased from 25.1% in 2011 to 8.4% in 2012.

Financial year ended 31 December 2011 compared to financial year ended 31 December 2010

Revenue

The Target Group's revenue increased by 178.6% from approximately RMB111.6 million in 2010 to approximately RMB310.9 million in 2011, primarily due to an increase in total GFA sold and to a lesser extent, an increase in ASP. The Target Group's total GFA sold increased significantly from approximately 26,921 sq.m. in 2010 to approximately 67,107 sq.m. in 2011, primarily due to the completion and delivery of certain buildings of Phase 2 of XiChengYiPinHuaYuan (西城逸品花園). The Target Group's ASP increased by 11.7% from approximately RMB4,147 per sq.m. in 2010 to approximately RMB4,633 per sq.m. in 2011, primarily due to a general increase in property prices in Yancheng from 2009 to 2010. The Target Group's sales recognised in 2011 was derived mainly from the properties pre-sold in 2010, whereas the Target Group's sales recognised in 2010 was derived mainly from the properties pre-sold in 2009.

Cost of sales

The Target Group's cost of sales increased significantly from approximately RMB78.5 million in 2010 to approximately RMB192.6 million in 2011, primarily due to a significant increase in total GFA sold. The Target Group's average cost of sales decreased by 1.5% from approximately RMB2,914 per sq.m. in 2010 to approximately RMB2,870 per sq.m. in 2011, primarily due to an increase in total GFA of storage units sold. The Target Group's total GFA of storage units sold increased significantly from approximately 997 sq.m. in 2010 to approximately 4,456 sq.m. in 2011. Storage units have a lower average cost than residential units.

Gross profit and gross profit margin

Gross profit increased significantly from approximately RMB33.2 million in 2010 to approximately RMB118.4 million in 2011. Gross profit margin increased from 29.7% in 2010 to 38.1% in 2011, primarily due to the increase in ASP of the Target Group and decrease in average cost of sales of the Target Group.

Other income

Other income increased by 138.9% from approximately RMB1.8 million in 2010 to approximately RMB4.3 million in 2011, primarily due to an increase in interest income and the receipt of government grant in 2011. Interest income increased by 94.4% from approximately RMB1.8 million in 2010 to approximately RMB3.5 million in 2011, primarily due to a loan issue by Chongqing Heheng to a third party in October 2010. The Target Group disposed of its equity interest in Chongqing Heheng in September 2011. As a result, the Target Group received nine months of interest on the loan in 2011, whereas it received only four months of interest on the same loan in 2010.

Gains on disposal of subsidiaries

In 2011, the Target Group recognised gains of approximately RMB36.2 million from disposal of its interest in two subsidiaries, Lianyungang Shunfeng Property Company Limited (連雲港順豐房地產有限公司) and Chongqing Heheng. The Target Group did not dispose of its interest in any of its subsidiaries in 2010.

Selling expenses

The Target Group's selling expenses increased by 120.3% from approximately RMB7.9 million in 2010 to approximately RMB17.4 million in 2011, primarily due to a significant increase in advertising and publicity expenses for the sale of XiChengYiPinHuaYuan (西城逸品花園) and the incurrence by the Target Group of mortgage loan arranging expenses of approximately RMB4.6 million in 2011.

Administrative expenses

The Target Group's administrative expenses increased by 154.0% from approximately RMB6.3 million in 2010 to approximately RMB16.0 million in 2011, primarily due to an increase in bank charges relating to the use of debit or credit cards of the Target Group's property purchasers and an increase in salaries to administrative staff. Salaries and allowances increased from RMB1.5 million in 2010 to RMB3.8 million in 2011, primarily due to an increase in headcount of administrative staff of the Target Group. The Target Group's average administrative staff headcount increased from 23 in 2010 to 38 in 2011.

Income tax expenses

The Target Group's income tax expenses increased significantly from approximately RMB8.0 million in 2010 to approximately RMB47.6 million in 2011, primarily due to the significant increase in EIT and PRC LAT. PRC LAT increased significantly from 2010 to 2011 as a result of the increase in the property sales and the increase in applicable PRC LAT rate as PRC LAT is levied at progressive rates. EIT increased significantly from 2010 to 2011 primarily due to the EIT on the gain on disposal of a subsidiary in 2011, whereas the Target Group did not have such gain in 2010.

Profit and total comprehensive income for the year

As the result, profit and total comprehensive income for the year of the Target Group increased significantly from approximately RMB12.7 million in 2010 to approximately RMB77.9 million in 2011. The Target Group's net profit margin increased from 11.4% in 2010 to 25.1% in 2011.

CERTAIN BALANCE SHEET ITEMS

Summary consolidated statement of financial position

	As of 31 December			**As of 30 June**
	2010	**2011**	**2012**	**2013**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(audited)	(audited)	(audited)	(audited)
Current assets	1,680,256	1,742,280	1,678,867	1,774,353
Non-current assets	5,506	1,999	2,229	5,342
Total assets	1,685,762	1,744,279	1,681,096	1,779,695
Current liabilities	1,366,573	1,358,701	1,191,387	1,225,534
Non-current liabilities	160,000	155,000	100,000	130,000
Total liabilities	1,526,573	1,513,701	1,291,387	1,355,534
Equity attributable to:				
Owners of the Target Company	129,117	188,455	370,246	399,826
Non-controlling interests	30,072	42,123	19,463	24,335
Total equity	159,189	230,578	389,709	424,161

Net current assets

	As of 31 December			As of 30 June	As of 31 August
	2010	**2011**	**2012**	**2013**	**2013**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(audited)	(audited)	(audited)	(audited)	(unaudited)
Current assets					
Held for trading investments	—	3,000	400	400	—
Trade and other receivables, prepayments and deposits	795,608	87,623	88,068	88,351	74,694
Tax prepaid	16,884	13,717	11,054	6,806	11,633
Properties under development	765,158	1,061,489	1,367,338	1,322,084	1,375,714
Properties held for sale	2,857	302,774	57,723	184,484	165,174
Amounts due from related parties	43,926	137,015	—	6,241	6,241
Pledged bank deposits	15,000	58,000	210	11,195	1,535
Bank balances and cash	40,823	78,662	154,074	154,792	163,485
	1,680,256	1,742,280	1,678,867	1,774,353	1,798,476
Current liabilities					
Trade and other payables	555,243	900,182	964,998	933,944	953,934
Income tax payables	3,336	831	33,780	57,751	43,747
Amounts due to related parties	807,994	327,688	61,109	60,839	—
Bank borrowings — due within one year	—	130,000	131,500	173,000	273,000
	1,366,573	1,358,701	1,191,387	1,225,534	1,270,681
Net current assets	313,683	383,579	487,480	548,819	527,795

Trade and other receivables, prepayments and deposits

The following table sets forth the breakdown of trade and other receivables, prepayments and deposits of the Target Group as of the dates indicated:

	As of 31 December			As of 30 June
	2010	**2011**	**2012**	**2013**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(audited)	(audited)	(audited)	(audited)
Trade receivables	—	—	—	3,743
Other receivables and deposits	259,151	31,174	30,296	31,043
Advances paid for land bidding	250,000	—	—	—
Advances paid for potential land acquisition for development	266,087	—	—	—
Other tax prepaid	16,798	37,315	47,310	42,513
Prepayments	3,572	19,134	10,462	11,052
Total	795,608	87,623	88,068	88,351

Trade receivables

Trade receivables comprise primarily of receivables from properties sold. Considerations in respect of properties sold are paid in accordance with the terms of the related sales and purchase agreements. The Target Group did not have trade receivable balance during the year 2010 to 2012 because customers had made full payment before the Target Group deliver the properties to the customers. In the first half of 2013, to promote the sales of TongJingYueCheng (同景•躍城), the Target Group delivered certain properties to customers who had entered into the individual mortgage loan agreements with commercial banks before receiving the full payment. All the trade receivable of the Target Group was past due within 90 days as of 30 June 2013. The Target Group has not provided for allowance for doubtful debts because there has not been a significant change in credit quality. As of 30 September 2013, all the trade receivables of the Target Group as of 30 June 2013 had been subsequently settled by relevant customers.

Other receivables and deposits

Other receivables and deposits consist primarily of the deposits paid to the relevant government authority for acquisition of land, loan and advance to third parties, advances to staff for travel expenses as well as advances to commercial banks for point of sale ("**POS**") system. Other receivables and deposits decreased significantly from approximately RMB259.2 million as of 31 December 2010 to approximately RMB31.2 million as of 31 December 2011, primarily due to the disposal of Chongqing Heheng, which resulted in the disposal of inter-company loans to Hainan Jiayu and Hainan Zhongkun in the aggregate amount of RMB200.0 million. Chongqing Heheng acquired 60% of the equity interest in Hainan Jiayu in the form of newly authorised registered capital for a consideration of RMB30.0 million in November 2010.

Three third party individuals, including Mr. Pan Guile held the remaining 40% of equity interest in Hainan Jiayu. The cost of such acquisition was treated as a loan to Hainan Jiayu as Chongqing Heheng never assigned any directors to Hainan Jiayu or managed its day-to-day operation and the capital increase and repurchase agreement requires Hainan Jiayu to repurchase the equity interest held by Chongqing Heheng in three years from the date of the agreement. In addition, Chongqing Heheng advanced RMB170.0 million to Hainan Zhongkun in December 2010. Chongqing Heheng had a registered capital of RMB300.0 million, in which Jiangsu Fullshare Property held 90% of the equity interest. Jiangsu Fullshare Property disposed of its 90% equity interest in Chongqing Heheng to Nanjing Xiaocai Yidie Media Company Limited (南京小菜一碟文化傳媒有限公司) in September 2011 for a consideration of RMB270.0 million and as a result, fully recovered all of its investment in Chongqing Heheng. To the best knowledge of the Directors (together with the proposed executive Directors), as of 31 March 2013, Chongqing Heheng had settled the balance of its advance to Hainan Zhongkun. The loan of RMB30.0 million to Hainan Jiayu has not become due as of the date of this circular. Other receivables and deposits remained relatively stable.

During the Track Record Period, Chongqing Heheng had several inter-company loans with other companies which Chongqing Heheng cooperated with or expected to cooperate with. All these inter-company loans were unsecured, interest-free and repayable on demand during the Track Record Period except the loan of RMB30.0 million from Chongqing Heheng to Hainan Jiayu as mentioned above, from which the Target Group derived interest income of RMB1.2 million in 2010 and RMB2.7 million in 2011. In September 2011, such interest was disposed of by Jiangsu Fullshare Property as a result of Jiangsu Fullshare Property's disposal of Chongqing Heheng. The Target Group confirms that it has not received any interest from inter-company loans as of the date of this circular. The Directors (together with the proposed executive Directors) confirm there was no recoverability problem related to these balances at the time of disposal. To the best knowledge of the Directors (together with the proposed executive Directors), as of 31 March 2013, all the inter-company loans had been settled except for the loan of RMB30.0 million to Hainan Jiayu, as such amount has not become due as of the date of this circular. Please refer to "Business of the Target Group — Non-compliance — Inter-company Loans" for the legality analysis of these inter-company loans. Except for the above-mentioned inter-company loans, the PRC legal advisers of the Company are of the opinion that the operation, business and investment of Chongqing Heheng were in compliance with relevant laws and regulations in all material aspects prior to its disposal by the Target Group.

The Target Group records impairment loss for other receivables and deposits if there is objective evidence that the present value of estimated future cash flows discounted at the financial asset's original effective interest rate is less than such asset's carrying amount. The Target Group did not record any impairment loss for other receivables and deposits in 2010, 2011 and 2012 and in the six months ended 30 June 2013.

Advances paid for land bidding

The following table sets forth the breakdown of advances paid for land bidding of the Target Group as of the dates indicated:

	As of 31 December			As of 30 June
	2010	**2011**	**2012**	**2013**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(audited)	(audited)	(audited)	(audited)
Yancheng Traffic Investment Company Limited 鹽城市交通投資有限公司 ("**Yancheng Traffic**")	100,000	—	—	—
Nanjing Yupeng Property Development Limited 南京玉鵬房地產開發有限公司 ("**Nanjing Yupeng**")	150,000	—	—	—
	250,000	—	—	—

Yancheng Traffic is a state-owned enterprise focusing on property development in urban areas as well as investment in and management of infrastructure, logistics, logistics equipment, construction equipment and other industrial or tourism projects with successful experience in acquiring land parcels in Yancheng. In light of its experience in acquiring land parcels in Yancheng, Jiangsu Fullshare Property decided to work with them in land auctions for a specific land parcel in Yancheng in 2008, by making an advance of RMB100.0 million to Yancheng Traffic through its then existing subsidiary, namely Fullshare Jinji Property Development Company Limited (鹽城豐盛金基房地產開發有限公司) ("**Yancheng Fullshare**"). Please refer to page 179 in "Business of the Target Group — Project Development — Land Acquisition" for detailed discussion of the role, rights and obligations of the respective parties under the cooperation arrangements.

The advance was interest-free and repayable on demand. In 2010, as the specific land parcel failed to get listed for public auction and the Target Group adjusted its strategy and decided to develop all the projects in Yancheng through Jiangsu Fullshare Property, Jiangsu Fullshare Property decided to dissolve Yancheng Fullshare. Before Yancheng Fullshare was dissolved on 25 July 2012, Yancheng Traffic assigned the amount due to Yancheng Fullshare to Nanjing Jiasheng Landscape which in turn subsequently assigned such amount to Nanjing Fullshare Holding. Nanjing Fullshare Holding settled the outstanding balance by using such amount to set off the amount of RMB70.0 million due from Jiangsu Fullshare Property to Nanjing Fullshare Holding and the amount of RMB30.0 million due from Yancheng Fullshare to Nanjing Fullshare Holding.

Yancheng Traffic is independent of the Enlarged Group, the Directors or the Controlling Shareholders and any connected persons of the Enlarged Group, the Directors or the Controlling Shareholders.

Nanjing Yupeng is engaged in property development business in Nanjing. In 2010, Jiangsu Fullshare Property agreed to cooperate with Nanjing Yupeng, as proposed by Nanjing Yupeng, to acquire a land parcel and develop properties in the Liuhe District in Nanjing, and agreed to acquire 75% of newly authorised registered capital in Nanjing Yupeng for a consideration of RMB150.0 million at the request of Nanjing Yupeng. The cost of such acquisition was treated as an advance to Nanjing Yupeng because (i) Jiangsu Fullshare Property never assigned any directors to Nanjing Yupeng or manage its day-to-day operation; and (ii) as agreed by both parties, Jiangsu Fullshare Property would not bear any liability as to any indebtedness of Nanjing Yupeng incurred prior to the acquisition equity interest in Nanjing Yupeng by Jiangsu Fullshare Property. Please refer to page 179 in "Business of the Target Group — Project Development — Land Acquisition" for detailed discussion of the role, rights and obligations of the respective parties under the cooperation arrangements.

Nanjing Yupeng ceased the acquisition efforts of the land parcel later as the estimated cost of demolition and relocation of such land parcel would exceed its expectation. As a result, the cooperation between Nanjing Yupeng and Jiangsu Fullshare Property ended. In 2011, Nanjing Yupeng reduced its registered capital and must repay RMB150.0 million to Jiangsu Fullshare Property. Before the capital reduction, Nanjing Yupeng advanced RMB150.0 million to Nanjing Fullshare Holding. After capital reduction, according to an agreement entered among Nanjing Fullshare Holding, Jiangsu Fullshare Property and Nanjing Yupeng in November 2011, Nanjing Yupeng assigned the amount due from Nanjing Fullshare Holding to Jiangsu Fullshare Property, and Jiangsu Fullshare Property used the RMB150.0 million advance that Nanjing Yupeng assigned to Nanjing Fullshare Holding to set off the amount due from Jiangsu Fullshare Property to Nanjing Fullshare Holding.

Nanjing Yupeng is independent of the Enlarged Group, the Directors or the Controlling Shareholders and any connected persons of the Enlarged Group, the Directors or the Controlling Shareholders.

Please refer to "Business of the Target Group — Non-compliance — Inter-company Loans" for the legality analysis of these inter-company loans.

Advances paid for potential land acquisition for development

The following table sets forth the breakdown of advances paid for potential land acquisition for development of the Target Group as of the dates indicated:

	As of 31 December			As of 30 June
	2010	**2011**	**2012**	**2013**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(audited)	(audited)	(audited)	(audited)
Hainan Jiayu Yinghuang Investment Company Limited 海南佳宇英皇投資有限公司 ("**Hainan Jiayu**")(1)	232,170	—	—	—
Mr. Pan Guile 潘桂樂(2)	20,000	—	—	—
Chongqing Jiayu Yinghuang Hotel Company Limited 重慶佳宇英皇酒店有限公司 ("**Chongqing Jiayu**")(3)	13,860	—	—	—
Others	57	—	—	—
Total	266,087	—	—	—

Notes:

(1) Chongqing Heheng acquired 60% of the equity interest in Hainan Jiayu in the form of newly authorised registered capital for a consideration of RMB30.0 million in November 2010. Three third party individuals, including Mr. Pan Guile, held the remaining 40% of equity interest in Hainan Jiayu. The cost of such acquisition was treated as a loan to Hainan Jiayu as Chongqing Heheng never assigned any directors to Hainan Jiayu or managed its day-to-day operation and the capital increase and repurchase agreement requires Hainan Jiayu to repurchase the equity interest held by Chongqing Heheng in three years from the date of the agreement.

(2) Chongqing Kaieers Group Limited (重慶科而士實業(集團)有限公司) ("**Chongqing Kaieers**") received the amount on behalf of Mr. Pan Guile according to an instruction from Mr. Pan Guile.

(3) Chongqing Jiayu is owned by four third party individuals, including Mr. Pan Guile.

Hainan Zhongkun held a sea area use certificate for a sea area of 1.2 million sq.m. in Hainan. Hainan Zhongkun was a subsidiary of Hainan Jiayu. Mr. Pan Guile, who owned equity interest in Hainan Jiayu, planned to apply to the local government to convert the sea area use certificate to land use rights certificate, which would require the approval of the local government and payment of relevant cost and expenses. Chongqing Heheng agreed to the cooperation proposed by Mr. Pan Guile regarding such conversion. As instructed by Mr. Pan Guile, Chongqing Heheng advanced RMB20.0 million to Chongqing Kaieers in June 2010. Subsequently, Chongqing Heheng advanced approximately RMB13.9 million and RMB232.2 million to Chongqing Jiayu and Hainan Jiayu, respectively, in October 2010. The above advances were planned to be used for the conversion process. Please refer to page 179 in

"Business of the Target Group — Project Development — Land Acquisition" for detailed discussion of the role, rights and obligations of the respective parties under the cooperation arrangements.

In 2011, the Target Group adjusted its business strategy to focus on the property market in Yancheng and Chongqing as the Target Group believes that the property markets in both cities have a more prosperous potential than other cities in the PRC and the Target Group is familiar with the market in both cities. As part of the strategy adjustment process, the Target Group decided to use Jiangsu Fullshare Property to directly hold Chongqing Tongjing and disposed of its equity interest in Chongqing Heheng in September 2011.

Chongqing Heheng had a registered capital of RMB300.0 million, in which Jiangsu Fullshare Property held 90% of the equity interest. Jiangsu Fullshare Property disposed of its 90% equity interest in Chongqing Heheng to Nanjing Xiaocai Yidie Media Company Limited (南京小菜一碟文化傳媒有限公司) in September 2011 for a consideration of RMB270.0 million and fully recovered all of its investment in Chongqing Heheng. Please refer to "Financial Information of the Target Group — Balance Sheet Items — Trade and Other Receivables, Prepayments and Deposits — Other Receivables and Deposits" for the information of the subsequent settlement of Chongqing Heheng's outstanding balances.

Each of Chongqing Kaieers, Chongqing Jiayu, Hainan Jiayu or Mr. Pan Guile is independent of the Enlarged Group, the Directors or the Controlling Shareholders and any connected persons of the Enlarged Group, the Directors or the Controlling Shareholders.

Please refer to "Business of the Target Group — Non-compliance — Inter-company Loans" for the legality analysis of these inter-company loans. The Target Group does not intend to have any inter-company loans in the future.

Properties under development

Properties under development consist primarily of projects or phases of projects for which the Target Group has received the required construction work commencement permits but has not received the completion certificates from the relevant government construction authorities. All of the Target Group's properties under development are located in the PRC.

The changes in the Target Group's properties under development during the Track Record Period were primarily due to the timing of commencement and completion of construction. Completed and undelivered properties are transferred from properties under development to properties held for sale.

The value of the Target Group's properties under development was approximately RMB765.2 million, RMB1,061.5 million, RMB1,367.3 million and RMB1,322.1 million, respectively, as of 31 December 2010, 2011 and 2012 and 30 June 2013. The value of the Target Group's properties under development increased from 31 December 2010 to 31 December 2012, primarily due to the Target Group's continued property development activities during the same period. The value of the Target Group's properties under development remained relatively stable from 31 December 2012 to 30 June 2013.

The Target Group provides allowances for its properties under development if the estimated market value of properties under development is less than their carrying amount. The Directors (together with the proposed executive Directors) take into consideration the current market environment and estimated market value less estimated costs to completion of the properties when determining whether allowances should be provided. As a result, any significant change in market condition or significant variation in the budgeted development cost may result in material provision for allowances. No allowances were provided for the Target Group's properties under development in 2010, 2011 and 2012 and in the six months ended 30 June 2013.

Properties held for sale

Properties held for sale consist primarily of projects or phases of projects for which the Target Group have received the completion certificates from the relevant government construction authorities. All of the Target Group's properties held for sale are located in the PRC.

The value of the Target Group's properties held for sale was approximately RMB2.9 million, RMB302.8 million, RMB57.7 million and RMB184.5 million, respectively, as of 31 December 2010, 2011 and 2012 and 30 June 2013. During the Track Record Period, the value of the Target Group's properties held for sale generally increased in line with the Target Group's continued property development activities, except for a period of time when there was significant delivery of completed properties.

Amounts due from related parties

As of 31 December 2010, 2011 and 2012 and 30 June 2013, amounts due from related parties were approximately RMB43.9 million, RMB137.0 million, nil and RMB6.2 million, respectively. The following table sets forth the details of amounts due from related parties:

	As of 31 December			As of 30 June
	2010	**2011**	**2012**	**2013**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(audited)	(audited)	(audited)	(audited)
Mr. Ji	40,000	8,000	—	—
Nanjing Tiefeng Materials Trading Company Limited (南京鐵豐物資貿易有限公司)	—	20,000	—	—
Chongqing Fengli Trading Company Limited (重慶豐利大貿易有限公司)	—	4,107	—	—
Nanjing Fullshare Property Development Company Limited (南京豐盛置業發展有限公司)	—	20,000	—	—
Jiangsu Fullshare Trading	3,926	84,908	—	6,241
Total	43,926	137,015	—	6,241

Amounts due from related parties increased significantly from approximately RMB43.9 million as of 31 December 2010 to approximately RMB137.0 million as of 31 December 2011, primarily due to prepayments made to Nanjing Tiefeng Materials Trading Company Limited (南京鐵豐物資貿易有限公司), Chongqing Fengli Trading Company Limited (重慶豐利大貿易有限公司) and Jiangsu Fullshare Trading to procure construction materials and advance to Nanjing Fullshare Property Development Company Limited (南京豐盛置業發展有限公司), partially offset by repayment from Mr. Ji. All such prepayments and advances were settled as of 31 December 2012. Amount due from Mr. Ji was settled by repayment from Mr. Ji in cash. All other amounts were settled by assigning such amount to Chongqing Heheng and Nanjing Fullshare Holding. As of 30 June 2013, amounts due from related parties were RMB6.2 million, comprising residual payments of RMB6.2 million made to Jiangsu Fullshare Trading according to the previously signed contract with Jiangsu Fullshare Trading for procuring construction materials. Amounts due from related parties are unsecured, interest-free and repayable on demand during the Track Record Period. The Directors (together with the proposed executive Directors) confirm that the Target Group will settle all such balances before Resumption and other than described on pages 207 and 208 of "Business of the Target Group — Non-compliance — Inter-company Loans" of the circular, other amounts due from related parties or independent third parties all have transaction background. The PRC legal advisers of the Company are of the opinion that the amounts due from related parties or independent third parties with transaction background do not constitute inter-company loans.

Pledged bank deposits

Pledged bank deposits represent bank deposits pledged for the bills payable issued by the relevant PRC commercial banks to the Target Group. During the Track Record Period, the relevant banks required the Target Group to provide pledged bank deposits in the amount equal to the bills payable issued by such banks. As of 31 December 2010, 2011 and 2012 and 30 June 2013, the pledged bank deposits were RMB15.0 million, RMB58.0 million, RMB210,000 and RMB11.2 million, respectively. The pledged bank deposits carry floating interest at daily deposit rate.

Trade and other payables

The following table shows the trade and other payables of the Target Group as of the dates indicated:

	As of 31 December			As of 30 June
	2010	**2011**	**2012**	**2013**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(audited)	(audited)	(audited)	(audited)
Receipt in advance	329,969	696,138	861,336	795,711
Accrued expenses	12,741	32,399	47,517	96,655
Trade payables	27,890	30,722	23,824	17,193
Bills payables	15,000	58,000	210	11,195
Dividend payable	—	—	17,427	—
Other payables	169,603	77,503	8,019	8,912
Other tax payables	40	5,420	6,665	4,278
Total	555,243	900,182	964,998	933,944

Receipt in advance

Receipt in advance represents sales proceeds received from customers in connection with the Target Group's pre-sale of properties. The Target Group's receipt in advance was approximately RMB330.0 million, RMB696.1 million, RMB861.3 million and RMB795.7 million as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively. The Target Group's receipt in advance increased from 31 December 2010 to 31 December 2012, primarily due to the Target Group's continued property development and pre-sale activities during the same period. The Target Group's receipt in advance decreased by 7.6% from 31 December 2012 to 30 June 2013, primarily due to the completion and delivery of Buildings 2 to 5 and 7 of TongJingYueCheng (同景 • 躍城).

Accrued expenses

Accrued expenses consist primarily of payables to construction contractors and material suppliers, of which the payment invoices have not been received. Accrued expenses increased significantly from approximately RMB12.7 million as of 31 December 2010 to approximately

RMB32.4 million as of 31 December 2011 and to approximately RMB47.5 million as of 31 December 2012 and further to approximately RMB96.7 million as of 30 June 2013, in line with the Target Group's continued property development activities.

Trade and bills payable

Trade and bills payable increased by 106.8% from RMB42.9 million as of 31 December 2010 to approximately RMB88.7 million as of 31 December 2011, primarily due to the significant increase in payable to contractors/suppliers for the projects under development. Trade and bills payable decreased significantly from approximately RMB88.7 million as of 31 December 2011 to approximately RMB24.0 million as of 31 December 2012, primarily because the Target Group accelerated its payment schedules in 2012. Trade and bills payable remained relatively stable from 31 December 2012 to 30 June 2013. Bills payable increased significantly from 31 December 2012 to 30 June 2013, primarily because the payment obligations of the Target Group in respect of certain construction projects had not become due as of 30 June 2013.

The following table set forth an aging analysis of the Target Group's trade payable presented based on the invoice date at the end of reporting period:

	As of 31 December			**As of 30 June**
	2010	**2011**	**2012**	**2013**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(audited)	(audited)	(audited)	(audited)
Within 90 days	10,832	15,325	21,761	11,102
91–180 days	16,123	14,335	41	2,324
181–365 days(1)	902	1,020	1,337	1,801
Over 1 year(1)	33	42	685	1,966
Total	27,890	30,722	23,824	17,193

Note:

(1) Primarily consisted of the quality guarantee retained by the Target Group from payment to the general construction contractors which typically had a term of five years as well as the payables to construction contractors, of which the invoices had been received by the Target Group but the payment obligations had not become due.

Trade payables of the Target Group primarily represented the construction costs payable to its construction contractors. The terms of the construction contracts varied on case-by-case basis and the settlement terms typically related to construction contractors' achievement of certain milestones stipulated in the construction contracts. The Target Group also retains the quality guarantee from payment to the general construction contractors typically for a term of five years. The balances of trade payable as of 31 December 2010, 2011 and 2012 and 30 June 2013 were not past due.

As of 30 September 2013, approximately RMB7.6 million of the Target Group's trade payables as of 30 June 2013 had been settled with relevant suppliers and contractors. The Directors (together with the proposed executive Directors) confirm that during the Track Record Period and as of the Latest Practicable Date there was no material default in payment of trade and non-trade payables.

Other payables

The following table sets forth other payables of the Target Group as of the dates indicated:

	As of 31 December			As of 30 June
	2010	**2011**	**2012**	**2013**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(audited)	(audited)	(audited)	(audited)
Deposit received	11,603	7,351	7,635	8,912
Payables to independent third parties				
Chongqing Heheng	—	57,299[(1)]	384	—
Nanjing Jiasheng Concrete Company Limited 南京嘉盛混凝土有限公司 ("**Jiasheng Concrete**")	—	12,800[(2)]	—	—
Jiangsu Ninghua Investment Company Limited 江蘇寧華投資有限公司 ("**Ninghua Investment**")	158,000[(3)]	—	—	—
Others	—	53	—	—
Subtotal	158,000	70,152	384	—
Total	169,603	77,503	8,019	8,912

Notes:

(1) The Target Group disposed of Chongqing Heheng in September 2011. As a result, the amount previously received from Chongqing Heheng, which was mainly utilised for property development cost and expenses, was recognised as payables to Chongqing Heheng.

(2) The amount received was mainly used as working capital.

(3) The amount represented Ninghua Investment's advance to Hainan Zhongkun through Chongqing Heheng, which was a member of the Target Group in 2010 when such advance occurred.

Other payables mainly represent (i) payables to independent third parties and (ii) deposits received from contractors and suppliers. Contractors and suppliers participating the tendering process organised by the Target Group pay deposits to the Target Group as bidding deposits. After winning the tendering process, they pay deposits to the Target Group to guarantee their performance under respective construction or supply contracts. Other payables decreased significantly from RMB169.6 million as of 31 December 2010 to RMB77.5 million as of 31 December 2011, primarily due to the settlement of RMB158.0 million owed by the Chongqing Heheng which was a subsidiary of the Target Group at that time to Ninghua Investment in 2011. In 2011, Chongqing Heheng assigned to Ninghua Investment a debt owed by Hainan Zhongkun to Chongqing Heheng to settle a debt owed by Chongqing Heheng to Ninghua Investment. Other payables decreased significantly from RMB77.5 million as of 31 December 2011 to RMB8.0 million as of 31 December 2012, primarily as a result of the settlement of the outstanding balances with Chongqing Heheng and Jiasheng Concrete. Other payables increased by 11.3% from RMB8.0 million as of 31 December 2012 to RMB8.9 million as of 30 June 2013, primarily due to the increase in deposit received from contractors and supplies, partially offset by settlement of balances with Chongqing Heheng. These advances were all unsecured, interest-free and repayable on demand. The Directors (together with the proposed executive Directors) confirmed that the Target Group will settle all such balances before Resumption. Please refer to "Business of the Target Group — Non-compliance — Inter-company Loans" for the legality analysis of these inter-company loans.

Dividend payable

The Target Group had no dividend payable as of 31 December 2010 and 2011 as the Target Group did not declare any dividends during such periods. In 2012, the Target Group declared dividend of approximately RMB174.3 million, of which approximately RMB17.4 million was due to Nanjing Jiasheng and classified as dividend payable. The remaining approximately RMB156.9 million was due to Nanjing Fullshare Holding and classified as amounts due to related parties. Please refer to "— Amounts due to Related Parties" for details. The Target Group did not have any dividend payable as of 30 June 2013 because the Target Group paid the outstanding balance of dividend payable to Nanjing Jiasheng in May 2013.

Amounts due to related parties

As of 31 December 2010, 2011 and 2012 and 30 June 2013, amounts due to related parties were approximately RMB808.0 million, RMB327.7 million, RMB61.1 million and RMB60.8 million, respectively. The following table sets forth the details of amounts due to related parties:

	As of 31 December			As of 30 June
	2010	**2011**	**2012**	**2013**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(audited)	(audited)	(audited)	(audited)
Nanjing Fullshare Holding	25,592	314,117[(1)]	61,109[(2)]	60,839
Nanjing Xiaocai Yidie Media Company Limited (南京小菜一碟文化傳媒有限公司)	—	600	—	—
Nanjing Fullshare Investment Group Co., Ltd. (南京豐盛投資集團有限公司)	782,402[(3)]	12,971	—	—
Total	807,994	327,688	61,109	60,839

Notes:

(1) The amount received was used to pay the land premium of XiChengFuDi (西城府邸) and as working capital.

(2) Represented dividend payable to Nanjing Fullshare Holding of approximately RMB60.8 million and other amount due to Nanjing Fullshare Holding.

(3) The amount received was mainly used as (i) bidding deposit paid to local government authorities, (ii) advances paid for land bidding to Yancheng Traffic and Nanjing Yupeng and (iii) advances paid for potential land acquisition for development to Chongqing Jiayu, Hainan Jiayu and Mr. Pan Guile.

Amounts due to related parties decreased by approximately 59.4% from approximately RMB808.0 million as of 31 December 2010 to approximately RMB327.7 million as of 31 December 2011, primarily due to repayment to Nanjing Fullshare Investment Group Co., Ltd. (南京豐盛投資集團有限公司), partially offset by advances from Nanjing Fullshare Holding and Nanjing Xiaocai Yidie Media Company Limited (南京小菜一碟文化傳媒有限公司). In 2012, Nanjing Xiaocai Yidie Media Company Limited (南京小菜一碟文化傳媒有限公司) and Nanjing Fullshare Investment Group Co., Ltd. (南京豐盛投資集團有限公司) assigned their amount due from the Target Group to Nanjing Fullshare Holding which subsequently converted RMB300.0 million of the balance with the Target Group to equity interest in the Target Group. Therefore, all the balances due to related parties as of 31 December 2011 were settled as of 31 December 2012 except for approximately RMB300,000 due to Nanjing Fullshare Holding, which was outstanding as of 31 December 2012 but was subsequently settled as of the date of this circular.

In 2012, the Target Group declared dividend of approximately RMB174.3 million, of which approximately RMB156.9 million was due to Nanjing Fullshare Holding and classified as amounts due to related parties. The Target Group paid dividend of approximately RMB96.0 million to Nanjing Fullshare Holding in 2012 and the remaining balance of approximately RMB60.8 million was still outstanding as of 30 June 2013.

Amounts due to related parties are unsecured, interest-free and repayable on demand during the Track Record Period. The Directors (together with the proposed executive Directors) confirm that the Target Group will settle all such balances before Resumption and other than described on pages 207 and 208 of "Business of the Target Group — Non-compliance — Inter-company Loans" of the circular, other amounts due to related parties or independent third parties all have transaction background. The PRC legal advisers of the Company are of the opinion that the amounts with transaction background do not constitute inter-company loans.

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Target Group operates in a capital intensive industry and has historically funded its working capital requirement and capital expenditure with proceeds from the pre-sale and sale of properties, bank borrowings and funding from shareholders. The Target Group expects to fund its working capital requirement and capital expenditure with proceeds from the pre-sale and sale of properties and bank borrowings raised from commercial banks in the future. The Target Group's short-term liquidity requirements relate to funding its working capital requirement and servicing its debt obligations. The Target Group's sources of short-term liquidity include cash balances, proceeds from pre-sale and sale of properties and bank borrowings. Its long-term liquidity requirements relate to funding of its property development projects and repayment of its long-term debt. The Target Group's sources of long-term liquidity include bank borrowings.

Cash Flows

The following table is a condensed summary of the Target Group's consolidated cash flow statements and analysis of balances of cash and cash equivalents for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Net cash from (used in) operating activities	(313,735)	460,157	74,177	37,961	(35,902)
Net cash from (used in) investing activities	(326,767)	(779,161)	(386,380)	52,639	(17,183)
Net cash from (used in) financing activities	649,985	356,843	387,615	(10,897)	53,803
Net increase in cash and cash equivalents	9,483	37,839	75,412	79,703	718
Cash and cash equivalent at beginning of the year	31,340	40,823	78,662	78,662	154,074
Cash and cash equivalent at end of the year	40,823	78,662	154,074	158,365	154,792

Cash flows used in or from operating activities

The Target Group's cash from operating activities is generated principally from proceeds received from pre-sale and sale of its properties. The Target Group's cash used in operating activities principally comprises payments for its property development activities and land acquisitions.

For the six months ended 30 June 2013, the Target Group's net cash used in operating activities was approximately RMB35.9 million, which was primarily due to an increase in properties under development of RMB262.5 million, partially offset by a decrease in properties held for sale of RMB191.6 million and a profit before tax of RMB92.7 million.

For the year ended 31 December 2012, the Target Group's net cash from operating activities was approximately RMB74.2 million, which was primarily due to a decrease in properties held for sale of RMB245.1 million, a profit before tax of RMB107.4 million and an increase in trade and other payables of RMB64.8 million, partially offset by an increase in properties under development of RMB286.3 million.

For the year ended 31 December 2011, the Target Group's net cash from operating activities was approximately RMB460.2 million, which was primarily due to an increase in trade and other payables of RMB1,242.6 million, a decrease in properties held for sale of

RMB192.6 million, a decrease in trade and other receivables, prepayments and deposits of RMB159.2 million and a profit before tax of RMB125.5 million, partially offset by an increase in properties under development of RMB1,138.3 million.

For the year ended 31 December 2010, the Target Group's net cash used in operating activities was approximately RMB313.7 million, which was primarily due to an increase in trade and other receivables, prepayments and deposits of RMB578.3 million and an increase in properties under development of RMB181.4 million, partially offset by an increase in trade and other payables of RMB381.5 million, a decrease in properties held for sale of RMB78.5 million and a profit before tax of RMB20.8 million.

Cash flows used in or from investing activities

The Target Group's cash inflows from investing activities primarily reflect interest income, proceeds from disposal of items of plant and equipment and disposal of subsidiaries and jointed controlled entities. The Target Group's cash outflows from investing activities primarily reflect payment for reorganisation and acquisition of subsidiaries, advance to related parties and purchase of items of plant and equipment.

For the six months ended 30 June 2013, the Target Group's net cash used in investing activities was approximately RMB17.2 million, which consisted primarily of an increase in pledged bank deposits of RMB11.0 million and advance to related parties of RMB6.0 million.

For the year ended 31 December 2012, the Target Group's net cash used in investing activities was approximately RMB386.4 million, which consisted primarily of cash outflow arising from reorganisation of RMB400.0 million for payment of consideration of the equity interest of Jiangsu Fullshare Property and advance to related parties of approximately RMB44.8 million, partially offset by a decrease in pledged bank deposits of RMB57.8 million.

For the year ended 31 December 2011, the Target Group's net cash used in investing activities was approximately RMB779.2 million, which consisted primarily of advance to related parties of approximately RMB695.2 million, net cash outflow on disposal of subsidiaries of approximately RMB44.5 million and increase in pledged bank deposits of approximately RMB43.0 million, partially offset by proceeds from disposal of interest in a jointly controlled entity of RMB5.0 million.

For the year ended 31 December 2010, the Target Group's net cash used in investing activities was RMB326.8 million, which consisted primarily of payment for acquisition of Chongqing Tongjing of approximately RMB239.6 million and advances to related parties and a third party of approximately RMB72.0 million.

Cash flows from or used in financing activities

The Target Group's cash inflows from financing activities primarily reflect borrowings from commercial banks, advance from related parties, capital contribution from controlling and non-controlling interests and government grants received. The Target Group's cash outflows from financing activities primarily reflect repayment of bank borrowings and dividend paid.

For the six months ended 30 June 2013, the Target Group's net cash from financing activities was approximately RMB53.8 million, which consisted primarily of bank borrowings raised of RMB80.0 million, partially offset by dividend paid of approximately RMB17.4 million and repayment of bank borrowings of RMB8.5 million.

For the year ended 31 December 2012, the Target Group's net cash from financing activities was approximately RMB387.6 million, which consisted primarily of paid in capital of RMB400.0 million from Nanjing Fullshare Holding, bank borrowings raised of RMB140.0 million from commercial banks, advance from related parties of approximately RMB137.0 million and government grants received of RMB100,000, partially offset by the repayment of bank borrowings of RMB193.5 million and dividend paid of approximately RMB96.0 million.

For the year ended 31 December 2011, the Target Group's net cash from financing activities was approximately RMB356.8 million, which consisted primarily of bank borrowings raised of RMB375.0 million from commercial banks, advance from related parties of approximately RMB231.2 million and government grants received of RMB672,000, partially offset by repayment of bank borrowings of RMB250.0 million.

For the year ended 31 December 2010, the Target Group's net cash from financing activities was approximately RMB650.0 million, which consisted primarily of advance from related parties of approximately RMB552.2 million and bank borrowings raised of RMB160.0 million from commercial banks, partially offset by the repayment of bank borrowings of RMB80.0 million.

Working Capital

The Directors (together with the proposed executive Directors) are of the opinion that, in the absence of unforeseeable circumstances, after taking into account the Remaining Group's business prospects, internal resources, available credit facilities and the completion of the Proposed Transactions, the Remaining Group has sufficient working capital for its requirements for at least twelve months from the date of the circular.

Negative net operating cash flow of the Target Group for the year ended 31 December 2010 and the six months ended 30 June 2013

The Target Group recorded negative net cash flow from operating activities of approximately RMB313.7 million for the year ended 31 December 2010, primarily due to the long-term and capital intensive nature of property development and the Target Group's continued business expansion through acquisition of land parcel during such period. In 2010, the Target Group actively expanded its project development portfolio and paid land premium and project development cost of RMB103.0 million which increased the Target Group's properties under development and held for future development. In addition, the Target Group paid advances for land bidding of RMB250.0 million, advances paid for potential land acquisition for development of RMB266.1 million and advance to Hainan Zhongkun of RMB170.0 million in 2010. These together contributed to significant operating cash outflow in 2010. Meanwhile, most of the Target Group's projects were still in their design and pre-construction planning stages and did not generate any cash flow from pre-sales or sales in 2010. For example, the Target Group did not generate pre-sale proceeds from TongJingYueCheng (同景•躍城) and ShuXiangYuan (書香苑) until May 2011 and April 2012, respectively. In 2010, the Target Group's only properties available for sale or pre-sale were Phase 1, Phase 2 and Stage 1 of Phase 3 of XiChengYiPinHuaYuan (西城逸品花園), which led to a relatively low operating cash inflow. As a result, the Target Group recorded a negative operating cash flow for the year ended 31 December 2010.

The Target Group recorded negative net cash flow from operating activities of approximately RMB35.9 million for the six months ended 30 June 2013, primarily due to the commencement of construction of XiChengFuDi (西城府邸) at the end of 2012, which led to a significant cash outflow in the first half of 2013. However, the Target Group did not commence pre-sale of XiChengFuDi (西城府邸) until the second quarter of 2013 therefore did not generate significant cash inflow in the first half of 2013.

Plan to finance the Target Group's projects under development and held for future development and measures to manage the Target Group's cashflow

According to PRC laws and regulations, each property developer must obtain land use rights certificate and other relevant certificates and invest at least 35% of the overall property development cost of a project before it may fund the development of such project with bank borrowings. Land premium generally accounts for approximately 30% of the overall property development cost of a project. By 31 March 2013, the Target Group had paid all of the land premium of its projects under development and held for future development. The Target Group expects to finance its remaining project development cost with loans from commercial banks and pre-sale and sale proceeds.

The Target Group had capital commitment of RMB2,328 million as of 31 July 2013, of which RMB308 million would be payable in the five months ending 31 December 2013, RMB602 million would be payable during the year ending 31 December 2014 and the remaining RMB1,418 million would be payable during the year ending 31 December 2015 or thereafter. The timing for the payment of capital commitment is closely monitored by the Target Group. The Target Group manages its capital commitment and deploys its capital resources effectively to ensure sufficient funding is available to finance such payments. To manage its cash flow mismatch, the Target Group finances the payment of its construction cost and capital commitment at the following steps:

(i) Before it obtains the land use rights certificate, the Target Group finances the land use rights cost with its own capital;

(ii) After it obtains the land use rights certificate, the Target Group obtains loans from commercial banks in the PRC. The Target Group plans to maintain debt-to-asset ratio of Jiangsu Fullshare Property at below 80% to ensure the compliance with the restrictive covenant in the loan agreement with Yancheng Chengzhong Sub-branch of Bank of China Limited; and

(iii) After it obtains the pre-sale permit, the Target Group finances the remaining property development cost using the proceeds from the pre-sales in addition to bank borrowings. The Target Group plans to divide future property development projects to additional phases and stages to accelerate the recognition of revenue from sales of properties and the Target Group's turnover of capital and attempt to maintain a relatively steady operational cash flow and liquidity by optimizing the timetables of projects and project phases.

Sensitivity analysis of the changes in the forecast pre-sale GFA and average selling price on the Enlarged Group's working capital sufficiency

		For the period from 1 September 2013 to 31 December 2013		**For the year ending 31 December 2014**	
		Impact on total forecast sales receipt *(in percentage)*	**Impact on forecast sales receipt** *(RMB in millions)*	**Impact on total forecast sales receipt** *(in percentage)*	**Impact on forecast sales receipt** *(RMB in millions)*
Scenario 1	–10% change in the forecast pre-sale GFA	–5.6%(1)	–10.9	–10%	–91.7
Scenario 2	–10% change in the forecast average selling price	–5.6%(1)	–10.9	–10%	–91.7
Scenario 3	–10% changes both in the forecast pre-sale GFA and average selling price	–10.5%(1)	–20.7	–19%(2)	–174.2

Notes:

(1) The assumption of decline for sensitivity analysis is only based on the forecast sales receipt derived from the property sales and purchase agreements which the Target Group expects to enter into between 1 September 2013 and 31 December 2013. The sales receipt derived from the property sales and purchase agreements entered into before 1 September 2013 is excluded from the assumption of decline.

(2) If the forecast pre-sale GFA and average selling price both decline by 10%, there will be an approximately 19% decline in total forecast sales for the year ending 31 December 2014.

If the forecast pre-sale GFA declines by 10%, the Enlarged Group's forecast sales receipt for the period from 1 September 2013 to 31 December 2013 will decrease by RMB10.9 million (i.e. 5.6% lower than the Enlarged Group's forecast sales receipt for the period from 1 September 2013 to 31 December 2013).

If the forecast average selling prices decline by 10%, the Enlarged Group's forecast sales receipt for the period from 1 September 2013 to 31 December 2013 will decrease by RMB10.9 million (i.e. 5.6% lower than the Enlarged Group's forecast sales receipt for the period from 1 September 2013 to 31 December 2013).

If the forecast pre-sale GFA and average selling price both decline by 10%, the Enlarged Group's forecast sales receipt for the period from 1 September 2013 to 31 December 2013 will decrease by RMB20.7 million (i.e. 10.5% lower than the Enlarged Group's forecast sales receipt for the period from 1 September 2013 to 31 December 2013).

If the forecast pre-sale GFA declines by 10%, the Enlarged Group's forecast sales receipt for the year ending 31 December 2014 will decrease by RMB91.7 million (i.e. 10% lower than the Enlarged Group's forecast sales receipt for the year ending 31 December 2014).

If the forecast average selling prices decline by 10%, the Enlarged Group's forecast sales receipt for the year ending 31 December 2014 will decrease by RMB91.7 million (i.e. 10% lower than the Enlarged Group's forecast sales receipt for the year ending 31 December 2014).

If the forecast pre-sale GFA and average selling price both decline by 10%, the Enlarged Group's forecast sales receipt for the year ending 31 December 2014 will decrease by RMB174.2 million (i.e. 19% lower than the Enlarged Group's forecast sales receipt for the year ending 31 December 2014).

Among the three scenarios, Scenario 3 has the assumption of the most significant declines, which assume the forecast pre-sale GFA and average selling price both decline by 10% for the period from 1 September 2013 to 31 December 2013 and for the year ending 31 December 2014, considering the Enlarged Group's undrawn banking facilities as of the Latest Practicable Date, the Directors are of the view that the working capital of the Enlarged Group are sufficient going forward for its requirements for at least twelve months from the date of the circular.

INDEBTEDNESS

Bank and other borrowings

As of 31 December 2010, 2011 and 2012 and 30 June and 31 August 2013, the outstanding bank and other borrowings of the Target Group were RMB160.0 million, RMB285.0 million, RMB231.5 million, RMB303.0 million and 383.0 million, respectively. The following table sets forth the Target Group's maturity profiles of the bank and other borrowings as of the dates indicated:

	As of 31 December			As of 30 June	As of 31 August
	2010	**2011**	**2012**	**2013**	**2013**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(audited)	(audited)	(audited)	(audited)	(unaudited)
Carrying amount repayable:					
On demand or within one year	—	130,000	131,500	173,000	273,000
More than one year but not exceeding two years	160,000	155,000	100,000	130,000	110,000
	160,000	285,000	231,500	303,000	383,000
Less: amounts due within one year shown under current liabilities	—	(130,000)	(131,500)	(173,000)	(273,000)
Amounts shown under non-current liabilities	160,000	155,000	100,000	130,000	110,000

The Target Group's bank and other borrowings are interest-bearing at variable-rates. The following table sets forth the ranges of effective interest rates on the Target Group's borrowings for the periods indicated:

	As of 31 December			As of 30 June	As of 31 August
	2010	**2011**	**2012**	**2013**	**2013**
Variable-rate borrowings	5.67%–6.72%	6.65%–7.68%	7.04%–7.69%	7.07%–7.98%	6.15%–7.98%

The Target Group's bank loans were all denominated in RMB and secured by properties under development. The following table sets forth the total value of properties under development to secure the bank loans of the Target Group as of the dates indicated:

	As of 31 December			As of 30 June	As of 31 August
	2010	**2011**	**2012**	**2013**	**2013**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(audited)	(audited)	(audited)	(audited)	(unaudited)
Properties under development (including land use rights)	333,442	412,425	776,764	653,113	683,458

The Target Group's other loans were all denominated in RMB and unsecured.

The Target Group's loan agreements contain a number of customary affirmative and/or negative covenants, such as restrictions on change of control and disposal of material assets, as well as change of financial ratios, with which the Target Group must comply. The Directors (and the proposed executive Directors) confirm that, during the Track Record Period and up to the Latest Practicable Date, the Target Group did not breach any material covenant in its loan agreements. During the Track Record Period, Nanjing Fullshare Holding also provided guarantee in respect of the Target Group's bank loans. Nanjing Fullshare Holding and the relevant banks terminated such guarantee before the Latest Practicable Date. In the future, the Enlarged Group may procure the Company or third party guarantors to guarantee the Target Group's bank loans.

Indebtedness

As of 31 December 2010, 2011 and 2012 and 30 June 2013, the Target Group's total indebtedness include only bank loans. As of 31 August 2013, the Target Group's total indebtedness includes bank loans and entrusted loans. As of 31 August 2013, the Target Group had outstanding indebtedness of RMB383.0 million, consisting of secured bank loans of RMB303.0 million and unsecured entrusted loans of RMB80.0 million, and the Target Group had unutilised banking facilities of RMB70.0 million available for drawdown. From 16 September 2013 to 27 September 2013, Jiangsu Fullshare Property, Chongqing Tongjing and Agricultural Bank of China entered into four entrusted loan agreements to transfer the outstanding inter-company loan balance of approximately RMB127.0 million to entrusted loan among Jiangsu Fullshare Property, Chongqing Tongjing and Agricultural Bank of China. As a result, the Target Group had no inter-company loan outstanding as of the Latest Practicable Date. On 18 October 2013, Chongqing Tongjing, Chongqing Shinda Industrial Company Limited, Ba'nan Sub-branch of Chongqing Rural Commercial Bank entered into an entrusted loan agreement, pursuant to which Chongqing Shinda Industrial Company Limited extended an entrusted loan of RMB100.0 million to Chongqing Tongjing through Ba'nan Sub-branch of Chongqing Rural Commercial Bank.

As of the Latest Practicable Date, the Target Group had unutilised banking and other facilities of RMB320.0 million available for drawdown. The following table sets for the breakdown of amount of the Target Group's undrawn banking and other facilities as of the Latest Practicable Date:

Bank	**Amount of undrawn banking and other facilities** *(RMB million)*
Yancheng Chengzhong Sub-branch of Bank of China Limited	70.0
Nanjing Changlu Materials Technology Company Limited (through Nanjing branch of China Minsheng Banking Corporate Limited)	250.0
Total	**320.0**

Yancheng Chengzhong Sub-branch of Bank of China Limited granted a total banking facility of RMB250.0 million to the Target Group as of 30 June 2013. Pursuant to a loan agreement dated 28 August 2012 between the Target Group and Yancheng Chengzhong Sub-branch of Bank of China Limited, RMB180.0 million under this banking facility has been utilised and RMB70.0 million is available for drawdown as of the date of this circular. The Target Group expects to draw down the balance of this banking facility in October 2013.

On 11 September 2013, Nanjing ChangLu Materials Technology Company Limited (through Nanjing branch of China Minsheng Bank Corporation Limited) granted a loan facility of RMB255.0 million to the Target Group. Pursuant to the loan agreement dated 11 September 2013, RMB5.0 million under this facility has been utilised and RMB250.0 million is available for drawdown as of the date of this circular. The Target Group expects to draw down the balance of this facility in accordance with the construction schedule of the relevance projects.

There are restrictive covenants in the loan agreement with Yancheng Chengzhong Sub-branch of Bank of China Limited and the two loan agreements dated 10 August 2011 and 14 May 2012 between the Target Group and Chongqing Branch of China Minsheng Banking Corp. Ltd.

The details of the restrictive covenants of the loan agreement with Yancheng Chengzhong Sub-branch of Bank of China Limited are as following:

- Jiangsu Fullshare Property may not make any distribution to its shareholders without fully repayment of the loan;

- Jiangsu Fullshare Property may not carry out any merger, restructuring, spin-off, reduction of registered share capital, material asset transfer, liquidation or change in shareholding structure without the lender's written consent;

- Jiangsu Fullshare may not commence the construction of Phase 2 of XiChengFuDi (西城府邸) and JiuZongGou Land Parcel (九總溝地塊) without the lender's written consent as long as such loan is outstanding. The Target Group obtained the lender's written consent before commencing the construction of Phase 2 of XiChengFuDi (西城府邸). The Directors (together with the proposed executive Directors) confirm that the Target Group will obtain the lender's written consent before commencing the construction of JiuZongGou Land Parcel (九總溝地塊); and

- The debt-to-asset ratio of Jiangsu Fullshare Property may not exceed 80%, otherwise the lender will be entitled to reduce, suspend or terminate the banking facilities granted by the lender as long as such loan is outstanding, and/or declare all the outstanding amount under the loan agreement become due. Jiangsu Fullshare Property's debt-to-asset ratio was 66.0% as of 31 December 2012.

Pursuant to the two loan agreements between the Target Group and Chongqing Branch of China Minsheng Banking Corp. Ltd., Chongqing Tongjing may not carry out any merger, acquisition, spin-off, shareholding system reform, material asset transfer, liquidation, investment, joint operation or other actions that will affect the rights of the lender without the lender's written consent.

According to the conformation letters issued by Yancheng Chengzhong Sub-branch of Bank of China Limited dated 3 May 2013 and Chongqing branch of China Minsheng Banking Corp. Ltd. dated 15 July 2013, each of the two banks confirmed Jiangsu Fullshare Property or Chongqing Tongjing did not default in repayment of bank borrowings or breach any covenants under such loan agreements. The Directors (together with the proposed executive Directors) confirm and the PRC legal advisers of the Company are of the opinion that the Target Group did not default in repayment of bank borrowings or breach any loan covenants during the Track Record Period and up to the Latest Practicable Date.

The Directors (together with the proposed executive Directors) confirm the Target Group did not encounter any difficulty in obtaining external borrowings necessary for its operations and also do not expect to encounter any difficulty in obtaining external financial going forward.

During the Track Record Period, the Target Group secured bank borrowings of Nanjing Jiasheng Landscape with the Target Group's properties held for future development under a security agreement entered into among the Target Group, Nanjing Jiasheng Landscape and the relevant bank. The Target Group ceased to secure bank borrowings of Nanjing Jiasheng

Landscape with the Target Group's properties held for future development on 7 August 2013. In addition, the Target Group provides guarantees to the banks in connection with its customers' mortgage loans to finance their purchase of the residential properties developed by the Target Group. As of 31 August 2013, outstanding balance of the mortgage loans guaranteed by the Target Group was approximately RMB527.7 million. Please refer to "— Contingent Liabilities" for more details.

Except as described above, as of 31 August 2013, the Target Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments or guarantees. As of the Latest Practicable Date, the Directors (together with the proposed executive Directors) confirmed that there has been no material change in the indebtedness of the Target Group since 31 August 2013.

KEY FINANCIAL RATIOS

The following table sets forth a summary of certain financial ratios as of the dates indicated:

	As of 31 December			As of 30 June
	2010	**2011**	**2012**	**2013**
	(%)	*(%)*	*(%)*	*(%)*
Gearing ratio	100.5	123.6	59.4	71.4
Current ratio	123.0	128.2	140.9	144.8
Return on equity	8.0	33.8	8.6	8.1

Gearing ratio

As of 31 December 2010, 2011 and 2012 and 30 June 2013, the gearing ratio of the Target Group was approximately 100.5%, 123.6%, 59.4% and 71.4%, respectively. Gearing ratio is calculated by dividing the Target Group's total interest-bearing liabilities by total equity at the end of the year/period and multiplying by 100%. In the case of the Target Group, interest-bearing liabilities include only bank borrowings. The Target Group's gearing ratio increased from approximately 100.5% as of 31 December 2010 to approximately 123.6% as of 31 December 2011, primarily due to the increase in the amount of bank borrowings for financing the property development of the Target Group. The Target Group's gearing ratio decreased from approximately 123.6% as of 31 December 2011 to approximately 59.4% as of 31 December 2012, primarily due to the decrease in bank borrowings and increase in equity. The Target Group's gearing ratio increased from approximately 59.4% as of 31 December 2012 to approximately 71.4% as of 30 June 2013, primarily due to the increase in the amount of bank borrowings for financing the property development of the Target Group.

Current ratio

As of 31 December 2010, 2011 and 2012 and 30 June 2013, the current ratio of the Target Group was approximately 123.0%, 128.2%, 140.9% and 144.8%, respectively. Current ratio is calculated by dividing the Target Group's current assets at the end of the year/period by current liabilities at the end of the year/period and multiplying by 100%. The Target Group's current ratio remained relatively steady from 31 December 2010 to 31 December 2011. The Target Group's current ratio increased from approximately 128.2% as of 31 December 2011 to approximately 140.9% as of 31 December 2012, primarily because the current liabilities decreased to a larger extent than the current assets. Current ratio remained relatively stable from 31 December 2012 to 30 June 2013.

Return on equity

As of 31 December 2010, 2011 and 2012 and 30 June 2013, the return on equity of the Target Group was approximately 8.0%, 33.8%, 8.6% and 8.1%, respectively. Return on equity ratio is calculated by dividing the Target Group's profit and total comprehensive income for the year/period by total equity at the end of the year/period and multiplying by 100%. The Target Group's return on equity increased from approximately 8.0% for the year ended 31 December 2010 to approximately 33.8% for the year ended 31 December 2011, primarily due to the increase in the Target Group's profit and total comprehensive income for the year. The Target Group's return on equity decreased from approximately 33.8% for the year ended 31 December 2011 to approximately 8.6% for the year ended 31 December 2012, primarily due to the increase in the equity of the Target Group.

OFF-BALANCE SHEET ARRANGEMENTS

As of 30 June 2013, the Target Group did not have any off-balance sheet arrangements.

CAPITAL EXPENDITURES

The following table sets forth the capital expenditures for purchase of plant and equipment of the Target Group for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Plant and equipment	212	2,319	1,191	1,005	482

Capital expenditure represents the expenses for purchases of plant and equipment, furniture, fixture and equipment for office use, and leasehold improvements for offices. The Target Group incurred capital expenditure of approximately RMB2.3 million for the year ended 31 December 2011, primarily for decorating new offices of Chongqing Tongjing and purchase of office facilities by Chongqing Tongjing. The Target Group incurred capital expenditure of approximately RMB1.2 million for the year ended 31 December 2012, primarily for the purchase of a business purpose vehicle and office equipment. The Target Group incurred capital expenditure of approximately RMB0.5 million in the six months ended 30 June 2013, primarily for purchase of office equipment. The Target Group funded its capital expenditures with cash generated from its operations during the Track Record Period.

CONTRACTUAL OBLIGATIONS

The Target Group had capital commitments for developing properties under development of XiChengYiPinHuaYuan (西城逸品花園), XiChengFuDi (西城府邸), ShuXiangYuan (書香苑) and TongJingYueCheng (同景•躍城). In addition, the Target Group leased certain of its premises and offices under operating lease arrangements. The leases typically have an initial term of three to six years. Lease payments normally increase annually to reflect market rentals. The lease agreements do not contain any provisions for contingent rent and renewal. The following table sets forth the operating lease commitments and capital commitments of the Target Group as of the dates indicated:

	As of 31 December			As of 30 June	As of 31 August
	2010	**2011**	**2012**	**2013**	**2013**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(audited)	(audited)	(audited)	(audited)	(unaudited)
Operating lease commitments					
Within one year	692	608	659	558	552
In the second to fifth years (inclusive)	2,437	1,902	1,313	914	820
After five years	54	—	—	—	—
Subtotal	3,183	2,510	1,972	1,472	1,372
Capital commitments					
Authorised but not contract for	610,034	1,978,281	1,967,473	1,848,762	1,826,077
Contracted but not provided for	571,524	548,076	603,305	502,344	485,093
Subtotal	1,181,558	2,526,357	2,570,778	2,351,106	2,311,170
Total	1,184,741	2,528,867	2,572,750	2,352,578	2,312,542

CONTINGENT LIABILITIES

The Target Group provides guarantees to banks in connection with its customers' mortgage loans to finance their purchase of the pre-sold residential properties. The Target Group's guarantee is released upon the bank receiving the building ownership certificate of the relevant property from the purchaser as security for the mortgage loan. If any purchaser defaults on his or her payment obligations under the mortgage loan during the terms of such guarantee, the bank may request the Target Group to fulfill such payment obligation. Under such circumstances, the Target Group is entitled to forfeit the deposit received and sell the repossessed properties. In line with industry practice, the Target Group does not conduct any independent credit evaluation of its customers. Instead, it relies on the credit evaluation conducted by the mortgagee banks on its customers. As of 30 June 2013, the outstanding balance of the mortgage loans guaranteed by the Target Group was approximately RMB513.6 million. As of 31 August 2013, outstanding balance of the mortgage loans guaranteed by the Target Group was approximately RMB527.7 million. During the Track Record Period and up to the Latest Practicable Date, the Target Group was not called upon to fulfill material payment obligations under its guarantee.

During the Track Record Period, the Target Group secured RMB75.0 million of bank borrowings of Nanjing Jiasheng Landscape with the Target Group's properties held for future development under a security agreement entered into among the Target Group, Nanjing Jiasheng Landscape and the relevant bank. The Target Group ceased to secure bank borrowings of Nanjing Jiasheng Landscape with the Target Group's properties held for future development on 7 August 2013. During the Track Record Period and up to the termination date of the security agreement, the Target Group was not called upon to fulfill its obligations under the security agreement for Nanjing Jiasheng Landscape's bank borrowings.

The Target Group confirms that, other than as disclosed in the circular, there has been no material change in its contingent liabilities since 30 June 2013.

RELATED PARTIES TRANSACTIONS

Note 34 of the Accountants' Report contained in Appendix I to the circular discloses the significant transactions that the Target Group engaged in with related parties during the Track Record Period. The Directors (together with the proposed executive Directors) believe that the Target Group conducted these related party transactions on normal commercial terms and in the ordinary course of its business.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Target Group is exposed to various types of market risks, including commodities risk, interest rate risks, credit risk and liquidity risk in the normal course of business.

Commodities risk

The Target Group is exposed to fluctuations in the prices of raw materials, primarily steel and cement, for its property developments. The Target Group current does not engage and does not expect to engage in commodities hedging activities. The Target Group purchases its supplies of steel and cement at market prices. Accordingly, increase in prices for construction materials will affect the Target Group's construction costs in the form of increased purchase costs and contracted fees payable to the Target Group's construction contractors. As a result, fluctuations in the prices of the construction materials could have a significant impact on the Target Group's operating results.

Interest rate risk

The Target Group is exposed to interest rate risk, primarily relating to its banks borrowings. The Target Group raised bank borrowings from commercial banks in the PRC to support its property development and general working capital needs. All of the Target Group's bank borrowings bear floating interest rates. Upward fluctuations in interest rates increase the Target Group's financing costs or construction costs (if capitalised), and will ultimately adversely affect the Target Group's results of operations. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of the Target Group's debt obligations. The Target Group's pledged bank deposits and bank balances carried at prevailing market rates also have exposure to interest rate risk. However, the management of the Target Group believes such exposure is minimal to the Target Group as its pledged bank deposits and bank balances are all short-term in nature.

As of 31 December 2010, 2011 and 2012 and 30 June 2013, if interest rate on bank borrowings, bank balances and pledged bank deposits had been 0.5% higher or lower, with all other variables remained constant, both of the Target Group's profit after tax and retained profits would decrease/increase by approximately RMB391,000, RMB556,000 and RMB290,000 and RMB514,000 for the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2013, respectively.

The Target Group currently does not engage in interest rate hedging activities. However, the management monitors interest rate exposure on ongoing basis and will consider hedging significant interest rate risk should the need arise.

Credit risk

The Target Group's credit risk is primarily related to its guarantee provided to the banks in connection with its customers' mortgage loans to finance their purchase of the residential properties developer by the Target Group. For more details of risk relating to such guarantee, please refer to "Risk factors — Risks relating to the Business and Industry of the Target Group — The Target Group guarantees mortgage loans of its customers and may become liable to mortgagee banks if its customers default on their mortgage loans." The Target Group reviews the recoverable amount of each individual purchaser at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors (together with the proposed executive Directors) consider that the Target Group's credit risk is significantly reduced.

The management of the Target Group believes the Target Group's credit risk on bank balances and pledged bank deposits is limited because the counterparties are banks with high credit ratings assigned by authorised credit rating agencies.

Liquidity risk

The management of the Target Group monitors and maintains a level of cash and cash equivalents deemed adequate by it to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Target Group also monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table sets forth the Target Group's maturity for its non-derivative financial liabilities based on the agreed repayment terms:

	Within one year *(RMB'000)*	More than one year but not exceeding two years *(RMB'000)*	More than two years but not exceeding five years *(RMB'000)*	Total undiscounted cash flow *(RMB'000)*	Carrying Amount *(RMB'000)*
As at 31 December 2010					
Trade and other payables	225,234	—	—	225,234	225,234
Amounts due to related parties	807,994	—	—	807,994	807,994
Bank borrowings	9,408	9,434	161,985	180,827	160,000
Financial guarantee contracts	67,771	—	—	67,771	—
	1,110,407	9,434	161,985	1,281,826	1,193,228
As at 31 December 2011					
Trade and other payables	198,624	—	—	198,624	198,624
Amounts due to related parties	327,688	—	—	327,688	327,688
Bank borrowings	146,704	163,094	—	309,798	285,000
Financial guarantee contracts	190,753	—	—	190,753	—
	863,769	163,094	—	1,026,863	811,312
As at 31 December 2012					
Trade and other payables	96,997	—	—	96,997	96,997
Amounts due to related parties	61,109	—	—	61,109	61,109
Bank borrowings	149,196	103,278	—	252,474	231,500
Financial guarantee contracts	259,107	—	—	259,107	—
	566,409	103,278	—	669,687	389,606
As of 30 June 2013					
Trade and other payables	133,955	—	—	133,955	133,955
Amounts due to related parties	60,839	—	—	60,839	60,839
Bank borrowings	190,621	132,815	—	323,436	303,000
Financial guarantee contracts	513,643	—	—	513,643	—
	899,058	132,815	—	1,031,873	497,794

DIVIDEND POLICY

The Board has the discretion to determine whether to declare any dividend for any period and, if it decides to declare a dividend, the amount of dividend to be declared. The Company will evaluate its dividend policy from time to time in light of its financial position and the prevailing economic climate. The determination to pay dividends, however, will be made at the discretion of the Board and will be based upon the Company's earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that the Board deems relevant.

DISTRIBUTABLE RESERVES

As of 30 June 2013, the Target Company had nil distributable reserves available for distribution to its shareholders.

NO MATERIAL CHANGES

The Directors (together with the proposed executive Directors) confirm that there has been no material change in the business development, financial or trading positions or outlook of the Target Group since 30 June 2013 (being the date to which the last audited financial statements of the Target Group were prepared as set forth in Appendix I to the circular) up to and including the Latest Practicable Date.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

As at the Latest Practicable Date, there are no circumstances which would give rise to disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules in respect of the Target Group.

PROPERTY VALUATION RECONCILIATION

The statement below shows the reconciliation of aggregate amounts of properties under development and held for sale as reflected in the audited consolidated financial information as of 30 June 2013 as set out in Appendix I to this prospectus with the valuation of these properties as of 31 July 2013 as set out in Appendix V to this prospectus.

	RMB'000
Net book value of the following properties as of 30 June 2013 (audited):	
Properties under development	1,322,084
Properties held for sale	184,484
	1,506,568
Add: Additions during the period from 1 July 2013 to 31 July 2013	23,201
Less: Delivery during the period from 1 July 2013 to 31 July 2013	(14,704)
Net book value as of 31 July 2013 (unaudited)	1,515,065
Net valuation surplus	172,935
Valuation of properties owned by the Target Group as at 31 July 2013 as set out in the property valuation report in Appendix V to this prospectus	1,688,000

As at the Latest Practicable Date, the Company had only one class of shares in issue, namely ordinary shares of HK$0.01 each. The table sets out details relating to the share capital of the Company as adjusted upon completion of the Open Offer and full conversion of the Convertible Bonds:

		HK$
Authorised share capital		
8,000,000,000	Shares as at the Latest Practicable Date	80,000,000
12,000,000,000	12,000,000,000 Shares in order to implement the Open Offer and full conversion of the Convertible Bonds upon increase in authorised share capital	120,000,000
20,000,000,000		**200,000,000**
Issued share capital		
422,000,000	Shares in issue as at the Latest Practicable Date	4,220,000
1,688,000,000	Offer Shares to be allotted and issued upon completion of the Open Offer	16,880,000
10,000,000,000	Conversion Shares to be issued upon full conversion of the Convertible Bonds	100,000,000
12,110,000,000	Shares, Offer Share and Conversion Shares immediately after completion of the Open Offer and full conversion of the Convertible Bonds	**121,100,000**

Other than an aggregate of 1,688,000,000 Offer Shares to be allotted and issued upon completion of the Open Offer and an aggregate of 10,000,000,000 Conversion Shares to be issued upon full conversion of the Convertible Bonds, there were no other outstanding options, warrants or other conversion rights over any part of the Company's share capital as at the Latest Practicable Date.

Other than the capital of the Company, there was no capital of any member of the Group which is under option, or agreed conditionally or unconditionally to be put under option.

SHARE OPTION SCHEMES

There are no outstanding options issued under the share option schemes of the Company as at the Latest Practicable Date.

GENERAL MANDATE

The Directors have been granted an unconditional general mandate to allot, issue and deal with unissued Shares or securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares, and to make, grant, sign or execute offers, agreements or options, deeds and other documents which would or might require the exercise of such power, subject to and in accordance with all applicable laws. The aggregate nominal value of Shares to be allotted and issued shall not exceed 20% of the aggregate nominal value of the share capital of the Company in issue as at the date of passing of the relevant resolution at the annual general meeting on 19 September 2013.

REPURCHASE MANDATE

The Directors have also been granted an unconditional general mandate to purchase the Shares on the Stock Exchange or any other stock exchange on which the Shares may be listed and recognised by the SFC and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the SFC, the Stock Exchange and all applicable laws in this regard. The aggregate nominal amount of the Shares which may be purchased by the Company shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution at the annual general meeting on 19 September 2013.

These two mandates expire at the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the applicable laws or the Articles to be held; or

(iii) the date on which the authority given to the Directors by the relevant resolution is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

28 October 2013

The Board of Directors
Warderly International Holdings Limited
CMB International Capital Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Nanjing Fullshare Asset Management Limited (南京豐盛資產管理有限公司) (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") for each of the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 (the "Relevant Periods"), for inclusion in a circular in connection with the proposed acquisition of the entire equity interest in the Target Company (the "Proposed Acquisition") issued by Warderly International Holdings Limited (the "Company") dated 28 October 2013 (the "Circular").

The Target Company was established in the People's Republic of China (the "PRC") on 19 July 2012 with limited liability. Pursuant to a group reorganisation completed on 10 August 2012 (the "Reorganisation"), the Target Company became the holding company of the companies now comprising the Target Group, details of which are set out in note 1 to the Financial Information below. The Target Company is principally engaged in the provision of management services to its subsidiaries and investment holding.

The statutory financial statements of the Target Company for the period ended 31 December 2012 were prepared in accordance with the applicable accounting principles and regulations in the PRC, and were audited by Shu Lun Pan CPAS LLP Jiangsu Branch registered in the PRC. For the purpose of this report, we have carried out independent audit procedures on the financial statements of the Target Company for the period ended 31 December 2012 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and carried out such additional procedures as are necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the HKICPA.

All the companies now comprising the Target Group are limited companies established in the PRC and have adopted 31 December as their financial year end date. During the Relevant Periods and as at the date of this report, the Target Company has the following direct and indirect subsidiaries and joint venture:

Name of Subsidiary	Place and date of establishment/ operation	Paid in/ registered capital	Percentage of equity interest attributable to the Target Company 31 December 2010	2011	2012	30 June 2013	At the date of report	Principal activities
Jiangsu Fullshare Property Development Company Limited* 江蘇省豐盛房地產開發有限公司 ("**Jiangsu Fullshare**") *(Notes a & f)*	The PRC 1 February 2007	RMB400,000,000 (31 December 2010 and 2011: RMB100,000,000)	99.84%	90.8%	100%	100%	100%	Property development
Chongqing Tongjing Changhao Property Company Limited* 重慶同景昌浩置業有限公司 ("**Chongqing Tongjing**") *(Notes b & g)*	The PRC 12 November 2009	RMB240,000,000	89.86%	81.72%	90%	90%	90%	Property development
Chongqing Heheng Real Estate Co., Ltd.* (formerly known as Chongqing Fullshare Real Estate Co., Ltd)* 重慶合恒置業有限公司 ("**Chongqing Heheng**") *(Notes d & h)*	The PRC 27 November 2009	Nil (31 December 2010: RMB300,000,000)	89.86%	—	—	—	—	Property development
Lianyungang Shunfeng Property Company Limited* 連運港順豐房地產有限公司 ("**Lianyungang Shunfeng**") *(Notes c, d & i)*	The PRC 8 July 2007	Nil (31 December 2010: RMB8,000,000)	99.84%	—	—	—	—	Property development
Yancheng Fullshare Jinji Property Development Company Limited* 鹽城豐盛金基房地產開發有限公司 ("**Yancheng Fullshare**") *(Notes e & j)*	The PRC 8 January 2008	Nil (31 December 2010 and 2011: RMB30,000,000)	99.84%	90.8%	—	—	—	Property development

Name of joint venture	Place and date of establishment/ operation	Paid in/ registered capital	Percentage of equity interest attributable to the Target Company 31 December 2010	2011	2012	30 June 2013	At the date of report	Principal activities
Tinjing Fullshare Yonghui Investment and Development Company Limited* 天津豐盛永輝投資發展有限公司 ("**Yonghui Fullshare**") *(Notes d & i)*	The PRC 29 December 2010	Nil (31 December 2010: RMB5,000,000)	50%	—	—	—	—	Property development

* *For identification purpose only*

Note a: After the Reorganisation, Jiangsu Fullshare is directly held by the Target Company. All other subsidiaries are indirectly held by the Target Company.

Note b: The entity was acquired in 2010.

Note c: The entity was acquired in 2009.

Note d: The entities were disposed of in 2011.

Note e: The entity was deregistered in 2012.

Note f: The statutory financial statements for the year ended 31 December 2010, 2011 and 2012 prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprise established in the PRC were audited by Yancheng Tianfang Certified Public Accountants Co., Ltd, a firm of certified public accountant registered in the PRC.

Note g: The statutory financial statements for the year ended 31 December 2010, 2011 and 2012 prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprise established in the PRC were audited by Chongqing Tianhua Certified Public Accountants Co., Ltd, a firm of certified public accountant registered in the PRC.

Note h: The statutory financial statements for the year ended 31 December 2010 prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprise established in the PRC were audited by Chongqing Tianhua Certified Public Accountants Co., Ltd, a firm of certified public accountant registered in the PRC.

Note i: No audited financial statement have been prepared for the entity for the year ended 31 December 2010, as this entity was a domestic company and not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

Note j: No audited financial statement have been prepared for the entity for the year ended 31 December 2010 and 2011, as this entity was a domestic company and not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

For the purpose of this report, the sole director of the Target Company has prepared the consolidated financial statements of the Target Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial

Statements''). We have performed an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA for the purpose of this report.

We have examined the Underlying Financial Statements for the Relevant Periods in accordance with the Auditing Guideline 3.340 ''Prospectuses and the Reporting Accountant'' as recommended by the HKICPA.

The Financial Information of the Target Group for the Relevant Periods as set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 1 to the Financial Information. No adjustments are considered necessary to adjust the Underlying Financial Statements in the preparation of this report for inclusion in the Circular.

The sole director of the Target Company is responsible for the preparation of the Financial Information and the Underlying Financial Statements which give a true and fair view and the directors of the Company are responsible, in accordance with the Responsibility Statements as set out in the Appendix VIII of this Circular, for the contents of the Circular in which this report is included. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. It is our responsibility to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of preparation set out in note 1 to the Financial Information, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Group as at 31 December 2010, 2011 and 2012 and 30 June 2013 and of the consolidated results and cash flows of the Target Group for the Relevant Periods.

The comparative consolidated statements of comprehensive income, cash flows and changes in equity of the Target Group for the six months ended 30 June 2012 together with the notes thereon have been extracted from the Target Group's unaudited consolidated financial information for the same period (the ''30 June 2012 Financial Information'') which was prepared by the sole director of the Target Company solely for the purpose of this report. We have reviewed the 30 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 30 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 30 June 2012 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 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.

I. FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income

		Year ended 31 December			Six months ended 30 June	
		2010	2011	2012	2012	2013
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	*7*	111,634	310,933	399,140	363,130	303,107
Cost of sales		(78,459)	(192,570)	(245,051)	(221,288)	(191,552)
Gross profit		33,175	118,363	154,089	141,842	111,555
Other income	*9*	1,788	4,287	2,067	1,384	534
Gain on disposal of subsidiaries	*32*	—	36,226	—	—	—
Selling expenses		(7,859)	(17,384)	(21,109)	(13,932)	(9,205)
Administrative expenses		(6,344)	(15,992)	(27,656)	(14,937)	(10,119)
Finance costs	*10*	—	—	—	—	—
Profit before tax		20,760	125,500	107,391	114,357	92,765
Income tax expense	*11*	(8,027)	(47,610)	(73,994)	(70,094)	(58,313)
Profit and total comprehensive income for the year/period	*12*	12,733	77,890	33,397	44,263	34,452
Profit (loss) and total comprehensive income (expense) for the year/period attributable to:						
Owners of the Target Company		12,915	76,693	30,466	40,112	29,580
Non-controlling interests		(182)	1,197	2,931	4,151	4,872
		12,733	77,890	33,397	44,263	34,452
Dividends	*14*	—	—	174,266	—	—

Note: Earnings per share of the Target Company for the years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2012 and 2013 are not presented as such information is not considered meaningful in the context of this report.

There were neither extraordinary nor exceptional items in terms of size, nature or incidence recorded during the Relevant Periods.

Consolidated Statements of Financial Position

		As at 31 December			As at 30 June
		2010	2011	2012	2013
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Plant and equipment	*15*	506	1,999	2,229	2,297
Interest in a joint venture	*16*	5,000	—	—	—
Deferred tax assets	*17*	—	—	—	3,045
		5,506	1,999	2,229	5,342
Current assets					
Held for trading investments	*18*	—	3,000	400	400
Trade and other receivables, prepayments and deposits	*19*	795,608	87,623	88,068	88,351
Tax prepaid	*20*	16,884	13,717	11,054	6,806
Properties under development	*21*	765,158	1,061,489	1,367,338	1,322,084
Properties held for sale	*22*	2,857	302,774	57,723	184,484
Amounts due from related parties	*23*	43,926	137,015	—	6,241
Pledged bank deposits	*24*	15,000	58,000	210	11,195
Bank balances and cash	*25*	40,823	78,662	154,074	154,792
		1,680,256	1,742,280	1,678,867	1,774,353
Current liabilities					
Trade and other payables	*26*	555,243	900,182	964,998	933,944
Income tax payables		3,336	831	33,780	57,751
Amounts due to related parties	*23*	807,994	327,688	61,109	60,839
Bank borrowings — due within one year	*27*	—	130,000	131,500	173,000
		1,366,573	1,358,701	1,191,387	1,225,534
Net current assets		313,683	383,579	487,480	548,819
Total assets less current liabilities		319,189	385,578	489,709	554,161

		As at 31 December			As at 30 June
		2010	2011	2012	2013
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Capital and reserves					
Paid in capital	*28*	100,000	100,000	400,000	400,000
Reserves		29,117	88,455	(29,754)	(174)
Equity attributable to owners of the Target Company		129,117	188,455	370,246	399,826
Non-controlling interests		30,072	42,123	19,463	24,335
Total equity		159,189	230,578	389,709	424,161
Non-current liability					
Bank borrowings — due after one year	*27*	160,000	155,000	100,000	130,000
Total equity and non-current liability		319,189	385,578	489,709	554,161

Consolidated Statements of Changes in Equity

	Attributable to owners of the Target Company							
	Paid in capital	Statutory reserves	Capital reserve	Other reserve	Retained profits (Accumulated loss)	Total Equity	Non-controlling Interests	Total
	RMB'000	*RMB'000* *(Note i)*	*RMB'000* *(Note ii)*	*RMB'000* *(Note iii)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010	100,000	2,273	—	506	13,705	116,484	12,222	128,706
Profit and total comprehensive income for the year	—	—	—	—	12,915	12,915	(182)	12,733
Transfers to statutory reserves	—	1,450	—	—	(1,450)	—	—	—
Contribution from the non-controlling interests *(Note iv)*	—	—	—	(73)	—	(73)	17,823	17,750
Partial disposal of a subsidiary *(Note (v)(a))*	—	—	—	(209)	—	(209)	209	—
At 31 December 2010 and 1 January 2011	100,000	3,723	—	224	25,170	129,117	30,072	159,189
Profit and total comprehensive income for the year	—	—	—	—	76,693	76,693	1,197	77,890
Transfers to statutory reserves	—	7,974	—	—	(7,974)	—	—	—
Disposal of a subsidiary *(Note vi)*	—	—	—	73	(73)	—	(6,501)	(6,501)
Partial disposal of a subsidiary *(Note (v)(b))*	—	—	—	(17,355)	—	(17,355)	17,355	—
At 31 December 2011 and 1 January 2012	100,000	11,697	—	(17,058)	93,816	188,455	42,123	230,578
Profit and total comprehensive income for the year	—	—	—	—	30,466	30,466	2,931	33,397
Acquisition of additional equity interest in a subsidiary *(Note vii)*	—	—	—	25,591	—	25,591	(25,591)	—
Transfers to statutory reserves	—	6,532	—	—	(6,532)	—	—	—
Increase in paid-in capital upon loan capitalisation *(Note 35(c))*	300,000	—	—	—	—	300,000	—	300,000
Increase in paid-in capital arising from reorganisation *(Note viii)*	400,000	—	(400,000)	—	—	—	—	—
Reorganisation *(Note ix)*	(400,000)	—	400,000	—	—	—	—	—
Dividend recognised as distribution *(Note 14)*	—	—	—	—	(174,266)	(174,266)	—	(174,266)
At 31 December 2012 and 1 January 2013	400,000	18,229	—	8,533	(56,516)	370,246	19,463	389,709
Profit and total comprehensive income for the period	—	—	—	—	29,580	29,580	4,872	34,452
Transfers to statutory reserves	—	287	—	—	(287)	—	—	—
At 30 June 2013	400,000	18,516	—	8,533	(27,223)	399,826	24,335	424,161
Unaudited								
At 1 January 2012	100,000	11,697	—	(17,058)	93,816	188,455	42,123	230,578
Profit and total comprehensive income for the period	—	—	—	—	40,112	40,112	4,151	44,263
Transfers to statutory reserves	—	8,436	—	—	(8,436)	—	—	—
At 30 June 2012	100,000	20,133	—	(17,058)	125,492	228,567	46,274	274,841

Notes:

(i) Statutory reserve

In accordance with the PRC Company Law and the PRC subsidiaries' Articles of Association, a subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its annual statutory net profit as determined in accordance with relevant statutory rules and regulations applicable to enterprises established in the PRC (after offsetting any prior years' losses) to the statutory reserve. When the balance of such reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory reserve can be utilised to offset prior years' losses or to increase capital. However, such balance of the statutory reserve must be maintained at a minimum of 25% of the capital after such usages.

(ii) Capital reserve

Capital reserve represents the reserve arising from the Reorganisation.

(iii) Other reserve

Other reserve represents the net gain (loss) arising from the transactions between the non-controlling interests and the owners of the Company.

(iv) Contribution from Jiangsu Fullshare and non-controlling interests related to Chongqing Hebeng

On 15 October 2010, Jiangsu Fullshare and the non-controlling interests of Chongqing Heheng further injected additional capital of approximately RMB257,250,000 and approximately RMB17,750,000 to Chongqing Heheng respectively, the equity interests in Chongqing Heheng held by Jiangsu Fullshare increased from 51% to 90% and the respective equity interests held by the non-controlling interests decreased from 49% to 10% accordingly. Accordingly, the net assets of Chongqing Heheng shared by Jiangsu Fullshare was decreased by approximately RMB73,000.

(v) Partial disposal of a subsidiary

(a) Prior to 27 August 2010, Nanjing Fullshare Industry Holding Group Co. Ltd. ("Nanjing Fullshare Holding") and Mr. Ji Changqun ("Mr. Ji") effectively held 100% equity interest in Jiangsu Fullshare. On 27 August 2010, Nanjing Fullshare Holding transferred 10% of its equity interest in Jiangsu Fullshare to Nanjing Jiasheng Property Development Company Limited ("Nanjing Jiasheng") at a cash consideration of RMB10,000,000. At the date of the partial disposal transaction, the shareholders of Nanjing Jiasheng were Mr. Ji, Nanjing Fullshare Holding and Mr. Fang with an equity interest of 6.38%, 92.03% and 1.59% respectively. Nanjing Fullshare Holding and Mr. Ji were deemed as partially disposed of equivalent to 0.16% equity interests in Jiangsu Fullshare. Other reserve of approximately RMB209,000 represents the net asset value of Jiangsu Fullshare disposed of was transferred to the non-controlling interests.

(b) Prior to 30 May 2011, Nanjing Fullshare Holding and Mr. Ji effectively held 99.84% equity interest in Jiangsu Fullshare. On 30 May 2011, Mr. Fang transferred all of its 1.59% equity interest in Nanjing Jiasheng to Mr. Ji at a consideration of RMB8,000,000. At the same date, Nanjing Fullshare Holding also transferred all of its 92.03% shareholding in Nanjing Jiasheng to an independent third party at a consideration of RMB462,000,000. Nanjing Fullshare Holding and Mr. Ji were deemed as partially disposed of equivalent to 9.04% equity interests in Jiangsu Fullshare. Other reserve of approximately RMB17,355,000 represents the net asset value of Jiangsu Fullshare disposed of was transferred to the non-controlling interests.

(vi) Disposal of a subsidiary

On 21 September 2011, Jiangsu Fullshare completed to dispose of the 90% equity interests in Chongqing Heheng to Nanjing Xiaocai Yidei Media, a related party of the Target Group. The Target Group has not retained any control of Chongqing Heheng. The other reserve of approximately RMB73,000 mentioned in note (iv) was released upon the disposal of Chongqing Heheng during the year ended 31 December 2011.

(vii) Acquisition of additional equity interest in a subsidiary

Prior to 25 July 2012, Nanjing Fullshare Holding and Mr. Ji effectively held 90.8% equity interest in Jiangsu Fullshare. On 25 July 2012, Nanjing Fullshare and Mr. Ji acquired the remaining 9.2% equity interests from non-controlling interests in Jiangsu Fullshare at a consideration of approximately RMB10,000,000. Other reserve of approximately RMB25,591,000 represents the net asset value of Jiangsu Fullshare acquired was transferred from the non-controlling interests.

(viii) Issue of shares arising from reorganisation

The Target Company was incorporated on 19 July 2012. The capital injection represents cash injection from Nanjing Fullshare Holding to increase the paid-in capital of the Target Company.

(ix) Reorganisation

On 10 August 2012, the Target Company acquired the entire equity interest of Jiangsu Fullshare and its subsidiaries from Nanjing Fullshare Holding. The paid in capital of the Target Company represented the consideration paid for exchange of the equity interest of Jiangsu Fullshare.

Consolidated Statements of Cash Flows

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
OPERATING ACTIVITIES					
Profit before tax	20,760	125,500	107,391	114,357	92,765
Adjustments for:					
Gain on disposal of subsidiaries	—	(36,226)	—	—	—
Plant and equipment written off	—	5	—	—	—
Depreciation for plant and equipment	74	636	898	416	414
Interest income	(1,781)	(3,546)	(1,803)	(1,228)	(525)
Government grants	—	(672)	(100)	(100)	—
Operating cash inflows before movements in working capital	19,053	85,697	106,386	113,445	92,654
Decrease in properties held for sale	78,459	192,570	245,051	221,288	191,552
Increase in properties under developments	(181,415)	(1,138,260)	(286,308)	(328,538)	(262,485)
(Increase) decrease in held for trading investments	—	(3,000)	2,600	2,000	—
(Increase) decrease in trade and other receivables, prepayments and deposits	(578,288)	159,164	(445)	216,073	(283)
Increase (decrease) in trade and other payables	381,522	1,242,633	64,816	(147,571)	(13,627)
Cash (used in) generated from operations	(280,669)	538,804	132,100	76,697	7,811
Income tax paid	(26,442)	(46,948)	(38,382)	(28,874)	(33,139)
Interest paid	(6,624)	(31,699)	(19,541)	(9,862)	(10,574)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(313,735)	460,157	74,177	37,961	(35,902)

		Year ended 31 December			Six months ended 30 June	
		2010	**2011**	**2012**	**2012**	**2013**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
INVESTING ACTIVITIES						
Acquisition of subsidiaries	*31*	(239,644)	—	—	—	—
(Increase) decrease in pledged bank deposits		(10,500)	(43,000)	57,790	58,000	(10,985)
Advance to related parties		(41,992)	(695,180)	(44,845)	(5,584)	(6,241)
Advance to an independent third party		(30,000)	—	—	—	—
Purchase of plant and equipment		(212)	(2,319)	(1,191)	(1,005)	(482)
Investment in a joint venture		(5,000)	—	—	—	—
Interest received		581	846	1,803	1,228	525
Cash outflow arising from reorganisation		—	—	(400,000)	—	—
Proceeds from disposal of plant and equipment		—	—	63	—	—
Proceed from disposal of interest in a joint venture		—	5,000	—	—	—
Net cash outflow on disposal of subsidiaries	*32*	—	(44,508)	—	—	—
NET CASH USED IN INVESTING ACTIVITIES		(326,767)	(779,161)	(386,380)	52,639	(17,183)

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
FINANCING ACTIVITIES					
Advance from (to) related parties	552,235	231,171	137,015	29,003	(270)
Bank borrowings raised	160,000	375,000	140,000	40,000	80,000
Repayment of bank borrowings	(80,000)	(250,000)	(193,500)	(80,000)	(8,500)
Dividend paid	—	—	(96,000)	—	(17,427)
Paid in capital	—	—	400,000	—	—
Capital contribution from non-controlling interests of a subsidiary	17,750	—	—	—	—
Government grants received	—	672	100	100	—
NET CASH FROM FINANCING ACTIVITIES	649,985	356,843	387,615	(10,897)	53,803
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,483	37,839	75,412	79,703	718
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	31,340	40,823	78,662	78,662	154,074
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	40,823	78,662	154,074	158,365	154,792

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATION INFORMATION AND BASIS OF PRESENTATION

The Target Company was incorporated in the PRC on 19 July 2012 with limited liability. The address of its registered office and principal place of business is at No. 188 RuanJian Road, NanJing City, JiangSu Province, the PRC. The Target Company is an investment holding company. The principal activities of its subsidiaries are mainly property development.

The sole director of the Target Company considers that the ultimate holding company of the Target Company as at the date of this report is Nanjing Fullshare Industry Holding Group Co. Ltd. (''Nanjing Fullshare Holding''), which was incorporated in the PRC.

The Financial Information is presented in Renminbi (''RMB''), which is the same as the functional currency of the Target Company and its subsidiaries.

Pursuant to the Reorganisation as described in the section headed ''History and Background of the Target Group'' in the Circular, the Target Company became the holding company of the companies now comprising the Target Group after the completion of the Reorganisation. Other than the acquired companies as mentioned in note 31, the companies now comprising the Target Group have been under the common control of Mr. Ji Changqun (''Mr. Ji'') and Nanjing Fullshare Holding, the ultimate controlling shareholders throughout the Relevant Periods or since their respective dates of establishment up to 30 June 2013. The Target Group comprising Target Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Financial Information has been prepared on a combined basis as if the Target Company had always been the holding company of the Target Group by applying the principles of merger accounting with reference to Accounting Guideline 5 ''Merger Accounting for Common Control Combinations' issued by the HKICPA as if the Reorganisation had been completed at the beginning of the Relevant Periods as set out in the accounting policy of the Target Company under ''Business combination under common control'' in note 3 to the Financial Information.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows including the results and cash flows of companies comprising the Target Group have been prepared as if the current group structure had been in existence throughout the Relevant Periods or since the respective dates of establishment of the relevant Target Group's subsidiaries, up to 30 June 2013. The consolidated statements of financial position of the Target Group as at 31 December 2010, 2011 and 2012 and 30 June 2013 have been prepared to present the assets and liabilities of the companies comprising the Target Group upon the completion of the Reorganisation as if the current group structure had been in existence as at those dates.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (''HKFRSs'')

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Group has consistently adopted all the relevant Hong Kong Accounting Standards (''HKASs''), HKFRSs, amendments and the related interpretations (''INTs'') issued by the HKICPA which are effective for the Target Group's financial year beginning on 1 January 2013.

The Target Group has not early applied the following new or revised standards, amendments and interpretations that have been issued but are not yet effective:

Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
HKFRS 9	Financial Instruments[2]
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 for Non-Financial Assets[1]
Amendments to HKAS 39	Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) Int 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014.
[2] Effective for annual periods beginning on or after 1 January 2015.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The sole director of the Target Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's financial information as the Group does not have any financial assets and financial liabilities that qualify for offset.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting period In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The sole director of the Target Company anticipates that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Target Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The sole director of the Target Company anticipates that the application of the other new and revised standards, amendments and interpretations will have no material impact on the results and financial position of the Target Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The Financial Information has been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial information is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the Target Company and entities controlled by the Target Company (its subsidiaries).

Control is achieved when the Target Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

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

When the Target Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Target Company considers all relevant facts and circumstances in assessing whether or not the Target Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Target Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Target Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Target Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Target Company obtains control over the subsidiary and ceases when the Target Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Target Company gains control until the date when the Target Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Target Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Target Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Changes in the Target Group's ownership interests in existing subsidiaries

Changes in the Target Group's ownership interests in subsidiaries that do not result in the Target Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Target Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Target Company.

When the Target Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Target Group had directly disposed of the related assets or liabilities of the subsidiary (*i.e.* reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

Investments in subsidiaries

Investments in subsidiaries are stated in the Target Company's statement of financial position at cost less provision for impairment losses.

Business combinations under common control

The Financial Information incorporates the financial statements 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 or businesses 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 acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of 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 or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Financial Information are presented as if the entities or businesses had been consolidated at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Investments in joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Target Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Target Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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

The Target Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the Target Group retains an interest in the former joint venture and the retained interest is a financial asset, the Target Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Target Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Target Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a Target Group entity transacts with a joint venture of the Target Group, profits and losses resulting from the transactions with the joint venture are recognised in the Target Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Target Group.

Plant and equipment

Plant and equipment held for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of 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 estimated amounted for on a prospective basis.

An item of 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 disposal or retirement of an item of plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Properties under development

Properties under development are stated at the lower of cost and net realisable value.

Cost comprises the costs of land use rights, construction costs, borrowing costs capitalised and other direct development expenditure.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and applicable selling expenses.

On completion, the properties are transferred to properties held for sale.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Cost comprises the costs of land use rights, construction costs, borrowing costs capitalised and other direct development expenditure attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses at the end of the reporting period, or by management estimates based on prevailing market conditions.

Impairment losses on tangible assets

At the end of each reporting period, the Target Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered 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. Where it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs 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 assessment 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement 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 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 at FVTPL are recognised immediately in profit or loss.

Financial assets

The Target Group's financial assets are classified into one of two categories, including financial assets at FVTPL and loan and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant periods. 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 basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included a net gains or losses.

Financial assets at FVTPL

Financial assets at FVTPL are financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or

- it is a part of an identified portfolio of financial instruments that the Target Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset. Fair value is determined in the manner described in 6(c).

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as default or delinquency in interest and principal payments; or

- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or

- the disappearance of an active market for that financial asset because of financial difficulties.

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 the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, deposits where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable and deposit 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 impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

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

An equity instrument is any contract that evidences a residual interest in the assets of the Target Group after deducting all of its liabilities. The Target Group's financial liabilities mainly other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments 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.

Other financial liabilities

Other financial liabilities, including trade and bills payables, other payables and accruals, amounts due to related parties and bank borrowings, are subsequently measured at the amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Target Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Target Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Equity instruments

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Target Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

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 and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Retirement benefit costs

Payments to the PRC local government defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax 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 those deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of sales related taxes.

(i) Sales of properties

Revenue from sales of properties in the ordinary course of business is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of the relevant properties have been completed, the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured.

Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under receipts in advance.

(ii) Interest income

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Target Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in the profit or loss on a systematic basis over the periods in which the Target Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Target Group with no future related costs are recognised in the profit or loss in the period in which they become receivable.

Leasing

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

The Target Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Borrowing costs

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

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

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash.

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 the respective functional currency (*i.e.* the currency of the primary economy environment in which the entity operates) at the rates of exchange 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 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in note 3, the sole director of the Target Company is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

PRC land appreciation tax

The Target Group is subject to land appreciation tax in the PRC. The provision of the land appreciation tax is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual land appreciation tax liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Target Group has not finalised its land appreciation tax calculation and payments with the tax authorities for its property development projects. The final outcome could be different from the amounts that were initially recorded. At 31 December 2010, 2011 and 2012 and 30 June 2013, the carrying amount of land appreciation tax recoverable was approximately RMB16,884,000, RMB13,583,000, RMB9,002,000 and nil respectively.

Estimated net realisable value of properties held for sale

The management of the Target Group determines the net realisable value of properties held for sale by using prevailing market data such as most recent sales transactions and internal estimates of cost based on quotes from contractors. These estimates require judgement as to the anticipated sale prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales), the legal and regulatory framework and general market conditions. At 31 December 2010, 2011 and 2012 and 30 June 2013, the carrying amount of properties held for sale was approximately RMB2,857,000, RMB302,774,000, RMB57,723,000 and RMB184,484,000 respectively.

Estimated net realisable value of properties under development

In determining whether allowances should be made to the Target Group's properties under development, the sole director of the Target Company takes into consideration the current market environment and the estimated market value (*i.e.* the estimated selling price less estimated costs to sell) less estimated costs to completion of the properties. An allowance is made if the estimated market value is less than the carrying amount. If the actual net realisable value of properties under development is less than expected as a result of a change in market condition and/or significant variation in the budgeted development cost, material provision for impairment losses may result. At 31 December 2010, 2011 and 2012 and 30 June 2013, the carrying amount of properties under development was approximately RMB765,158,000, RMB1,061,489,000, RMB1,367,338,000 and RMB1,322,084,000 respectively. No impairment was provided throughout the Relevant Periods.

Income taxes

As at 30 June 2013, a deferred tax asset of approximately RMB3,045,000 in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of approximately RMB1,717,000, RMB9,861,000 and RMB41,777,000 respectively as at 31 December 2010, 2011 and 2012 due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Estimated impairment of trade and other receivables and deposits

When there is objective evidence of impairment loss, the sole director of Target Company takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (*i.e.* the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2010, 2011 and 2012 and 30 June 2013, the carrying amounts of trade and other receivables and deposits are approximately RMB775,238,000, RMB31,174,000, RMB30,296,000 and RMB34,786,000 respectively. No impairment was provided throughout the Relevant Periods.

Estimated fair value of financial guarantees

In respect of the financial guarantees provided to property purchasers, the sole director considers the net realisable value of the relevant properties against the outstanding principal and interest.

The fair value of the financial guarantees is immaterial at 31 December 2010, 2011 and 2012 and 30 June 2013 were assessed by CBRE Limited, an independent professional valuer not connected to the Group. Details of the financial guarantees are set out on note 33.

5. CAPITAL RISK MANAGEMENT

The Target Group manages its capital to ensure that entities in the Target Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity balances. The Target Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Target Group consists of net debt, which includes amounts due to related parties and bank borrowings, net of cash and cash equivalents and equity attributable to owners of the Target Company, comprising paid in capital and reserves.

The sole director of the Target Company reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. Based on the recommendations of the sole director, the Target Group will balance its overall capital structure through payment of dividend, issuance of new shares as well as the raising of new debts or the repayment of existing debts.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Held for trading investments	—	3,000	400	400
Loans and receivables (including bank balances and cash)	874,987	304,851	184,580	207,014
Financial liabilities				
At amortised costs	1,193,228	811,312	389,606	497,794

(b) Financial risk management objectives and policies

The Target Group's major financial instruments include trade and other receivables, deposits, trade and bills payable, other payables and accruals, amounts due from (to) related parties, pledged bank deposits, bank balances and cash, and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including foreign currency risk and interest risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Target Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

As most of the Target Group's monetary assets and liabilities are denominated in RMB and the Target Group conducts its business transactions principally in RMB, the currency risk of the Target Group is not significant and the Target Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

In the opinion of the sole director of the Target Company, since the currency risk is minimal, no sensitivity analysis is presented.

(ii) Interest rate risk

The Target Group was exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and amounts due to related parties for the Relevant Periods.

It is the Target Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Target Group was also exposed to cash flow interest rate risk relates to pledged bank deposits and bank balances carried at prevailing market rate. However, such exposure is minimal to the Target Group as the bank balances are all short-term in nature.

The Target Group's exposures to interest rate risk on financial liabilities are detailed in the liquidity risk management section of this note. The Target Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the fixed deposit rate as stipulated by the People's Bank of China arising from the Target Group's RMB borrowings.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year.

For variable-rate bank balances, pledged bank deposits and bank borrowings, if the interest rates had been 50 basis points higher/lower and all other variables were held constant, the Target Group's profit after tax and retained profits would decrease/increase by approximately RMB391,000, RMB556,000, RMB290,000 and RMB514,000 during the years ended 31 December 2010, 2011 and 2012 and 30 June 2013 respectively.

Credit risk

As at the end of each reporting period, the Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Target Group has no significant concentration of credit risk, with exposures spread over a number of counterparties.

The Target Group reviews the recoverable amount of each individual debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the sole director of the Target Group considers that the Target Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by authorised credit rating agencies.

For properties that are pre-sold but development has not been completed, the Target Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties of the purchase price of the individual property. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Target Group to repay the outstanding loan and any interest accrued thereon. As the mortgage loans are secured by the properties with current market price higher than the guaranteed amounts, the sole director of the Target Company considers it would recover any loss incurred arising from the guarantee provided by the Target Group.

Liquidity risk

In the management of the liquidity risk, the Target Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Target Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Target Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity risk tables

The Target Group	Within one year	More than one year but not exceeding two years	More than two years but not exceeding five years	Total undiscounted cash flow	Carrying Amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2010					
Trade and other payables	225,234	—	—	225,234	225,234
Amounts due to related parties	807,994	—	—	807,994	807,994
Bank borrowings	9,408	9,434	161,985	180,827	160,000
Financial guarantee contracts	67,771	—	—	67,771	—
	1,110,407	9,434	161,985	1,281,826	1,193,228
As at 31 December 2011					
Trade and other payables	198,624	—	—	198,624	198,624
Amounts due to related parties	327,688	—	—	327,688	327,688
Bank borrowings	146,704	163,094	—	309,798	285,000
Financial guarantee contracts	190,753	—	—	190,753	—
	863,769	163,094	—	1,026,863	811,312
As at 31 December 2012					
Trade and other payables	96,997	—	—	96,997	96,997
Amounts due to related parties	61,109	—	—	61,109	61,109
Bank borrowings	149,196	103,278	—	252,474	231,500
Financial guarantee contracts	259,107	—	—	259,107	—
	566,409	103,278	—	669,687	389,606
As at 30 June 2013					
Trade and other payables	133,955	—	—	133,955	133,955
Amounts due to related parties	60,839	—	—	60,839	60,839
Bank borrowings	190,621	132,815	—	323,436	303,000
Financial guarantee contracts	513,643	—	—	513,643	—
	899,058	132,815	—	1,031,873	497,794

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

The amount included above for financial guarantee contracts are the maximum amounts the Target Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee for loans procured by the purchasers of the Target Group's properties. Based on the expectations at the end of the reporting period, the Target Group considers that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

(c) Fair values of financial assets and liabilities

The fair value of financial assets and financial liabilities not measured at fair value on a recurring basis are determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

The sole director of the Target Company considers that the carrying amounts of these financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to short-term or immediate maturities.

Fair value measurements recognised in the consolidated statement of financial position on a recurring basis

The Target Group's held for trading investments are measured at fair value at the end of each reporting period and classified under Level 1 in the fair value hierarchy. The fair value is based on the quoted bid prices in an active market.

As at 31 December 2011

	Level 1
	RMB'000
Financial assets	
Held for trading investments	3,000

As at 31 December 2012

	Level 1
	RMB'000
Financial assets	
Held for trading investments	400

As at 30 June 2013

	Level 1
	RMB'000
Financial assets	
Held for trading investments	400

7. REVENUE

Revenue represents the net amounts received and receivable for properties sold by the Target Group to outside customers less sales related taxes.

8. SEGMENT INFORMATION

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Target Group that are regularly reviewed by the chief operating decision maker (the sole director of the Target Group) in order to allocate resources to the segment and to assess its performance.

For management purpose, the Target Group operates in one business unit based on their products, and has one reportable and operating segment: Property development. The sole director of the Target Group monitors the revenue of its business unit as a whole based on the monthly sales and pre-sales for the purpose of making decisions about resource allocation and performance assessment. Segment revenue and results; and segments assets and liabilities are presented in the consolidated statements of comprehensive income and consolidated statements of financial position respectively.

Information about geographical areas

As all the Target Group's revenue is derived from customers based in the PRC (country of domicile) and all the Target Group's non-current assets are located in the PRC, no geographical information is presented.

Information about major customers

During the Relevant Periods and six months ended 30 June 2012, there was no one single external customer contributing to over 10% of the Target Group's revenue.

9. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest income	1,781	3,546	1,803	1,228	525
Government grants *(Note)*	—	672	100	100	—
Others	7	69	164	56	9
	1,788	4,287	2,067	1,384	534

Note: Government grants in respect of encouragement of expansion of enterprise were recognised at the time when the Target Group fulfilled the relevant granting conditions.

10. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest expenses on:					
bank borrowings wholly repayable within five years	6,624	18,328	19,541	9,862	10,574
advance from a related company wholly repayable within five years	—	13,371	—	—	—
Less: Interest capitalised *(note 21)*	(6,624)	(31,699)	(19,541)	(9,862)	(10,574)
	—	—	—	—	—

Borrowing costs capitalised during the Relevant Periods and six months ended 30 June 2012 arose from specific borrowings.

11. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax:					
PRC Enterprise Income Tax ("EIT")	5,017	26,912	29,774	32,709	17,537
PRC Land Appreciation Tax ("LAT")	3,010	20,698	44,220	37,385	43,821
	8,027	47,610	73,994	70,094	61,358
Deferred tax *(note 17)*	—	—	—	—	(3,045)
	8,027	47,610	73,994	70,094	58,313

Notes:

(a) Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Target Company and its subsidiaries is 25% for the Relevant Periods and six months ended 30 June 2012.

(b) The provision of PRC LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. PRC LAT has been provided at progressive rates ranging from 30% to 60% on the appreciation value, with certain allowable deductions including land costs and the relevant property development expenditures. According to the State Administration of Taxation's official circulars, PRC LAT shall be payable provisionally upon sales of the properties, followed by final ascertainment of the gain at the completion of the properties development.

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before tax	20,760	125,500	107,391	114,357	92,765
Tax at the domestic income tax rate of 25%	5,190	31,375	26,848	28,590	23,191
Provision for PRC LAT for the year	3,010	20,698	44,220	37,385	43,821
Tax effect of expenses not deductible for tax purpose	346	728	828	714	2,852
Tax effect of PRC LAT deductible for PRC EIT	(753)	(5,174)	(5,881)	(1,050)	(1,107)
Tax effect of income not taxable for tax purpose	(179)	(2,053)	—	—	—
Utilisation of tax losses previously not recognised	—	—	—	—	(10,444)
Tax effect of tax losses not recognised	413	2,036	7,979	4,455	—
Income tax expense for the year	8,027	47,610	73,994	70,094	58,313

Details of deferred tax are set out in note 17.

12. PROFIT FOR THE YEAR/PERIOD

Profit for the year/period has been arrived at after charging:

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
(a) Staff costs, excluding director's emolument					
Salaries, wages and other benefits	1,400	3,833	6,245	3,785	4,783
Retirement benefits scheme contributions	210	407	727	352	754
	1,610	4,240	6,972	4,137	5,537
(b) Other items					
Auditors' remuneration	44	17	23	23	23
Depreciation of plant and equipment	74	636	898	416	414
Operating lease rentals of properties	115	710	1,388	700	340
Costs of properties held for sale recognised as expenses (included as cost of sales)	78,459	192,570	245,051	221,288	191,552
Plant and equipment written off	—	5	—	—	—

13. DIRECTOR'S AND EMPLOYEES' EMOLUMENTS

(a) Director's emolument

Details of director's emolument:

	Fees	Salaries, allowances and other benefits	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2010				
Shi Zhiqiang	—	—	—	—

	Fees	Salaries, allowances and other benefits	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2011				
Shi Zhiqiang	—	—	—	—

	Fees	Salaries, allowances and other benefits	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2012				
Shi Zhiqiang	—	—	—	—

	Fees	Salaries, allowances and other benefits	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2012 (Unaudited)				
Shi Zhiqiang	—	—	—	—

	Fees	Salaries, allowances and other benefits	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2013				
Shi Zhiqiang	—	150	35	185

No director waived and agreed to waive any emoluments paid by the Target Group during the Relevant Periods and six months ended 30 June 2012. No emoluments were paid by the Target Group to any directors as an incentive payment for joining the Target Group or as compensation for loss of office during the Relevant Periods and six months ended 30 June 2012.

(b) Employees' emoluments

Out of the five highest paid individuals in the Target Group, none was director of the Target Company during the Relevant Periods and six months ended 30 June 2012. The aggregate emoluments of 5 individuals with the highest pay for the Relevant Periods and six months ended 30 June 2012 were as follow:

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, allowances and other benefits	897	1,360	1,840	1,226	1,081
Retirement benefits scheme contributions	41	32	40	17	76
	938	1,392	1,880	1,243	1,157

During the Relevant Periods and six months ended 30 June 2012, the emoluments for each of the above employees were below HK$1,000,000 (approximately RMB830,000) per annum.

During the Relevant Periods and six months ended 30 June 2012, no emoluments have been paid by the Target Group to the five highest paid individuals as an inducement to join or upon joining the Target Group, or as compensation for loss of office.

14. DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Dividends recognised as distribution during the years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2012 and 2013	—	—	174,266	—	—

For the three years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2012 and 2013, Jiangsu Fullshare declared dividends in aggregate amounts of approximately nil, nil, RMB174,266,000, nil and nil respectively. No dividend was paid or proposed since 30 June 2013.

15. PLANT AND EQUIPMENT

	Leasehold improvement *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
COST				
At 1 January 2010	—	231	7	238
Acquisition of a subsidiary	—	202	—	202
Additions	—	160	52	212
At 31 December 2010 and 1 January 2011	—	593	59	652
Additions	1,243	803	273	2,319
Disposal of a subsidiary	—	(188)	—	(188)
Written off	—	(8)	(2)	(10)
At 31 December 2011 and 1 January 2012	1,243	1,200	330	2,773
Additions	—	344	847	1,191
Disposals	—	(121)	—	(121)
At 31 December 2012 and 1 January 2013	1,243	1,423	1,177	3,843
Additions	—	480	2	482
At 30 June 2013	1,243	1,903	1,179	4,325
ACCUMULATED DEPRECIATION				
At 1 January 2010	—	69	3	72
Charge for the year	—	72	2	74
At 31 December 2010 and 1 January 2011	—	141	5	146
Charge for the year	310	291	35	636
Disposal of a subsidiary	—	(3)	—	(3)
Written back	—	(4)	(1)	(5)
At 31 December 2011 and 1 January 2012	310	425	39	774
Charge for the year	415	368	115	898
Eliminated on disposals	—	(58)	—	(58)
At 31 December 2012 and 1 January 2013	725	735	154	1,614
Charge for the period	207	138	69	414
At 30 June 2013	932	873	223	2,028
CARRYING VALUES				
At 31 December 2010	—	452	54	506
At 31 December 2011	933	775	291	1,999
At 31 December 2012	518	688	1,023	2,229
At 30 June 2013	311	1,030	956	2,297

Depreciation is recognised so as to write off the cost of plant and equipment less their residual value, if any, using the straight line method over their estimated useful lives as follows:

Leasehold improvement	3 years
Office equipment	3 to 5 years
Motor vehicles	5 years

16. INTEREST IN A JOINT VENTURE

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of unlisted interest in a joint venture	5,000	5,000	—	—
Disposals	—	(5,000)	—	—
	5,000	—	—	—

During the year ended 31 December 2011, the Target Group disposed of Yonghui Fullshare at cash consideration of RMB5,000,000 to the joint venture partner.

Details of the Target Group's joint venture as at 31 December 2010, 2011 and 2012 and 30 June 2013 is as follows:

Name of entity	Form of business structure	Country of registration/ operations	Proportion of paid up registered capital held by the Target Group	Paid up registered capital	Principal activities
Yonghui Fullshare	Incorporated	PRC/PRC	30 June 2013: Nil 31 December 2012: Nil 31 December 2011: Nil 31 December 2010: 50%	RMB10,000,000	Property development

The summarised financial information in respect of the Target Group's interest in a joint venture which is accounted for using the equity method is set out below:

	2010
	RMB'000
Current assets and net assets	10,000
Target Group's share of net assets of a joint venture	5,000

Due to the fact that the financial results of the aforesaid joint venture was minimal to the Target Group, the Target Group has not shared its financial results during the Relevant Periods.

17. DEFERRED TAX ASSETS

The movement in deferred tax assets is as follows:

	Total
	RMB'000
At 1 January 2010, 31 December 2010, 2011 and 2012 and 1 January 2013	—
Credited to profit or loss for the period	3,045
As at 30 June 2013	3,045

As at 31 December 2010, 2011 and 2012 and 30 June 2013, the Target Group has estimated unused tax losses of approximately RMB1,717,000, RMB9,861,000, RMB41,777,000 and RMB12,180,000 respectively available for offset against future profits. No deferred tax asset has been recognised for such tax losses as at 31 December 2010, 2011 and 2012 due to the unpredictability of future profit streams. As at 30 June 2013, a deferred tax asset has been recognised in respect of approximately RMB12,180,000 tax losses for the period ended 30 June 2013.

18. HELD FOR TRADING INVESTMENTS

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Held for trading investments:				
Listed securities	—	3,000	400	400

Held for trading investments are stated at fair value. The fair value of held for trading investments has been determined by reference to published price quotations in active markets and quote prices provided by the financial institution respectively on a recurring basis. No gain or loss in fair value of held for trading investments had been recognised during the Relevant Periods as there was no material change in fair value.

During the year ended 31 December 2012, the held for trading investments as at 31 December 2011 of approximately RMB3,000,000 was disposed of. No gain or loss had been recognised as there was no material change in fair value.

19. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables *(Note i)*	—	—	—	3,743
Other receivables and deposits *(Note ii)*	259,151	31,174	30,296	31,043
Advances paid for land bidding	250,000	—	—	—
Advances paid for potential land acquisition for development	266,087	—	—	—
Other tax prepaid	16,798	37,315	47,310	42,513
Prepayments	3,572	19,134	10,462	11,052
	795,608	87,623	88,068	88,351

Note i: Trade receivables are received in accordance with the terms of the related sales and purchase agreement. Included in the Group's trade receivables balance were debtors with aggregate carrying amount of approximately RMB3,743,000 as at 30 June 2013 which were aged within 90 days based on the dates of recognition of the revenue. The trade receivable of approximately RMB3,743,000 is past due within 90 days as at the reporting date for which the Group has not provided for allowance for doubtful debts as there has not been a significant change in credit quality.

Note ii: Included in other receivables and deposits of approximately RMB30,000,000, nil, nil and nil respectively as at 31 December 2010, 2011 and 2012 and 30 June 2013 was an advance to an independent third party. The amount carries interest at 12% per annum, is unsecured, repayable on demand and non-trade nature. The remaining balances are interest free, unsecured and have no fixed term of repayment.

The Target Group does not hold any collateral over these balances.

20. TAX PREPAID

Pursuant to the PRC tax rule, the local tax authority requires the Target Group to prepay the PRC LAT tax when pre-sales of properties have been occurred. Tax prepaid mainly represented the PRC LAT tax prepaid.

21. PROPERTIES UNDER DEVELOPMENT

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of year	344,248	765,158	1,061,489	1,367,338
Additions	181,415	1,138,260	286,308	262,485
Interest capitalised *(note 10)*	6,624	31,699	19,541	10,574
Acquisition of assets through subsidiaries	291,840	—	—	—
Disposal of a subsidiary	—	(381,141)	—	—
Transferred to properties held for sale	(58,969)	(492,487)	—	(318,313)
At the end of the year	765,158	1,061,489	1,367,338	1,322,084

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Represented by:				
Land use rights	503,679	782,781	784,353	763,441
Construction costs and capitalised expenditure	261,479	278,708	582,985	558,643
	765,158	1,061,489	1,367,338	1,322,084

The carrying amounts of properties under development situated on leasehold land in the PRC are as follows:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Medium-term lease	299,254	447,808	576,315	391,543
Long-term lease	465,904	613,681	791,023	930,541
	765,158	1,061,489	1,367,338	1,322,084

At 31 December 2010, 2011 and 2012 and 30 June 2013, the Target Group's properties under development amounting to approximately RMB333,442,000, RMB412,425,000, RMB776,764,000 and RMB653,113,000 respectively were pledged to secure banking facilities granted to the Target Group (note 30).

As at 31 December 2011 and 2012 and 30 June 2013 the Target Group's land use rights classified as properties under development amounting to approximately RMB133,685,000 were pledged to secure banking facilities granted to a company 南京嘉盛景觀建設有限公司 ("Nanjing Jiasheng Landscape") at a maximum guarantee amount of RMB75,000,000.

According to the accounting policy of the Target Group, properties under development are classified as current assets as the construction period of the relevant property development projects are expected to be completed in the normal operating cycle.

The carrying amounts of properties under development of approximately RMB395,619,000, RMB794,185,000, RMB314,350,000 and RMB133,685,000 as at 31 December 2010, 2011 and 2012 and 30 June 2013 respectively are expected not to be realised within the next twelve months from the end of the Relevant Periods.

22. PROPERTIES HELD FOR SALE

The Target Group's properties held for sale are situated in the PRC. All the properties held for sales are stated at cost.

23. AMOUNTS DUE FROM (TO) RELATED PARTIES

Amounts due from related parties:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Ji[2]	40,000	8,000	—	—
Nanjing Tiefeng Materials Trading Company Limited* 南京鐵豐物資貿易有限公司[5]	—	20,000	—	—
Chongqing Fengli Trading Company Limited* 重慶豐利大貿易有限公司[3]	—	4,107	—	—
Nanjing Fullshare Property Development Company Limited* 南京豐盛置業發展有限公司[3]	—	20,000	—	—
Jiangsu Fullshare Trade Development Company Limited* 江蘇豐盛貿易發展有限公司 ("Jiangsu Fullshare Trading")[1]	3,926	84,908	—	6,241
	43,926	137,015	—	6,241

Amounts due to related parties:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Nanjing Fullshare Holding[4]	25,592	314,117	61,109	60,839
Nanjing Xiaocai Yidie Media[1]	—	600	—	—
Nanjing Fullshare Investment Group Co., Ltd.* 南京豐盛投資集團有限公司 ("Nanjing Fullshare Investment")[3]	782,402	12,971	—	—
	807,994	327,688	61,109	60,839

1 It is a subsidiary of Nanjing Fullshare Holding with 70% equity interest held by Nanjing Fullshare Holdings which is the ultimate holding company of the Target Company. The remaining 30% equity interest is held by a company controlled by Mr. Ji.

2 Mr. Ji is the controlling shareholder of Nanjing Fullshare Holding.

3 It is a company controlled by a close family member of Mr. Ji.

4 It is the ultimate holding company of the Target Company.

5 It is a subsidiary of Nanjing Fullshare Holding, which is the ultimate holding company of the Target Company.

* *For identification purpose only.*

The amounts due from (to) related parties are unsecured, interest-free and repayable on demand.

24. PLEDGED BANK DEPOSITS

Pledged bank deposits represent pledged deposits for the facilities granted by the banks to the Target Group. The pledged bank deposits carry interest at floating daily bank deposits rate.

25. BANK BALANCES AND CASH

(i) Bank balances and cash comprised of cash on hand and deposits with an original maturity of three months or less.

(ii) Bank balances carried interest at prevailing market interest rate of ranged from 0.3% to 0.36% per annum for the year ended 31 December 2010, ranged from 0.36% to 0.5% per annum for the year ended 31 December 2011, ranged from 0.41% to 0.5% for the year ended 31 December 2012 and ranged from 0.35% to 0.4% for the six months ended 30 June 2013.

(iii) Bank balances and cash are all denominated in RMB. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulation and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

26. TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	27,890	30,722	23,824	17,193
Bills payables	15,000	58,000	210	11,195
Receipt in advance *(Note)*	329,969	696,138	861,336	795,711
Other tax payables	40	5,420	6,665	4,278
Other payables	169,603	77,503	8,019	8,912
Dividend payable	—	—	17,427	—
Accrued expenses	12,741	32,399	47,517	96,655
	555,243	900,182	964,998	933,944

Note: Receipt in advance represents sales proceeds received from customers in connection with the Target Group's pre-sale of properties during the Relevant Periods.

The following is an aged analysis of the Target Group's trade payables presented based on the invoice date at the end of reporting period:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	10,832	15,325	21,761	11,102
91–180 days	16,123	14,335	41	2,324
181–365 days	902	1,020	1,337	1,801
Over 1 year	33	42	685	1,966
	27,890	30,722	23,824	17,193

Trade payables were accrued based on the terms of the relevant agreements and project progress and was not due for payment as at the end of each of the reporting period. The Target Group has financial risk management policies in place to ensure that all trade payables are settled within the credit timeframe.

27. BANK BORROWINGS

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured	160,000	285,000	231,500	303,000
Carrying amount repayable:				
On demand or within one year	—	130,000	131,500	173,000
More than one year but not exceeding two years	160,000	155,000	100,000	130,000
	160,000	285,000	231,500	303,000
Less: amounts due within one year shown under current liabilities	—	(130,000)	(131,500)	(173,000)
Amounts shown under non-current liabilities	160,000	155,000	100,000	130,000

The Target Group's borrowings are interest-bearing at variable-rates. The ranges of effective interest rates per annum on the Target Group's borrowings at the end of the reporting period are as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
Variable-rate borrowings	5.67%–6.72%	6.65%–7.68%	7.04%–7.69%	7.07%–7.98%

All bank borrowings were denominated in RMB.

All bank borrowings as at 31 December 2010, 2011 and 2012 and 30 June 2013 were secured against certain properties under development as disclosed in note 30 and guaranteed by Nanjing Fullshare Holding as at 31 December 2010, 2011 and 2012. As at 30 June 2013, bank borrowings of approximately RMB180,000,000 was also guaranteed by China City Construction Second Engineering Bureau Group Co, Ltd.*中城建第二工程局集團有限公司, an independent third party to the Group.

* *For identification purpose only.*

28. PAID IN CAPITAL

The paid in capital of the Target Group at 31 December 2010 and 2011 represented the aggregate paid-in capital of Jiangsu Fullshare.

The Target Company was incorporated on 19 July 2012. On 10 August 2012, the Target Company acquired entire equity interest of Jiangsu Fullshare and its subsidiaries. The paid in capital of the Target Company represented the consideration paid for exchange of the equity interest of Jiangsu Fullshare.

The paid in capital of the Target Group at 31 December 2012 represented the aggregate paid-in capital of the Target Company which has become the holding company of the Target Group on 10 August 2012.

29. COMMITMENT

(a) Operating lease commitments

The Target Group as lessee

The Target Group leases certain of its offices under operating lease arrangements. The leases typically run for an initial period of three to six years. Lease payments are usually increased annually to reflect market rentals. No provision for contingent rent and terms of renewal was established in the leases.

At the end of the reporting periods, the Target Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	692	608	659	558
In the second to fifth years inclusive	2,437	1,902	1,313	914
Over five years	54	—	—	—
	3,183	2,510	1,972	1,472

(b) Capital commitments

At the end of the reporting periods, the Target Group had the following capital commitments for properties under development:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Authorised but not contracted for	610,034	1,978,281	1,967,473	1,848,762
Contracted but not provided for	571,524	548,076	603,305	502,344

30. PLEDGE OF ASSETS

(a) At the end of the reporting period, certain assets of the Target Group were pledged to secure banking facilities granted to the Target Group as follows:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development	333,442	412,425	776,764	653,113
Pledged bank deposits	15,000	58,000	210	11,195
	348,442	470,425	776,974	664,308

(b) At the end of the reporting period, certain assets of the Target Group were pledged to secure banking facilities granted to Nanjing Jiasheng Landscape:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property under development				
— Land use rights	—	133,685	133,685	133,685

31. ACQUISITION OF ASSETS ON AN ACQUISITION OF SUBSIDIARIES

On 2 August 2010, the Target Group completed to acquire 90% equity interests of Chongqing Tongjing from Tongjing Group Company Limited and Century Bridge Holding Number 2 HK, Limited, for a cash consideration of RMB313,654,000. The sole director of the Target Company is of the opinion that the acquisition of Chongqing Tongjing is in substance an acquisition of assets, instead of an acquisition of business, as the net assets included in Chongqing Tongjing was mainly the properties under development in the PRC without operation.

The effect of the acquisition is summarised as follows:

	RMB'000
Net assets of Chongqing Tongjing acquired:	
Plant and equipment	202
Properties under development	291,840
Prepayments and other receivables	1,883
Bank balances and cash	74,010
Other payables and accruals	(54,281)
	313,654
Satisfied by:	
Cash consideration	240,254
Capital contribution Chongqing Tongjing made on behalf of Tongjing Group Company Limited	73,400
	313,654
Net cash outflow arising on the acquisition:	
Cash consideration paid	240,254
Capital contribution made in cash	73,400
Bank balances and cash acquired	(74,010)
	239,644

32. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Chongqing Heheng

On 21 September 2011, the Target Company disposed of the 90% equity interests in Chongqing Heheng to Nanjing Xiaocai Yidie Media at a consideration of RMB270,000,000.

	RMB'000
Consideration received in cash	270,000

Analysis of assets and liabilities over which control was lost:

	RMB'000
Plant and equipment	185
Prepayment, deposits and other receivables	551,521
Amounts due from related parties	602,091
Bank balances and cash	37,210
Other payables and accruals	(885,994)
Amounts due to related parties	(33,317)
Net assets disposed of	271,696
Gain on disposal of a subsidiary	
Amount received by a related company on behalf of the Target Group	270,000
Non-controlling interests	6,501
Net assets disposed of	(271,696)
Gain on disposal	4,805
Net cash inflow arising on disposal	
Bank and cash balances disposed of	(37,210)

Note: During the year ended 31 December 2010 and period ended 21 September 2011, Chongqing Heheng had contributed the Target Group of:

	For the period ended 21 September 2011 *RMB'000*	**For the year ended 31 December 2010** *RMB'000*
Revenue	—	—
Profit (loss) for the period	2,372	(750)
Cash inflow from operating activities	35,769	69,873
Cash outflow from investing activities	(179)	(343,654)
Cash inflow from financing activities	—	275,084

(b) Disposal of Lianyungang Shunfeng

On 31 May 2011, the Target Company disposed entire equity interests in Lianyungang Shunfeng to Mr. Zhu Chengsheng at a consideration of RMB408,160,000.

	RMB'000
Consideration received in cash	408,160

Analysis of assets and liabilities over which control was lost:

	RMB'000
Properties under development	381,141
Bank balances and cash	7,298
Other payables and accruals	(11,700)
Net assets disposed of	376,739
Gain on disposal of a subsidiary	
Amount received by a related company on behalf of the Target Group	408,160
Net assets disposed of	(376,739)
Gain on disposal	31,421
Net cash inflow arising on disposal	
Bank and cash balances disposed of	(7,298)

Note: During the year ended 31 December 2010 and period ended 31 May 2011, Lianyungang Shunfeng had contributed the Target Group of:

	For the period ended 31 May 2011 *RMB'000*	**For the year ended 31 December 2010** *RMB'000*
Turnover	—	—
Loss for the period	(494)	(600)
Cash outflow from operating activities	(366,710)	(600)
Cash inflow from financing activities	374,477	610

33. CONTINGENT LIABILITIES

(a) Guarantees in respect of mortgage facilities for purchasers of the Target Group's property units

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees in respect of mortgage facilities for certain purchasers of the Target Group's property units	67,771	190,753	259,107	513,643

The Target Group has arranged bank financing for certain purchasers of the Target Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issue of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration and receipt of such certificate by the bank; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Target Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Target Group is entitled to take over the legal title and possession of the related properties. The Target Group's guarantee period starts from the dates of grant of the mortgages. The sole director considers that the likelihood of default in payments by purchasers is minimal and therefore the financial guarantees measured at fair value are immaterial.

The fair value of the Target Group's financial guarantees has been assessed by CBRE Limited, an independent qualified valuer not connected to the Target Group.

(b) Guarantees in respect of banking facilities for Nanjing Jiasheng Landscape*

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees in respect of banking facilities for Nanjing Jiasheng Landscape*	—	75,000	75,000	75,000

34. RELATED PARTIES TRANSACTIONS

(a) Save as disclosed elsewhere in the consolidated financial statements, the Target Group entered into the following transactions during the Relevant Periods:

Name of party	Relationship
Nanjing Fullshare Holding*	Ultimate holding company of the Target Company
Jiangsu Fullshare Trading*	Ultimately controlled by Nanjing Fullshare Holding*
Nanjing Xiaocai Yidie Media*	Ultimately controlled by Nanjing Fullshare Holding*
Jiangsu Anke Medical System*	Ultimately controlled by Nanjing Fullshare Holding*
Nanjing Fullshare Energy Management Company Limited*	Ultimately controlled by Mr. Ji

* *For identification purpose only.*

Nature of transaction	Notes	Year ended 31 December 2010 RMB'000	2011 RMB'000	2012 RMB'000	Six months ended 30 June 2012 RMB'000 (unaudited)	2013 RMB'000
(a) Interest paid to Nanjing Fullshare Holding	*(i)*	—	13,371	—	—	—
(b) Advance from Nanjing Fullshare Holding	*(ii)*	—	250,000	—	—	—
(c) Corporate bank loans guarantee granted by Nanjing Fullshare Holding	*(ii)*	580,000	580,000	650,000	650,000	—
(d) Disposal of 90% equity interests in Chongqing Fullshare to Nanjing Xiaocai Yidie Media	*(ii)*	—	270,000	—	—	—
(e) Amount received by Nanjing Fullshare Holding on disposal of Chongqing Heheng and Lianyungang Shunfeng on behalf of the Target Group	*(ii)*	—	678,160	—	—	—
(f) Decoration construction services to the model apartment by Jiangsu Anke Medical System	*(iii)*	116	—	450	—	—
(g) Purchase of construction materials from Jiangsu Fullshare Trading	*(iii)*	27,498	71,186	25,952	18,585	8,510
(h) Property management services provided by Nanjing Fullshare Energy Management Company Limited	*(iv)*	346	524	170	—	89

Notes:

(i) The interest paid to related parties during the Relevant Periods were charged based on the interest rate of the People's Bank of China.

(ii) The terms of the transactions were determined on a mutually agreed basis.

(iii) The terms in relation to purchases from Jiangsu Anke Medical System and Jiangsu Fullshare Trading during the Relevant Periods were agreed by both parties.

(iv) The terms in relation to services provided by Nanjing Fullshare Energy Management Company Limited during the Relevant Periods were agreed by both parties.

(b) Compensation of key management personnel

The remuneration of the sole director and other members of key management of the Target Group are disclosed in note 13.

The remuneration of the sole director and other members of key management of the Target Group are determined with reference to the performance of individuals and market trends.

35. MAJOR NON CASH TRANSACTION

(a) During the year ended 31 December 2011, the Target Company disposed of the 90% equity interests in Chongqing Heheng to Nanjing Xiaocai Yidie Media for a consideration of RMB270,000,000. The consideration of RMB270,000,000 was received by a related company on behalf of the Target Group.

(b) During the year ended 31 December 2011, the Target Company disposed the entire equity interests in Lianyungang Shunfeng to Mr. Zhu Chengsheng for a consideration of RMB408,160,000. The consideration of RMB408,160,000 was received by a related company on behalf of the Target Group.

(c) During the year ended 31 December 2012, the registered capital of Jiangsu Fullshare was increased by RMB300,000,000 by way of capitalisation of a loan from Nanjing Fullshare Holding.

36. THE STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY

		As at 31 December 2012	As at 30 June 2013
		RMB'000	*RMB'000*
Non-current assets			
Plant and equipment		—	411
Investment in a subsidiary, unlisted		400,000	400,000
		400,000	400,411
Current assets			
Bank balances		20	829
Other receivables		9	49
Amount due from a subsidiary	*Note*	—	55
		29	933
Current liabilities			
Other payables		—	247
Income tax payables		—	334
Amount due to a related party	*Note*	270	—
		270	581
Net current (liabilities) assets		(241)	352
Total assets less current liabilities		399,759	400,763
Capital and reserves			
Paid in capital		400,000	400,000
Reserves		(241)	763
Total Equity		399,759	400,763

Note: The amounts due from (to) a fellow subsidiary/a related party are unsecured, interest-free and repayable on demand.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE TARGET COMPANY

Details of the principal subsidiaries held by the Target Company as at the end of reporting period is as follows:

Name of Subsidiary	Place of incorporation/ registration and operation	Paid up issued/ ordinary share capital	Proportion ownership interest held by the Target Company: As at 31 December 2010	2011	2012	As at 30 June 2013	As at the date of report	Principal activities
Jiangsu Fullshare	The PRC	RMB400,000,000 (31 December 2010 and 2011: RMB100,000,000)	99.84%	90.8%	100%	100%	100%	Property development
Chongqing Tongjing	The PRC	RMB240,000,000	89.86%	81.72%	90%	90%	90%	Property development
Chongqing Heheng	The PRC	Nil (31 December 2010: RMB300,000,000)	89.86%	—	—	—	—	Property development
Lianyungang Shunfeng	The PRC	Nil (31 December 2010: RMB8,000,000)	99.84%	—	—	—	—	Property development
Yancheng Fullshare	The PRC	Nil (31 December 2010 and 2011: RMB30,000,000)	99.84%	90.8%	—	—	—	Property development

(a) None of the subsidiaries had issued any debt securities at the ended of the reporting period or at any time during the Relevant Periods.

(b) The above table lists the subsidiaries of the Target Company which, in the opinion of the sole director, principally affected the results or assets and liabilities of the Target Company. To give details of other subsidiaries would, in the opinion of the sole director, result in particular excessive length.

Information about the composition of the Target Group at the end of the reporting period is as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries: Year ended 31 December 2010	2011	2012	As at 30 June 2013
Property development	The PRC	—	—	1	1

Principal activity	Place of incorporation and operation	Number of non-wholly-owned subsidiaries: Year ended 31 December 2010	2011	2012	As at 30 June 2013
Property development	The PRC	5	3	1	1

III. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the land development rights transfer agreement dated 31 July 2013, the Target Group has disposed of its interest in XiChengYiPin Land Parcel No. 1 (西城逸品1號地塊) to an independent third party at a cash consideration of RMB10,000,000.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Group, the Target Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30 June 2013.

Yours faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Hon Kei, Anthony
Practising Certificate Number: P05591

Hong Kong

SUMMARY FINANCIAL INFORMATION OF THE GROUP

A summary of the published results and of the assets and liabilities of the Group as extracted from the relevant annual audited reports of the Company is set out below:

Consolidated statements of comprehensive income

	12 months ended 30 April 2011	**12 months ended 30 April 2012**	**12 months ended 30 April 2013**
	HK$'000	*HK$'000*	*HK$'000*
Continuing operation			
Turnover	171,358	63,576	0
Cost of sales	(153,611)	(58,523)	0
Gross profit	17,747	5,053	0
Other income	182	5,950	67
Impairment of goodwill	0	(5,497)	0
Selling and distribution expenses	(1,653)	(2,056)	0
Administrative expenses	(5,988)	(17,752)	(14,267)
Operating profit/(loss)	10,288	(14,302)	(14,200)
Finance costs	0	(34)	0
Impairment loss on a subsidiary	0	0	0
Profit/(loss) before taxation	10,288	(14,336)	(14,200)
Taxation	(2,242)	(87)	0
Discontinued operations			
Profit/(loss) for the year from discontinued operations	0	0	57,418
Profit/(loss) for the year/period attributable to equity shareholders of the Company	8,046	(14,423)	43,218
Other comprehensive income/(loss)			
Exchange differences on translating foreign operations	(34)	250	158
Total comprehensive income/(loss) for the year/period attributable to equity shareholders of the Company	8,012	(14,173)	43,376
Earnings/(loss) per share			
— Basic	HK$0.02	(HK$0.03)	HK$0.10
— Diluted	N/A	N/A	N/A

Note: No dividends were paid for the three years ended 30 April 2011, 2012 and 2013. There were neither minority interests, extraordinary nor exceptional items recorded for the three years ended 30 April 2011, 2012 and 2013.

Consolidated statements of financial position

	As at 30 April 2011 HK$'000	As at 30 April 2012 HK$'000	As at 30 April 2013 HK$'000
NON-CURRENT ASSET			
Plant and equipment	4,019	6,042	0
CURRENT ASSETS			
Inventories	9,322	3,670	0
Trade receivables, deposits and other receivables	39,265	6,748	290
Bank balances and cash	17,749	1,657	62
Assets classified as held for sale	0	0	13,500
	66,336	12,075	13,852
CURRENT LIABILITIES			
Trade and other payables	75,792	38,259	38,001
Guarantor's liability and accrued liability for potential claims	340,346	340,346	347,989
Bank borrowings	22,948	22,948	0
Unsecured bank overdrafts	2,104	3,710	26
Taxation payable	34,667	32,529	0
Liabilities directly associated with assets held for sale	0	0	4,135
	475,857	437,792	390,151
NET CURRENT LIABILITIES	(409,521)	(425,717)	(376,299)
NET LIABILITIES	(405,502)	(419,675)	(376,299)
CAPITAL AND RESERVES			
Share capital	4,220	4,220	4,220
Reserves	(409,722)	(423,895)	(380,519)
CAPITAL DEFICIENCIES	(405,502)	(419,675)	(376,299)

AUDITED FINANCIAL INFORMATION OF THE GROUP FOR THE YEAR ENDED 30 APRIL 2013

To the Members of
Warderly International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We were engaged to audit the consolidated financial statements of Warderly International Holdings Limited (the "Company") and its subsidiaries (collectively known as the "Group") set out on pages 29 to 77, which comprise the consolidated statement of financial position as at 30 April 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirement of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As at 30 April 2013, the Group's current liabilities exceeded its current assets and its total liabilities exceeded its total assets by approximately HK$376 million. These conditions, together with other matters as set forth in note 2(d) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. We were unable to obtain the management's assessment on whether the management's use of the going concern assumption in the consolidated financial statements is appropriate or not.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PKF
Certified Public Accountants

Hong Kong
30 July 2013

The following is all extract of the financial statements of the Group from the annual report of the Company for the 12 months ended 30 April 2013:

Consolidated Statement of Comprehensive Income
For the year ended 30 April 2013

	Notes	2013 HK$'000	2012 HK$'000 (restated)
Continuing operation			
Turnover	6	—	—
Cost of sales		—	—
Gross profit		—	—
Other income		67	—
Selling and distribution expenses		—	—
Administrative expenses		(14,267)	(2,721)
Operating loss		(14,200)	(2,721)
Finance costs		—	—
Loss before taxation	7	(14,200)	(2,721)
Taxation	9	—	—
Loss for the year from continuing operation		(14,200)	(2,721)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	10	57,418	(11,702)
Profit/(loss) for the year		43,218	(14,423)
Other comprehensive income			
Exchange differences on translating foreign operations		158	250
Total comprehensive income/(loss) for the year attributable to equity shareholders of the Company		43,376	(14,173)
Earnings/(loss) per share	12		
From continuing and discontinued operations			
— Basic		HK$0.10	(HK$0.03)
— Diluted		N/A	N/A
From continuing operation			
— Basic		(HK$0.03)	(HK$0.01)
— Diluted		N/A	N/A
From discontinued operations			
— Basic		HK$0.13	(HK$0.02)
— Diluted		N/A	N/A

Consolidated Statement of Financial Position
At 30 April 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Goodwill	14	—	—
Property, plant and equipment	15	—	6,042
		—	6,042
CURRENT ASSETS			
Inventories	16	—	3,670
Trade receivables, deposits and other receivables	17	290	6,748
Bank balances and cash	18	62	1,657
		352	12,075
Assets classified as held for sale	19	13,500	—
		13,852	12,075
CURRENT LIABILITIES			
Trade and other payables	20	38,001	38,259
Guarantor's liability and accrued liability for potential claims	21	347,989	340,346
Bank borrowings	22	—	22,948
Unsecured bank overdrafts		26	3,710
Taxation payable		—	32,529
		386,016	437,792
Liabilities directly associated with assets held for sale	19	4,135	—
		390,151	437,792
NET CURRENT LIABILITIES		(376,299)	(425,717)
NET LIABILITIES		(376,299)	(419,675)
CAPITAL AND RESERVES			
Share capital	23(a)	4,220	4,220
Reserves		(380,519)	(423,895)
CAPITAL DEFICIENCIES		(376,299)	(419,675)

Consolidated Statement of Changes in Equity
For the year ended 30 April 2013

	Attributable to equity holders of the Company					
	Share capital	**Share premium**	**Special reserve**	**Translation reserve**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 May 2011	4,220	84,868	1,010	(34)	(495,566)	(405,502)
Total comprehensive income/ (loss) for the year	—	—	—	250	(14,423)	(14,173)
At 1 May 2012	4,220	84,868	1,010	216	(509,989)	(419,675)
Total comprehensive income for the year	—	—	—	158	43,218	43,376
At 30 April 2013	4,220	84,868	1,010	374	(466,771)	(376,299)

The special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation in 2002.

Consolidated Statement of Cash Flows
For the year ended 30 April 2013

	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES		
Profit/(loss) before taxation		
— Continuing operation	(14,200)	(2,721)
— Discontinued operations	57,485	(11,615)
Adjustments for:		
Depreciation	996	1,114
Amortisation of intangible asset	—	8
Interest income	(3)	(5)
Impairment of goodwill	—	5,497
Impairment of property, plant and equipment	—	1,083
Impairment of intangible assets	—	186
Impairment of inventories	81	1,913
Impairment of trade receivables	—	948
Written-off of property, plant and equipment	1,052	—
Written-off of other receivables, prepayments and deposits	—	3,926
Waiver of other payables	—	(5,000)
Gain on disposal of subsidiaries	(61,850)	—
Finance costs	—	34
Operating cash flows before movements in working capital	(16,439)	(4,632)
Decrease in inventories	991	3,362
Decrease in trade receivables, deposits and other receivables	1,577	32,205
Increase/(decrease) in trade and other payables	10,924	(33,381)
CASH USED IN OPERATIONS	(2,947)	(2,446)
Hong Kong Profits Tax paid	(209)	(2,334)
PRC income tax paid	(67)	(83)
NET CASH USED IN OPERATING ACTIVITIES	(3,223)	(4,863)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(563)	(3,362)
Decrease in bank overdraft from disposal of subsidiaries — note 24	3,684	—
Bank overdraft from acquisition of subsidiary — note 25	—	(1,583)
Interest received	3	5
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	3,124	(4,940)
FINANCING ACTIVITIES		
Net advances from/(repayment to) a shareholder	3,494	(8,070)
Interest paid	—	(34)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	3,494	(8,104)

	2013 *HK$'000*	2012 *HK$'000*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	3,395	(17,907)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	99	209
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	(2,053)	15,645
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	1,441	(2,053)
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	1,467	1,657
Unsecured bank overdrafts	(26)	(3,710)
	1,441	(2,053)

Non cash transaction

For the year ended 30 April 2012, the Group settled debts of approximately HK$2,213,000 with property, plant and equipment of approximately HK$1,324,000 and inventories of approximately HK$889,000.

Notes to the Consolidated Financial Statements

For the year ended 30 April 2013

1. GENERAL INFORMATION

Warderly International Holdings Limited (the "Company", together with its subsidiaries, the "Group") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (2007 Revised) of the Cayman Islands. Its shares (the "Shares") are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporation Information" section of the annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries are manufacturing, development, distribution and trading of household electrical appliances and audio-visual products, details of which are set out in note 30 to the consolidated financial statements.

On 18 January 2013, three directly owned subsidiaries were disposed of by the Company (note 24). On 5 April 2013, the Company entered into a disposal agreement in respect of another directly owned subsidiary, the completion of disposal of which has not taken place yet, but the assets and liabilities of which had been classified as assets and liabilities held for sale on the consolidated statement of financial position of the Company as at 30 April 2013 (note 19). According to Hong Kong Financial Reporting Standards 5, the operations of all these subsidiaries are treated as discontinued operations (note 10).

Trading in the Shares on the Stock Exchange has been suspended since 14 May 2007 at the request of the Securities and Futures Commission in Hong Kong (the "SFC") pursuant to sub-Rule 8(1) of the Securities and Futures (Stock Market Listing) Rules (subsidiary legislation V of Chapter 571 of the Laws of Hong Kong).

The consolidated financial statements are presented in Hong Kong dollar which is the functional currency of the Company.

2. BASIS OF PREPARATION

(a) The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (hereinafter collectively referred to as "Hong Kong Financial Reporting Standards").

In addition, the consolidated financial statements include applicable disclosures required by the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

(b) Initial application of Hong Kong Financial Reporting Standards

In the current year, the Group initially applied the following Hong Kong Financial Reporting Standards:

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets

The initial application of these Hong Kong Financial Reporting Standards does not necessitate material changes in the Group's accounting policies or retrospective adjustments of the comparatives presented.

(c) Hong Kong Financial Reporting Standards in issue but not yet effective

The following Hong Kong Financial Reporting Standards in issue as at the date of authorisation of these consolidated financial statements have not been applied in the preparation of the Group's consolidated financial statements for the year ended 30 April 2013 since they were not yet effective for the annual period beginning on 1 May 2012:

HKAS 19 (Revised 2011)	Employee Benefits [2]
HKAS 27 (Revised 2011)	Separate Financial Statements [2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures [2]
HKFRS 9	Financial Instruments [4]
HKFRS 10	Consolidated Financial Statements [2]
HKFRS 11	Joint Arrangements [2]
HKFRS 12	Disclosure of Interests in Other Entities [2]
HKFRS 13	Fair Value Measurement [2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine [2]
HK(IFRIC)-Int 21	Levies [3]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income [1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities [3]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets [3]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting [3]
Amendments to HKFRS 1	Government Loans [2]
Amendments to HKFRS 7 (Revised 2011)	Disclosures — Offsetting Financial Assets and Financial Liabilities [2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures [4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance [2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities [3]
Amendments to HKFRSs 2011	Annual improvement to HKFRSs 2009–2011 cycles [2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of what the impact of these standards, amendments and interpretations are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

(d) Going concern basis

In preparing the consolidated financial statements, the directors (the "Director(s)") of the Company have given careful consideration to the future liquidity of the Group in light of its net liabilities of approximately HK$376 million as at 30 April 2013.

Trading in the Shares on the Stock Exchange has been suspended since 14 May 2007 at the request of the SFC.

The Company submitted a new resumption proposal (the "New Resumption Proposal") to the Stock Exchange on 22 August 2012 and attended the appeal hearing held by the Listing Appeals Committee of the Stock Exchange (the "Listing Appeals Committee") on 7 September 2012. After the appeal hearing, the Company received a letter dated 10 September 2012 from the Stock Exchange, which states that, having considered all accepted submissions presented by the review parties, the Listing Appeals Committee decided to exercise its discretion to receive and consider the New Resumption Proposal, and refer the matter back to the Listing Committee of the Stock Exchange, and to allow the Listing Division of the Stock Exchange and the SFC to complete its usual vetting work for the proposed transactions under the Listing Rules and the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). The Listing Appeals Committee considered that the proposed transactions contained in the New Resumption Proposal constitute a reverse takeover and hence subject to the Listing Rules applicable to such transactions. Details please refer to the announcement of the Company dated 17 September 2012.

The Company is now taking appropriate steps to comply with the requirements under the Listing Rules and the Hong Kong Code on Takeovers and Mergers in respect of the proposed transactions set out in the New Resumption Proposal. CMB International Capital Limited has been appointed as the sponsor to the Company in relation to the reverse takeover involving a new listing application to fulfill the requirements under the Listing Rules.

Included in the New Resumption Proposal, the Company proposed to raise HK$84.4 million by allotment and issuance of 1,688,000,000 new Shares (the "Offer Share(s)") at the subscription price of HK$0.05 per Offer Share on the basis of 4 Offer Shares for every 1 Share (the "Open Offer") and issuance of the convertible bonds (the "Convertible Bonds") under the subscription agreement (the "Subscription Agreement") dated 21 August 2012 entered into between the Company, Magnolia Wealth International Limited ("Magnolia Wealth"), a company incorporated in the British Virgin Islands and Mr. Kan Che Kin, Billy Albert ("Mr. Kan"), the executive Director and the substantial shareholder (the "Shareholder") of the Company, with an aggregate principal amount of HK$500,000,000.

The Open Offer is only available to the shareholders (the "Qualifying Shareholders") on the register of members of the Company on the date for determination of the entitlements under the Open Offer (the "Record Date") and whose registered addresses as shown on such register on the Record Date are in Hong Kong. Magnolia Wealth is the underwriter to the Open Offer. The underwriting agreement (the "Underwriting Agreement") has not been entered into between Magnolia Wealth and the Company in relation to the Open Offer as at the date of this annual report.

The gross proceeds from the Open Offer and issue of the Convertible Bonds amount to HK$584.4 million which will be used (i) to pay for the consideration of HK$500 million pursuant to the acquisition agreement (the "Acquisition Agreement") dated 21 August 2012 entered into between Mighty Fame Limited ("Mighty Fame"), a company incorporated in Hong Kong and a wholly owned subsidiary of the Company, and Nanjing Fullshare Holding, a company incorporated in the People's Republic of China (the "PRC") to acquire the entire equity interest of Nanjing Fullshare Asset Management Limited* (南京豐盛資產管理有限公司) (the "Target"), a company incorporated in the PRC; (ii) to settle the amounts of HK$37 million due to the creditors whose claims against the Company are to be dealt with under the schemes of arrangement (the "Schemes") having been approved by the Grand Court of the Cayman Islands and the High Court of Hong Kong; (iii) to fully repay the Shareholder's loan to Mr. Kan pursuant to a loan agreement (the "Loan Agreement") entered into between Up Stand Holdings Limited, a wholly owned subsidiary of the Company, the Company and Mr. Kan dated 2 January 2009, which has been used as general working capital of the Group and (iv) the remaining balance as the general working capital of the Group and the Target.

The Open Offer is conditional and the Open Offer is expected to be fully underwritten by Magnolia Wealth. In particular, the Open Offer is conditional upon (a) the conditions precedent to the Acquisition Agreement being fulfilled; (b) the approval of the Open Offer, the Underwriting Agreement and a waiver (the "Whitewash Waiver") in respect of the obligation of Magnolia Wealth to make a mandatory general offer to other Shareholders in respect of the Shares as a result of the underwriting of the Offer Shares pursuant to the Underwriting Agreement and conversion of the Convertible Bonds by it pursuant to the Subscription Agreement pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code by the independent shareholders (the "Independent Shareholders") of the Company; (c) the grant of the Whitewash Waiver by the Executive Director of the Corporate Finance Division of the SFC (the "Executive") or any of his delegate; (d) the Independent Shareholders' approval for the full repayment of the Shareholder's loan to Mr. Kan as a special deal (the "Special Deal") under Note 5 to Rule 25 of the Takeovers Code and the consent to the Special Deal by the Executive; (e) the listing approval from the Stock Exchange on the listing of and permission to deal in all the Offer Shares; and (f) the Stock Exchange having conditionally or unconditionally approved, or decided to allow the Company to proceed with, the resumption of trading in the Shares on the Stock Exchange. All these conditions except for condition (d) are not waivable. Accordingly, the Open Offer may or may not proceed.

The Subscription Agreement is conditional, in particular, upon (a) the Underwriting Agreement having been agreed and duly signed by Magnolia Wealth and the Company, (b) all of the conditions precedent to the Underwriting Agreement, having been duly satisfied or waived in accordance with the terms set out therein, (c) the warranties under the Subscription Agreement remaining true, accurate and correct in all aspects, (d) all issued Shares remaining listed on, and not having been withdrawn from, the Stock Exchange, (e) listing of, and permission to deal in, all of the conversion shares upon conversion of the Convertible Bonds having been granted by the Listing Committee of the Stock Exchange, (f) there being no event existing or having occurred and no condition being in existence which would (had any Convertible Bonds already been issued) constitute an event of default, (g) there being no injunction, restraining order or order of similar nature by a governmental authority issued as of the date of completion of the transactions contemplated in the Subscription Agreement that could prevent or materially interfere with the consummation of the transactions contemplated under the Subscription Agreement, (h) the passing by the Shareholders (other than those who are required by the Listing Rules and/or the Takeovers Code to abstain from voting) in a general meeting of resolution(s) in relation to the Subscription Agreement, (i) Magnolia Wealth and Mr. Kan in their sole and absolute determination being satisfied with their due diligence investigation in respect of the Group, (j) the Company having only three subsidiaries being (1) Mighty Fame; (2) Up Stand Holdings Ltd.; and (3) Dongguan Up Stand Electrical Manufacturing Co., Ltd., and (k) any other waivers, consents, authorisations, clearances and approvals which are required from the relevant courts, governmental authorities in Hong Kong, the Cayman Islands and the PRC, for the Subscription Agreement and the transactions contemplated herein having been granted, fulfilled or given (as applicable). Accordingly, the issue of the Convertible Bonds may or may not proceed.

As the Acquisition, the issue of the Convertible Bonds and the Open Offer form part and parcel of the whole proposed restructuring of the Company, a confirmation letter (the "Confirmation Letter") was entered into on 21 August 2012 among the Company, Mighty Fame, Nanjing Fullshare Holding, Magnolia Wealth and Mr. Kan. The Confirmation Letter is used to ensure the Acquisition Agreement, the Subscription Agreement, the proposed underwriting arrangements in relation to the Open Offer and the application for Whitewash Waiver will be carried out by the relevant parties in accordance with the arrangements as stated therein. Pursuant to the terms of the Confirmation Letter, the completion of the Acquisition is conditional on the completion of the Open Offer and the Subscription Agreement.

The Directors consider the Company will be able to maintain the listing of the Shares on the Stock Exchange and that the conditions precedent to the Open Offer and the subscription of the Convertible Bonds will be satisfied and the Company's liabilities will be settled pursuant to the Schemes. Accordingly, the Directors were satisfied with the financial position of the Group and considered the preparation of the consolidated financial statements on a going concern basis as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES

Measurement basis

The consolidated financial statements are prepared using the historical cost basis.

Basis of consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

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.

Leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the terms of relevant leases.

Property, plant and equipment

Construction in progress is carried at cost, less any identified impairment loss. Construction in progress is not depreciated until completion of construction when assets are ready for their intended use. Costs on completed construction work are transferred to the appropriate category of property, plant and equipment.

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives after taking into account of their estimated residual value, using the straight-line method.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year in which the item is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis and in the case of work in progress and finished goods, cost comprises direct materials, direct labour and an attributable proportion of projection overheads. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

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 the end of the reporting period. 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 translation 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 except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (*i.e.* Hong Kong dollars) 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, 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 as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement 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) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables, including trade receivables, deposits and other receivables and bank balances, are carried at amortised cost using the effective interest rate method, less any identified impairment losses. 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 the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an 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 instrument issued by the Company comprises share capital.

The Group's financial liabilities, including trade and other payables, guarantor's liability, bank borrowings and bank overdrafts, are generally classified as other financial liabilities. Other financial liabilities are subsequently measured at amortised cost, using the effective interest rate method.

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 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.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received or receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's consolidated statement of financial position when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Impairment

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— intangible assets; and

— goodwill

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (*i.e.* a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash on hand and bank overdrafts.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Employee benefits

(i) Retirement benefit scheme

The retirement benefit costs charged to profit or loss represent the contributions payable in respect of the current year to the Group's defined contribution retirement benefits schemes for its employees.

(ii) Termination benefits

Termination benefits are recognised when, and only when the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate of joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are a joint venture of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close member of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the entity.

Non-current assets held for sale and discontinued operations

(i) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets and financial assets (other than investments in subsidiaries). These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 3.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current assets is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated statement of comprehensive income, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENT

In the process of applying the Group's accounting policies which are described in note 3 to the consolidated financial statements, management has made the following estimation uncertainty and judgement that has most significant effect on the amounts recognised in the consolidated financial statements.

Estimated impairment of trade receivables, deposit and other receivables

The provision policy for bad and doubtful debts of the Group is based on the on-going evaluation of collectability and aging analysis of the outstanding receivables and on management's judgement by reference to the estimation of the future cash flow discounted at an effective interest rate to calculate the present value. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer and other debtors. If the financial conditions of customers and other debtors of the Group were to deteriorate, resulting in an impairment of their abilities to make payments, allowances may be required. As at 30 April 2013, the carrying value of trade receivables, deposit and other receivables was approximately HK$Nil (2012: HK$6,748,000).

Fair value of identifiable assets and liabilities acquired through business combination

The Group applies the acquisition method to account for business combinations, which requires the Group to record assets acquired and liabilities assumed at their fair values on the date of acquisition. Significant judgement is used to estimate the fair values of the assets and liabilities acquired, including estimating future cash flows from the acquired business, determining appropriate discount rates and other assumptions.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and variable selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of a similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to industry cycles. Management reassesses these estimates at the end of each reporting period.

Estimated useful lives of property, plant and equipment

Management of the Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives or residual values are different from those previously estimated. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. During the year ended 30 April 2012, the Group recognised an impairment loss of HK$5,497,000. Details of the value in use calculation are set out in note 14.

Income tax

As at 30 April 2013, no deferred tax assets had been recognised in respect of the tax losses from continuing operation of HK$1,620,000 (2012: HK$1,620,000) due to the unpredictability of future taxable profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in future. In case where the actual future profit generated is more than expected, a material recognition of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a recognition takes place.

5. FINANCIAL RISK MANAGEMENT

(a) Nature and extent of financial statement risks

Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The Group manages credit risk by setting up credit control policy and periodic evaluation of credit performance of other parties, measured by the extent of past due or default and their financial healthiness.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

The Group does not have significant exposure to credit risk as at 30 April 2013.

As at 30 April 2012, the Group's maximum exposure to credit risk arises from the carrying amounts of respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has no significant concentration of credit risk on trade receivables. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of the Group to meet its financial obligations, measured by the debt-to-equity capital ratio as mentioned in note 23(b) to the consolidated financial statements.

In light of the Group's net liabilities as at 30 April 2013, the management has implemented several measures in order to improve the Group's working capital position and net financial position. Details of these measures are disclosed in note 2(d) to the consolidated financial statements.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities as at 30 April 2013 based on the undiscounted cash flows:

	2013	**2012**
	HK$'000	*HK$'000*
Trade and other payables	38,001	38,259
Guarantor's liability and accrued liability for potential claims	347,989	340,346
Bank borrowings	—	22,948
Unsecured bank overdrafts	26	3,710
Due for payment within one year or on demand	386,016	405,263

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group considers hedging significant currency risk should the need arise.

The following table details the Group's exposure to currency risk at the end of the reporting period arising from recognised assets or liabilities denominated in a currency other than functional currency of the group entity to which they relate. The exposure arising form the current accounts among the Company and its subsidiaries which form part of net investment in foreign operation is excluded.

	2013 United States Dollars	**2012 United States Dollars**
	'000	*'000*
Trade and other payables	—	(53)
Net exposure arising from recognised assets and liabilities	—	(53)

The Group operates in Hong Kong and the People's Republic of China ("PRC") and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars ("USD") and Hong Kong dollars ("HKD") respectively.

Since HKD is pegged to USD, material fluctuations in the exchange rates of HKD against USD are remote.

As at 30 April 2013 and 2012, if RMB appreciated/depreciated 5 percent against HKD with all other variables held constant, there would be no significant change to the Group's profit/loss for both years.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group manages interest rate risk, when it is considered significant, by entering into appropriate swap contracts.

As at 30 April 2013, bank balances of approximately HK$Nil (2012: HK$109,000) and bank overdrafts of HK$26,000 (2012: HK$3,710,000) bore interest at rates varies with the then prevailing market condition.

The sensitivity analysis below has been determined based on the exposure to interest rates for the Group's variable-rate bank balances, bank borrowings, bank overdrafts and guarantor's liability as at 30 April 2013 and 2012. For variable-rate bank balances, bank borrowings, bank overdrafts and guarantor's liability, the analysis is prepared assuming the amount of assets or liability outstanding as at 30 April 2013 and 2012 was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If the interest rates as at 30 April 2013 and 2012 had been 50 basis points higher/lower and all other variables were held constant, there would be no significant change to the Group's profit/loss for both years.

(b) Fair value estimation

The fair values of financial assets and financial liabilities are determined based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

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

6. TURNOVER AND SEGMENT INFORMATION

The Company disposed of the entire interest in Olevia Home Appliances Limited, Rich Honest (Europe) Limited and Warderly Group Limited on 18 January 2013 (note 24) and entered into an agreement to dispose of subject to certain conditions precedent, Up Stand Holdings Limited on 5 April 2013 (note 33(ii)). Therefore, all businesses of the Group, comprising the operations of manufacturing and sale of household electrical appliances and trading of household electrical appliances and audio-visual products, are classified as discontinued operations. Information of discontinued operations is set out in note 10 to the consolidated financial statements.

No segment information in relation to the continuing operations is disclosed.

7. LOSS BEFORE TAXATION

	2013	2012
	HK$'000	*HK$'000*
		(restated)
Loss before taxation has been arrived at after charging:		
Auditors' remuneration	280	—
Operating lease rentals in respect of rented premises	326	—
Staff costs, including Directors' emoluments	359	—
Retirement benefits scheme contributions, including Directors	6	—

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

The emoluments paid or payable to each of the seven (2012: seven) Directors were as follows:

	Fees	Other emoluments	Salaries and other benefits	Contribution to retirement benefit scheme	Share-based payment	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 30 April 2013						
Executive Directors:						
Kan Che Kin, Billy Albert	10	—	—	—	—	10
Li Kai Yien, Arthur Albert	10	—	—	—	—	10
Li Shu Han, Eleanor Stella	10	—	—	—	—	10
Seto Ying	10	—	—	—	—	10
Independent non-executive Directors:						
Lee Kong Leong	50	—	—	—	—	50
Li Siu Yui	50	—	—	—	—	50
Ip Woon Lai	50	—	—	—	—	50
	190	—	—	—	—	190
For the year ended 30 April 2012						
Executive Directors:						
Kan Che Kin, Billy Albert	7	—	—	—	—	7
Li Kai Yien, Arthur Albert	10	—	—	—	—	10
Li Shu Han, Eleanor Stella	10	—	—	—	—	10
Seto Ying	10	—	—	—	—	10
Independent non-executive Directors:						
Lee Kong Leong	50	—	—	—	—	50
Li Siu Yui	50	—	—	—	—	50
Ip Woon Lai	50	—	—	—	—	50
	187	—	—	—	—	187

As at 30 April 2013, the remuneration payable to the Directors was approximately HK$1,286,000 (2012: HK$1,096,000) which was included in trade and other payables in note 20 to the consolidated financial statements.

Employees' emoluments

The emoluments of the five highest paid individual (no Director is included) for the year ended 30 April 2013 are as follows:

	2013	**2012**
	HK$'000	*HK$'000*
Salaries and other benefits	946	1,173
Retirement benefits scheme contributions	18	33
	964	1,206

Their emoluments were within the following band:

	2013	**2012**
	Number of employee	*Number of employee*
HK$0 to HK$500,000	5	5

There was no other arrangement under which a Director waived or agreed to waive any emoluments and no remuneration was paid by the Group to the Directors or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

9. TAXATION

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not have any assessable profit for both years.

Taxation for the year can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

	2013	**2012**
	HK$'000	*HK$'000* (restated)
Loss before taxation from continuing operation	(14,200)	(2,721)
Tax at Hong Kong Profits Tax rate of 16.5% (2012: 16.5%)	(2,343)	(449)
Tax effect of non-taxable income	(11)	—
Tax effect of non-deductible expenses	2,354	449
Taxation for the year	—	—

At 30 April 2013, the Group had unused tax losses from continuing operation of approximately HK$1,620,000 (2012: HK$1,620,000) available for offset against future profits. No deferred tax assets have been recognised due to the unpredictability of future profit streams. The unused tax losses can be carried forward indefinitely.

At 30 April 2013 and 2012, the Group had no deductible temporary differences from continuing operation arising from the decelerated tax allowances.

10. DISCONTINUED OPERATIONS

On 18 January 2013, the Company disposed of the entire interest in Warderly Group Limited (''WGL''), Olevia Home Appliances Limited (''Olevia'') and Rich Honest (Europe) Limited (''RHE'') (collectively, the ''Disposal Companies'') at a consideration of HK$1 each to Mr. Kan. The principal activities of each of the Disposal Companies, namely WGL, Olevia and RHE, were investment holding, trading of household electrical appliances and manufacturing and trading of household electrical appliances respectively.

On 5 April 2013, the Company entered into an agreement (the ''Disposal Agreement'') to dispose of the entire interest in Up Stand Holdings Limited (''Up Stand''), and its subsidiary, Dongguan Up Stand Electrical Manufacturing Company Limited, whose principal activities are manufacturing and trading of household electrical appliances and audio-visual products, at a consideration of HK$10,000,000 subject to adjustment by the increase/decrease in the consolidated net asset value of Up Stand during the period from 31 December 2012 to the date of completion of the disposal of Up Stand with a limit of HK$1 million. Completion shall take place on the day on which the conditions precedent as set out in the Disposal Agreement are fulfilled. As at the date of this report, the disposal of Up Stand has not been completed.

After the disposal of the Disposal Companies and Up Stand, all the businesses of the Group would be discontinued and are treated as discontinued operations and the comparative figures in the consolidated statement of comprehensive income are re-presented.

The profit/(loss) from discontinued operations are as follows:

	2013	**2012**
	HK$'000	*HK$'000*
Loss on discontinued operations	(4,432)	(11,205)
Gain on disposal of subsidiaries	61,850	—
Impairment of goodwill	—	(5,497)
Change in fair value of contingent consideration in respect of acquisition of a subsidiary	—	5,000
	57,418	(11,702)

The results of the discontinued operations are as follows:

	2013	**2012**
	HK$'000	*HK$'000*
Turnover	22,545	63,576
Cost of sales	(20,826)	(58,523)
Gross profit	1,719	5,053
Other income	33	950
Selling and distribution expenses	(951)	(2,056)
Administrative expenses	(5,166)	(15,031)
Operating loss	(4,365)	(11,084)
Interest on bank overdraft	—	(34)
Loss before taxation	(4,365)	(11,118)
Taxation	(67)	(87)
Loss for the year	(4,432)	(11,205)

Loss from discontinued operations include the following:

	2013	2012
	HK$'000	*HK$'000*
Auditors' remuneration	—	280
Amortisation of intangible assets	—	8
Depreciation of property, plant and equipment	996	1,114
Impairment of property, plant and equipment	—	1,083
Impairment of intangible asset	—	186
Impairment of inventories	81	1,913
Impairment of trade receivables	—	948
Written-off of property, plant and equipment	1,052	—
Written-off of other receivables, prepayments and deposits	—	3,926
Operating lease rentals in respect of rented premises	585	884
Staff costs, including Directors' emoluments	4,821	10,288
Retirement benefits scheme contributions, including Directors	178	261
Interest income	(3)	(5)

The cash flows of the discontinued operations are as follows:

	2013	2012
	HK$'000	*HK$'000*
Net cash outflow from operating activities	(1,223)	(1,877)
Net cash inflow/(outflow) from investing activities	1,930	(4,940)
Net cash outflow from financing activities	—	(34)
Total net cash inflow/(outflow)	707	(6,851)

11. DIVIDEND

No dividend was paid or proposed during the year ended 30 April 2013, nor has any dividend been proposed since the end of the reporting period.

12. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per Share attributable to equity holders of the Company for the year is based on the profit for the year attributable to equity holders of the Company of approximately HK$43,218,000 (2012: loss of HK$14,423,000) and the weighted average number of 422,000,000 (2012: 422,000,000) Shares in issue.

	2013		2012	
	Profit/(loss) attributable to Shareholders	Weighted average number of Shares	Loss attributable to Shareholders	Weighted average number of Shares
	HK$'000	*'000*	*HK$'000*	*'000*
Continuing operations	(14,200)	422,000	(2,721)	422,000
Discontinued operations	57,418	422,000	(11,702)	422,000
	43,218	422,000	(14,423)	422,000

The Company had no potential dilutive instruments during the years ended 30 April 2013 and 2012. Accordingly, diluted earnings per share is not presented.

13. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated net loss attributable to equity shareholders of the Company includes a loss of approximately HK$20,170,000 (2012: HK$2,917,000) which has been dealt with in the financial statements of the Company.

14. GOODWILL

	HK$
Cost:	
Addition and at 30.4.2012	5,497
Written off on disposal	(5,497)
At 30.4.2013	—
Accumulated impairment losses:	
Impairment loss and at 30.4.2012	5,497
Written off on disposal	(5,497)
At 30.4.2013	—
Carrying amount:	
At 30.4.2013 and 30.4.2012	—

Impairment test for cash-generating units containing goodwill

Goodwill is allocated to the group's cash-generating units ("CGU") identified operating segment as follows:

	2012
	HK$
Manufacturing and sales of household electrical appliances	—

(a) The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a one year period.

(b) Goodwill arose from an acquisition of a subsidiary in June 2011 (Note 25). However, the subsidiary generated loss during the period after acquisition, the management decided to stop the operation of the subsidiary. Accordingly, the goodwill was impaired and recorded in profit or loss during the year ended 30 April 2012.

15. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Leasehold improvement HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Total HK$'000
Cost:						
At 1.5.2011	428	557	160	1,074	2,408	4,627
Acquisition from a subsidiary	—	—	247	677	1,217	2,141
Exchange difference	8	5	1	9	19	42
Additions	865	282	40	956	1,219	3,362
Disposals	—	—	(257)	(1,175)	—	(1,432)
Reallocation	(1,301)	476	—	825	—	—
At 30.4.2012	—	1,320	191	2,366	4,863	8,740
Exchange difference	—	15	1	26	26	68
Additions	—	—	—	16	547	563
Written off	—	(531)	(112)	—	(2,179)	(2,822)
Reclassified as held for sale — Note 19	—	(804)	(80)	(2,408)	(3,257)	(6,549)
At 30.4.2013	—	—	—	—	—	—
Aggregate depreciation:						
At 1.5.2011	—	233	43	70	262	608
Exchange difference	—	—	—	1	—	1
Charge for the year	—	177	64	264	609	1,114
Elimination on disposals	—	—	(25)	(83)	—	(108)
At 30.4.2012	—	410	82	252	871	1,615
Exchange difference	—	2	—	3	4	9
Charge for the year	—	170	29	243	554	996
Written off	—	(454)	(82)	—	(151)	(687)
Reclassified as held for sale — Note 19	—	(128)	(29)	(498)	(1,278)	(1,933)
At 30.4.2013	—	—	—	—	—	—
Aggregate impairment:						
Charge for the year and at 30.4.2012	—	—	18	—	1,065	1,083
Written off	—	—	(18)	—	(1,065)	(1,083)
At 30.4.2013	—	—	—	—	—	—
Net book value:						
At 30.4.2013	—	—	—	—	—	—
At 30.4.2012	—	910	91	2,114	2,927	6,042

The above items of plant and equipment were depreciated on a straight-line basis at the following rate per annum:

Construction in progress	Nil
Leasehold improvement	10% to 25%
Furniture, fixtures and equipment	20% to 33%
Plant and machinery	10%
Moulds	10% to 20%

The Company disposed of the entire interest in Up Stand on 5 April 2013. The disposal of Up Stand has not been completed as at 30 April 2013. Therefore, all the above property, plant and equipment were reclassified to assets classified as held for sale (see note 19).

16. INVENTORIES

	2013	**2012**
	HK$'000	*HK$'000*
Raw materials	—	1,811
Work-in-progress	—	1,609
Finished goods	—	250
	—	3,670

The analysis of the amount of inventories recognised on expenses and included in profit or loss is as follows:

	2013	**2012**
	HK$'000	*HK$'000*
Carrying amount of inventories sold	20,826	58,523
Write down of inventories	81	1,913
	20,907	60,436

Operation of a subsidiary of the Group was ceased last year, all unsold goods was fully written off.

17. TRADE RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES

	2013	**2012**
	HK$'000	*HK$'000*
Trade receivables	—	3,413
Deposits and other receivables	290	3,335
At end of the year	290	6,748

For the year ended 30 April 2012, the Group allowed its trade customers with a credit period normally ranging from payment on delivery to 120 days. The aged analysis (based on invoice date) of the Group's trade receivables as at 30 April 2012 was within 90 days.

Included in the Group's trade receivables, the carrying amount of approximately HK$2,054,000 was past due but not impaired as at 30 April 2012.

As at 30 April 2012, trade receivables that were past due but not impaired are related to independent customers that had a good track record with the Group. Based on the past experience, management believed that no impairment allowance is necessary in respect of these balances as there had not been a significant change in credit quality and the balances were considered fully recoverable. The Group does not hold any collateral over the balances.

18. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with original maturity of three months or less at prevailing interest rates. The bank balances are denominated primarily in HKD and RMB.

19. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On 5 April 2013, the Company and Homely Manufacturing Limited ("Homely"), a limited company incorporated in Hong Kong, which is wholly and beneficially owned by Mr. Yeung Kui Wong, who was the founder of the Company and had been the controlling Shareholder and the chairman and the Director of the Company, entered into the Disposal Agreement, pursuant to which, Homely has conditionally agreed to acquire and the Company has conditionally agreed to sell the 100% issued share capital of Up Stand and its subsidiary, whose principal activities are manufacturing and trading of household electrical appliances and audio-visual products, at a consideration of HK$10,000,000 subject to adjustment by the increase/decrease in the consolidated net asset value of Up Stand during the period from 31 December 2012 to the date of completion of the disposal of Up Stand with a limit of HK$1 million. Completion shall take place on the day on which the conditions precedent (refer to note 33(ii)) as set out in the Disposal Agreement are fulfilled.

The consolidated assets and liabilities attributable to Up Stand are expected to be sold within twelve months and have been classified as held for sale and are presented separately in the consolidated statement of financial position (see below).

The major classes of consolidated assets and liabilities of Up Stand classified as held for sale are as follows:

	Notes	*HK$'000*
ASSETS		
Property, plant and equipment	*15*	4,616
Inventories		2,598
Trade receivables, deposits and other receivables		4,881
Bank balances and cash	*18*	1,405
Assets classified as held for sale		13,500
LIABILITIES		
Trade and other payables		3,311
Taxation payable		824
Liabilities directly associated with assets held for sale		4,135
Net assets classified as held for sale		9,365

Cumulated income recognised directly in equity relating to Up Stand classified as held for sale:

	HK$'000
Exchange reserve	374

20. TRADE AND OTHER PAYABLES

	2013	2012
	HK$'000	*HK$'000*
Trade payables	—	3,215
Other payables	15,055	18,040
Amount due to a shareholder	18,224	14,730
Amount due to a former subsidiary	2,448	—
Amount due to a deconsolidated subsidiary	2,274	2,274
	38,001	38,259

The aged analysis of the Group's trade payables as at 30 April 2013 and 2012 is as follows:

	2013	2012
	HK$'000	*HK$'000*
Aged:		
0 to 90 days	—	1,439
91 to 180 days	—	1,391
Over 180 days	—	385
	—	3,215

The amounts due to a shareholder, a former subsidiary and a deconsolidated subsidiary are unsecured, interest-free and repayable on demand.

21. GUARANTOR'S LIABILITY AND ACCRUED LIABILITY FOR POTENTIAL CLAIMS

The amount represents (i) the liability of the bank borrowings and overdrafts and the accrued interest therein arising from the guarantee arrangements between the Company and two deconsolidated subsidiaries, namely Housely Industries Limited ("Housely Industries") and Dongguan Kalee Electrical Co., Ltd. ("Dongguan Kalee") of approximately HK$323,846,000 (2012: HK$323,846,000); (ii) the liability of the bank borrowings and overdrafts and the accrued interest therein arising from the guarantee arrangements between the Company and the Disposal Companies of approximately HK$24,143,000 (2012: HK$Nil); (iii) the accrued liability for potential claims against the Group by the creditors of Housely Industries of approximately HK$Nil (2012: HK$16,500,000).

According to the Schemes, no interest accruing on debt after the Scheme Creditors' meeting held in March 2009 is provable or admissible as a claim under the Schemes. Accordingly, no interest has been accrued since March 2009.

22. BANK BORROWINGS

	2013	2012
	HK$'000	*HK$'000*
The Group's unsecured bank borrowings comprise:		
Bank loans	—	21,456
Trust receipt loans	—	1,492
	—	22,948

All bank borrowings come from the Disposal Companies. Upon the disposal of the Disposal Companies, the bank borrowings were transferred to the guarantor's liability of the Company under the guarantee arrangements between the Company and the Disposal Companies.

All bank borrowings are denominated in HKD. There was no new bank borrowing raised during the current and preceding years.

23. SHARE CAPITAL

(a) Share capital

	Number of Shares	Amount
	'000	*HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 May 2011, 30 April 2012 and 30 April 2013	8,000,000	80,000
Issued and fully paid:		
At 1 May 2011, 30 April 2012 and 30 April 2013	422,000	4,220

(b) Capital management

The Group's equity capital management objectives are to safeguard the Group's ability to continue as a going concern and to provide an adequate return to shareholders commensurately with the level of risk. To meet these objectives, the Group manages the equity capital structure and makes adjustments to it in the light of changes in economic conditions by issuing new equity shares, and raising or repaying debts as appropriate.

The Group's equity capital management strategy, which is unchanged from the previous periods, is to maintain a reasonable proportion in total debts and equity capital. The Group monitors equity capital on the basis of the debt-to-equity capital ratio, which is calculated as net debts over equity capital.

The only externally imposed capital requirement is that under the Listing Rules, the Company has to maintain the minimum public float requirement of which at least 25% of the issued Shares being held in public hands. Details of sufficiency of public float have been included in the paragraph headed "Sufficiency of Public Float" in the section headed "Report of the Directors" of this annual report.

24. DISPOSAL OF SUBSIDIARIES

As mentioned in note 10, on 18 January 2013, the Company disposed of the entire interest in the Disposal Companies to Mr. Kan at an aggregate cash consideration of HK$3 (the "Consideration"). The details of the disposal of the Disposal Companies had been set out in the Company's announcement dated 18 January 2013.

The disposal of the Disposal Companies was completed during the year. Up to 30 April 2013, the Company has fully received the Consideration.

The aggregate net liabilities of Disposal Companies disposed of were as follows:

	Olevia	**RHE**	**WGL**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net liabilities disposed of:				
Amount due from ultimate holding company	—	—	2,448	2,448
Trade and other payables	—	(15)	(13,798)	(13,813)
Accrued liability for potential claims	—	—	(16,500)	(16,500)
Bank borrowings	—	—	(22,948)	(22,948)
Unsecured bank overdrafts	—	(1,606)	(2,078)	(3,684)
Taxation payable	—	—	(31,496)	(31,496)
Net liabilities disposed of	—	(1,621)	(84,372)	(85,993)
Guarantor's liability *(Note)*	—	—	24,143	24,143
Gain on disposal of subsidiaries	—	(1,621)	(60,229)	(61,850)
Net cash inflow arising on disposal of subsidiaries:				
Cash consideration	—	—	—	—
Unsecured bank overdrafts	—	1,606	2,078	3,684
	—	1,606	2,078	3,684

Note: The Company provided corporate guarantees to certain banks to secure the banking facilities granted to Warderly Group Limited and its subsidiaries. As Warderly Group Limited and its subsidiaries had net liabilities and they were in default on payment of such bank borrowings and overdrafts, the Group recognised a liability of approximately HK$24,143,000 (note 21), equivalent to the outstanding bank borrowings and overdrafts and accrued interest thereon of Warderly Group Limited and its subsidiaries, to reflect its obligations under the guarantee arrangements.

The cash flows of the Disposal Companies are as follows:

	2013	**2012**
	HK$'000	*HK$'000*
Net cash inflow/(outflow) from operating activities	13,061	(4,637)
Net cash outflow from investing activities	—	(2,087)
Net cash outflow from financing activities	—	(34)
Total net cash inflow/(outflow)	13,061	(6,758)

25. ACQUISITION OF A SUBSIDIARY

On 22 June 2011, the Company acquired 100% of the issued shares of Rich Honest (Europe) Ltd. for an aggregate purchase consideration of HK$5,000,000. The details of the acquisition are as follows:

Recognised amounts of identifiable assets acquired and liabilities assumed:

	HK$'000
Property, plant and equipment	2,141
Intangible asset	194
Inventories	512
Trade and other receivables	4,562
Bank overdraft	(1,583)
Trade and other payables	(6,131)
Taxation payables	(192)
Fair value of total identifiable net liabilities	(497)
Goodwill — *Note 14*	5,497
Total consideration	5,000
Purchase consideration settled in cash *(note)*	—
Bank overdraft in subsidiaries acquired	1,583
Cash outflow on acquisition	1,583

From the period between 22 June 2011 and 30 April 2012, the subsidiary contributed revenue of HK$4,702,000 and a net loss of HK$10,239,000 to the consolidated net loss for the year ended 30 April 2012.

If the acquisition had occurred on 1 May 2011, the Directors estimate that the Group's revenue would have been HK$64,623,000 and net loss would have been HK$15,391,000 for the year ended 30 April 2012.

Note:

The purchase consideration of HK$5,000,000 was waived in last year as the earnings target stated in the sales and purchase agreement of acquiring Rich Honest (Europe) Ltd. was not reached.

26. SHARE OPTION SCHEME

The Company's share option scheme (the "Option Scheme") was adopted pursuant to a resolution passed on 26 November 2002 for the primary purpose of providing incentives to directors and eligible participants, and expired on 25 November 2012.

There was no outstanding option pursuant to the Option Scheme as at 1 May 2012. In addition, no share option has been granted during the current and preceding years.

27. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund scheme for all qualifying employees of its Hong Kong subsidiaries. The assets of the scheme are held separately from those of the Group and in funds under the control of trustees. The Group contributes lower of 5% of the relevant payroll costs or HK$1,250 per person to the scheme, which contribution is matched by employees.

The employees of the Company's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their employee's payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

As at 30 April 2013 and 2012, there was no forfeited contribution, which arose upon employees leaving the retirement benefits scheme and which was available to reduce the contribution payable in the future years.

28. OPERATING LEASE COMMITMENTS

As at 30 April 2013, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	2013	**2012**
	HK$'000	*HK$'000*
Within one year	998	18
In the second to fifth year inclusive	1,110	—
	2,108	18

Operating lease payments represent rentals payable by the Group for its office premises, factory and warehouse. The leases are negotiated for terms of one to three years and the lease for the office premises in Hong Kong is guaranteed by Mr. Kan.

29. LITIGATIONS

(a) On 7 March 2007, China Construction Bank (Asia) Limited commenced proceedings in the High Court of Hong Kong under HCA 438 of 2007 against Housely Industries and the Company for approximately HK$1,540,000, interest and costs on indemnity basis.

(b) On 3 April 2007, China Construction Bank (Asia) Limited commenced proceedings in the High Court of Hong Kong under HCA 673 of 2007 against Housely Industries and the Company for approximately HK$1,016,000, interest and costs on indemnity basis. On 26 April 2007, the court granted a final and interlocutory judgement against Housely Industries and the Company for approximately HK$1,016,000, interest and costs on indemnity basis. The judgement debt has not been settled at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2013.

(c) On 14 April 2007, the Bank of Tokyo-Mitsubishi UFJ, Ltd. commenced proceedings in the High Court of Hong Kong under HCA 733 of 2007 against Housely Industries and the Company for approximately HK$4,985,000, interest and costs. On 7 June 2007, the court granted a judgement against Housely Industries and the Company for the sum of approximately HK$4,985,000, interest and costs in the sum of approximately HK$2,000. The judgment debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2013. The indebtedness claimed was subsequently assigned by the Bank of Tokyo-Mitsubishi UFJ, Ltd. to an independent third party of the Group.

(d) On 20 April 2007, DBS Bank (Hong Kong) Limited commenced proceedings in the High Court of Hong Kong under HCA 797 of 2007 against the Company for approximately HK$5,060,000, interest and costs on indemnity basis. On 18 June 2007, the court granted a judgement against the Company for the sum of approximately HK$5,060,000 and interest. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2013. The indebtedness claimed was subsequently assigned by DBS Bank (Hong Kong) Limited to an independent third party of the Group.

(e) On 20 April 2007, DBS Bank (Hong Kong) Limited commenced proceedings in the High Court of Hong Kong under HCA 798 of 2007 against Housely Industries and the Company for approximately HK$5,449,000 approximately US$90,000, interest and costs on indemnity basis. On 18 June 2007, the court granted a judgement against Housely Industries and the Company for the sum of approximately HK$5,449,000, approximately US$90,000, interest and costs on indemnity basis. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2013. The indebtedness claimed was subsequently assigned by DBS Bank (Hong Kong) Limited to an independent third party of the Group.

(f) On 1 June 2007, Bank of Communications Co., Ltd. (Hong Kong Branch) commenced proceedings in the High Court of Hong Kong under HCA 1161 of 2007 against Housely Industries, Housely Technology Limited (a wholly-owned subsidiary of the Company), Housely Trading Company Limited (a wholly-owned subsidiary of the Company) and the Company for approximately HK$13,652,000 and approximately US$329,000, interest and costs on indemnity basis. On 16 July 2007, the court granted a judgement against the said companies for approximately HK$13,652,000 and approximately US$329,000, interest and fixed costs in the sum of approximately HK$2,000. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2013.

(g) On 23 December 2008, PR Asia Consultants Limited commenced the Civil Action No. 5897 of 2008 in the District Court of Hong Kong against the Company for the sum of approximately HK$818,000, interest, further or other relief and costs. On 22 January 2009, a judgement was granted by the District Court of Hong Kong against the Company for the sum of approximately HK$818,000, interest and costs in the sum of approximately HK$1,000. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2013.

(h) On 9 March 2009, Bank of China Limited Macau Branch commenced proceedings in the High Court of Hong Kong under HCA 664 of 2009 against the Company for the sum of approximately HK$13,890,000, interest, further or other relief and costs on indemnity basis. On 7 April 2009, a judgement was granted by the High Court of Hong Kong against the Company for the sum of approximately HK$13,890,000, interest and costs on indemnity basis. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2013.

30. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 30 April 2013 which have been included in these consolidated financial statements are as follows:

Name of subsidiary	Place of incorporation	Issued and fully paid ordinary share capital/ registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	*Indirectly*	
Up Stand Holdings Limited	Hong Kong	HK$1	100%	—	Trading of household electrical appliances and audio-visual products
Dongguan Up Stand Electrical Manufacturing Company Limited# 東莞堅東電器制造有限公司#	The People's Republic of China (PRC)	HK$8,000,000	—	100%	Designing, manufacturing, marketing and distribution of household appliances
Mighty Fame Limited	Hong Kong	HK$1	100%	—	Investment holding

\# *Registered as a wholly foreign owned enterprise ("WFOE") under PRC laws*

None of the subsidiaries had issued debt securities as at 30 April 2013.

31. STATEMENT OF FINANCIAL POSITION

The statement of financial position of the Company is as follows:

	2013	**2012**
	HK$'000	*HK$'000*
Non-current asset		
Investment in subsidiaries	—	—
Current assets		
Deposits	290	1,000
Amount due from a subsidiary	60	—
Bank balances and cash	11	12
	361	1,012
Current liabilities		
Other payables	18,209	6,160
Amount due to a shareholder	18,224	—
Amounts due to subsidiaries	—	13,202
Amount due to a deconsolidated subsidiary	2,274	2,274
Amount due to a former subsidiary	2,448	—
Guarantor's liability	347,989	347,989
Unsecured bank overdrafts	26	26
	389,170	369,651
Net current liabilities	(388,809)	(368,639)
Net liabilities	(388,809)	(368,639)
Capital and reserves		
Share capital	4,220	4,220
Reserves	(393,029)	(372,859)
Capital deficiencies	(388,809)	(368,639)

32. RELATED PARTY TRANSACTIONS

Apart from the information as disclosed elsewhere in the consolidated financial statements, the Group had no other material transaction with its related parties during the year.

Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

	2013	**2012**
	HK$'000	*HK$'000*
Short-term benefits	645	635
Post-employment benefits	15	12
	660	647

The remuneration of key management is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

These transactions do not fall within the definition of "connected transactions" in Chapter 14A of the Listing Rules.

33. EVENTS AFTER THE REPORTING PERIOD

(i) As mentioned in note 2(d) to the consolidated financial statements, under the New Resumption Proposal, the Company will acquire the entire equity interest of Nanjing Fullshare Asset Management Limited (the "Target") at a consideration of HK$500 million (the "Acquisition") which will be financed by the Open Offer and issuance of the Convertible Bonds. The Acquisition constitutes a reverse takeover and hence is subject to the Listing Rules applicable to such transactions. The completion of the Acquisition shall be subject to and conditional upon (1) all approval, agreement, and consents in relation to all the requirements under the applicable laws and rules including the Listing Rules and the Takeovers Code having been obtained by Mighty Fame and all necessary authorisations from Mighty Fame and the Company (including the resolutions to be proposed at the general meeting of the Company) in respect of the Acquisition Agreement and the transactions contemplated thereunder having been obtained, if applicable; (2) the certificate issued by the relevant approval authority to reply and approve the application of the Target for being a WFOE in relation to the Acquisition having been obtained by the Target; and (3) the renewed business license issued by the relevant registration authority having been obtained by the Target. The Company is now taking appropriate steps to comply with requirements under the Listing Rules and Takeovers Code in respect of the New Resumption Proposal. Details of the Acquisition are set out in the announcement of the Company on 21 March 2013. Circular containing the information of the proposed restructuring of the Company and the Acquisition is expected to be despatched on or before 31 October 2013.

(ii) As mentioned in notes 10 and 19, on 5 April 2013, the Company and Homely entered into the Disposal Agreement, pursuant to which, Homely has conditionally agreed to acquire and the Company has conditionally agreed to dispose of the entire interest of Up Stand at a consideration of HK$10,000,000 subject to adjustment by the increase/decrease in the consolidated net asset value of Up Stand during the period from 31 December 2012 to the date of completion of the disposal of Up Stand with a limit of HK$1 million. The completion of the disposal of Up Stand shall be subject to and conditional upon (1) all approval, agreement and consents in relation to all the requirements under the applicable laws and the rules including the Listing Rules, and from the regulators, the government authorities, the Stock Exchange and all necessary internal authorisation from Homely and the Company (including the board approval of both parties and the Shareholders' approval at the general meeting of the Company) in respect of the disposal of Up Stand and the transactions contemplated thereunder having been obtained, if applicable; and (2) the completion of the Acquisition. In the event that the above conditions are not fulfilled by 31 October 2013, the Disposal Agreement shall lapse and the Company does not need to proceed with the disposal of Up Stand. Details of the disposal of Up Stand are set out in the announcement of the Company on 5 April 2013. Circular containing the information of the disposal of Up Stand is expected to be despatched on or before 31 October 2013.

AUDITED FINANCIAL INFORMATION OF THE GROUP FOR THE YEAR ENDED 30 APRIL 2012

To the Members of
Warderly International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Warderly International Holdings Limited (the "Company") and its subsidiaries (collectively known as the "Group") set out on pages 23 to 67, which comprise the consolidated statement of financial position as at 30 April 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirement of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer Opinion

As at 30 April 2012, the Group's current liabilities exceeded its current assets and its total liabilities exceeded its total assets by approximately HK$426 million and HK$420 million respectively. These conditions, together with the other matters as set forth in note 2(d) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. We were unable to obtain sufficient appropriate evidence regarding the management's assessment on whether the management's use of the going concern assumption in the consolidated financial statements is appropriate or not.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PKF
Certified Public Accountants

Hong Kong
31 July 2012

The following is an extract of the financial statements of the Group from the annual report of the Company for the 12 months ended 30 April 2012:

Consolidated Statement of Comprehensive Income
For the year ended 30 April 2012

	Notes	2012 HK$'000	2011 HK$'000
Turnover	6	63,576	171,358
Cost of sales		(58,523)	(153,611)
Gross profit		5,053	17,747
Other income	8	5,950	182
Impairment of goodwill		(5,497)	—
Selling and distribution expenses		(2,056)	(1,653)
Administrative expenses		(17,752)	(5,988)
Operating (loss)/profit		(14,302)	10,288
Finance costs	10	(34)	—
(Loss)/profit before taxation	9	(14,336)	10,288
Taxation	12	(87)	(2,242)
(Loss)/profit for the year		(14,423)	8,046
Other comprehensive income/(loss)			
Exchange differences on translating foreign operations		250	(34)
Total comprehensive (loss)/income for the year attributable to equity shareholders of the Company		(14,173)	8,012
Loss/earnings per share	14		
— Basic		(HK$0.03)	HK$0.02
— Diluted		N/A	N/A

Consolidated Statement of Financial Position
At 30 April 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Goodwill	16	—	—
Property, plant and equipment	17	6,042	4,019
		6,042	4,019
CURRENT ASSETS			
Inventories	18	3,670	9,322
Trade receivables, deposits and other receivables	19	6,748	39,265
Bank balances and cash	20	1,657	17,749
		12,075	66,336
CURRENT LIABILITIES			
Trade and other payables	21	38,259	75,792
Guarantor's liability and accrued liability for potential claims	22	340,346	340,346
Bank borrowings	23	22,948	22,948
Unsecured bank overdrafts		3,710	2,104
Taxation payable		32,529	34,667
		437,792	475,857
NET CURRENT LIABILITIES		(425,717)	(409,521)
NET LIABILITIES		(419,675)	(405,502)
CAPITAL AND RESERVES			
Share capital	24(a)	4,220	4,220
Reserves		(423,895)	(409,722)
CAPITAL DEFICIENCIES		(419,675)	(405,502)

Consolidated Statement of Changes in Equity
For the year ended 30 April 2012

	Attributable to equity holders of the Company					
	Share capital	**Share premium**	**Special reserve**	**Translation reserve**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 May 2010	4,220	84,868	1,010	—	(503,612)	(413,514)
Total comprehensive (loss)/ income for the year	—	—	—	(34)	8,046	8,012
At 1 May 2011	4,220	84,868	1,010	(34)	(495,566)	(405,502)
Total comprehensive income/ (loss) for the year	—	—	—	250	(14,423)	(14,173)
At 30 April 2012	4,220	84,868	1,010	216	(509,989)	(419,675)

The special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation in 2002.

Consolidated Statement of Cash Flows
For the year ended 30 April 2012

	2012	**2011**
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
(Loss)/profit before taxation	(14,336)	10,288
Adjustments for:		
Depreciation	1,114	493
Amortisation of intangible asset	8	—
Interest income	(5)	(2)
Impairment of goodwill	5,497	—
Impairment of property, plant and equipment	1,083	—
Impairment of intangible assets	186	—
Impairment of inventories	1,913	—
Impairment of trade receivables	948	—
Written-off of other receivables, prepayments and deposits	3,926	—
Waiver of other payables	(5,000)	—
Loss on disposal of property, plant and equipment	—	18
Finance costs	34	—
Operating cash flows before movements in working capital	(4,632)	10,797
Decrease/(increase) in inventories	3,362	(9,204)
Decrease in trade receivables, deposits and other receivables	32,205	5,906
Decrease in trade and other payables	(33,381)	(5,538)
CASH (USED IN)/FROM OPERATIONS	(2,446)	1,961
Hong Kong Profits Tax paid	(2,334)	(806)
PRC income tax paid	(83)	(4)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(4,863)	1,151
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,362)	(3,956)
Bank overdraft from acquisition of subsidiary — *note 31*	(1,583)	—
Interest received	5	2
NET CASH USED IN INVESTING ACTIVITIES	(4,940)	(3,954)
FINANCING ACTIVITIES		
Net (repayment to)/advances from a shareholder	(8,070)	12,300
Interest paid	(34)	—
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(8,104)	12,300

	2012	2011
	HK$'000	*HK$'000*
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(17,907)	9,497
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	209	(38)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	15,645	6,186
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	(2,053)	15,645
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	1,657	17,749
Unsecured bank overdrafts	(3,710)	(2,104)
	(2,053)	15,645

Non cash transaction

During the year, the Group settled debts of approximately HK$2,213,000 with property, plant and equipment of approximately HK$1,324,000 and inventories of approximately HK$889,000.

Notes to the Consolidated Financial Statements

For the year ended 30 April 2012

1. GENERAL INFORMATION

Warderly International Holdings Limited (the "Company", together with its subsidiaries, the "Group") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (2007 Revised) of the Cayman Islands. Its shares (the "Shares") are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporation Information" section of the annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries are manufacturing and trading of household electrical appliances and audio-visual products, details of which are set out in note 30 to the consolidated financial statements.

Trading in the Shares on the Stock Exchange has been suspended since 14 May 2007 at the request of the Securities and Futures Commission in Hong Kong (the "SFC") pursuant to sub-Rule 8(1) of the Securities and Futures (Stock Market Listing) Rules (subsidiary legislation V of Chapter 571 of the Laws of Hong Kong).

The consolidated financial statements are presented in Hong Kong dollar which is the functional currency of the Company.

2. BASIS OF PREPARATION

(a) The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (hereinafter collectively referred to as "Hong Kong Financial Reporting Standards").

In addition, the consolidated financial statements include applicable disclosures required by the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

(b) Initial application of Hong Kong Financial Reporting Standards

In the current year, the Group's initially applied the following Hong Kong Financial Reporting Standards:

HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to HKFRS 1	Limited Exemption from Corporative HKFRS 7 Disclosures for First-time Adopters
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
Improvements to HKFRSs 2010	

The initial application of these Hong Kong Financial Reporting Standards does not necessitate material changes in the Group's accounting policies or retrospective adjustments of the comparatives presented.

(c) Hong Kong Financial Reporting Standards in issue but not yet effective

The following Hong Kong Financial Reporting Standards in issue as at the date of authorisation of these consolidated financial statements have not been applied in the preparation of the Group's consolidated financial statements for the year ended 30 April 2012 since they were not yet effective for the annual period beginning on 1 May 2011:

HKAS 19 (Revised 2011)	Employee Benefits [4]
HKAS 27 (Revised 2011)	Separate Financial Statements [4]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures [4]
HKFRS 9	Financial Instruments [6]
HKFRS 10	Consolidated Financial Statements [4]
HKFRS 11	Joint Arrangements [4]
HKFRS 12	Disclosure of Interests in Other Entities [4]
HKFRS 13	Fair Value Measurement [4]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine [4]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income [3]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets [2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities [5]
Amendments to HKFRS 1	Government Loans [4]
Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets [1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities [4]
Amendments to HKFRS 7 and HKFRS 9	Disclosures — Mandatory Effective Date of HKFRS 9 and Transition Disclosures [6]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

(d) Going concern basis

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of its net liabilities of approximately HK$420 million as at 30 April 2012.

Trading in the Shares on the Stock Exchange has been suspended since 14 May 2007 at the request of the SFC. The Company submitted the proposal (the "Resumption Proposal") in relation to the resumption of trading in the Shares to the Stock Exchange and the SFC on 30 September 2008.

As part of the Resumption Proposal, the Company proposed to settle all amounts due to certain creditors of the Company (the "Scheme Creditors") by way of the schemes of arrangement to be made between the Company and the creditors (the "Scheme Creditors") under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (the "Hong Kong Scheme") and the Companies Law (2007 Revision) of the Cayman Islands (the "Cayman Scheme", together with the Hong Kong Scheme, the "Schemes") respectively.

The implementation of the Schemes will be financed by the proceeds to be raised by the Company by way of the open offer of zero coupon convertible notes (the "Offer Convertible Notes") with an aggregate principal amount of HK$84.4 million (the "Open Offer"). If the conversion rights attaching to the Offer Convertible Notes are fully exercised at the conversion price of HK$0.05 per Share, an aggregate of 1,688,000,000 new Shares will be allotted and issued.

The Open Offer is only available to the shareholders (the "Qualifying Shareholders") on the register of members of the Company on the date for the determination of the entitlements under the Open Offer (the "Record Date") and whose registered addresses as shown on such register on the Record Date are in Hong Kong.

Mr. Kan Che Kin, Billy Albert ("Mr. Kan"), the Director and controlling shareholder of the Company, is the Underwriter to the Open Offer. Pursuant to the underwriting agreement dated 8 October 2008 entered into between the Company and Mr. Kan (the "Underwriting Agreement"), Mr. Kan has conditionally agreed to underwrite those Offer Convertible Notes not having been subscribed by the Qualifying Shareholders.

The major terms of the Hong Kong Scheme and the Cayman Scheme are as follows:

(i) Both the Hong Kong Scheme and the Cayman Scheme will be made with the Scheme Creditors who are all creditors of the Company excluding (a) Up Stand Holdings Limited ("Up Stand") which is a wholly owned subsidiary of the Company; (b) secured creditors to the extent of the value of their security interests agreed with the scheme administrators (the "Scheme Administrators") under the Schemes or upon realisation, the net proceeds of realisation of their security interests; and (c) persons with claims for the costs incurred by the Company in the negotiation, preparation and implementation of the Resumption Proposal, the proposal for the restructuring of the Company, the Hong Kong Scheme and the Cayman Scheme (the "Restructuring and Scheme Costs"), to the extent of such claims.

(ii) The Company will transfer a sum of HK$37 million (the "Scheme Fund") out of the proceeds of the Open Offer to a scheme trust account to be opened by the Scheme Administrators.

(iii) The Hong Kong Scheme and the Cayman Scheme will be administered by the Scheme Administrators who will hold the Scheme Fund for, first, the full payment of the preferential claims of the Scheme Creditors as at the effective date of the Schemes (the "Effective Date") and admitted by the Scheme Administrators or the scheme adjudicators (the "Scheme Adjudicators"), and secondly, settlement of the unsecured and non-preferential claims of the Scheme Creditors as at the Effective Date and admitted by the Scheme Administrators or the Scheme Adjudicators on a pari passu basis.

(iv) Upon the Hong Kong Scheme and the Cayman Scheme becoming effective, each of the Scheme Creditors will discharge and waive all of its claims as at the Effective Date against the Company in consideration of the right to receive full payment of its admitted preferential claims and participate with other Scheme Creditors in the distribution of the Scheme Fund in respect of its admitted non-preferential claims, and each of the Scheme Creditors is barred from taking any proceedings against the Company in respect of its claims.

The proceeds from the Open Offer of HK$84.4 million will be used as to (i) HK$37 million as the Scheme Fund mentioned above; and (ii) the remaining amount of HK$47.4 million, firstly for the payment of the Restructuring and Scheme Costs, which costs shall be borne by Company up to a maximum amount of HK$7 million and the excess borne by Mr. Kan, pursuant to the Hong Kong Scheme and the Cayman Scheme, secondly for the repayment of the loan due from Up Stand to Mr. Kan pursuant to a loan agreement entered into between Up Stand, the Company and Mr. Kan dated 2 January 2009 and as supplemented and amended from time to time, which loan is the interim funding to the Group to meet its general working capital requirements, and thirdly for the general working capital of the Group.

Each of the Hong Kong Scheme and the Cayman Scheme was duly approved by a majority in number (*i.e.* over 50% in number) of the Scheme Creditors together representing no less than 75% in value of the Scheme Creditors present and voting in person or by proxy at the Scheme Creditors' meeting held on 16 March 2009. The Cayman Scheme was sanctioned by the Grand Court of the Cayman Islands on 27 March 2009. While the Hong Kong Scheme was sanctioned by the High Court of Hong Kong on 6 May 2009.

The Hong Kong Scheme and the Cayman Scheme will be effective upon an office copy of the relevant court order sanctioning the respective Scheme having been delivered to the Registrar of Companies in Hong Kong or the Cayman Islands (as the case may be) for registration.

The Open Offer is conditional and fully underwritten by Mr. Kan. In particular, the Open Offer is conditional upon the lifting of the suspension of trading in the Shares on the Stock Exchange by the SFC, the approval of the Resumption Proposal from the Stock Exchange having been obtained, the approval of the

Open Offer and transactions contemplated thereunder by the independent shareholders of the Company, by way of a poll, at an extraordinary general meeting of the Company and the Underwriting Agreement becoming unconditional. Accordingly, the Open Offer may or may not proceed.

On 26 November 2009, the Stock Exchange announced that the Company was placed into the third stage of the delisting procedures pursuant to Practice Note 17 ("PN17") to the Listing Rules as the Stock Exchange determined that the Company's Resumption Proposal was not a viable resumption proposal. The Company submitted a revised Resumption Proposal to the Stock Exchange on 7 May 2010.

On 13 May 2011, the Stock Exchange issued a letter to the Company stating that the Listing Committee of the Stock Exchange considered that the revised Resumption Proposal submitted by the Company has not satisfactorily demonstrated sufficiency of operation or assets as required by the Listing Rules and decided that the listing of the Shares on the Stock Exchange be cancelled in accordance with PN 17 (the "Listing Decision").

On 17 May 2011, the Company submitted an application to the Listing (Review) Committee of the Stock Exchange to seek a review of the Listing Decision.

The Company submitted a submission to the Stock Exchange on 31 August 2011 and attended the review hearing of the Listing (Review) Committee to review the Listing Decision on 20 September 2011. However, the Listing (Review) Committee of the Stock Exchange decided to uphold the Listing Decision that the revised Resumption Proposal had not satisfactorily demonstrated sufficiency of operation or assets as required under Rule 13.24 and that the listing of the Company's shares on the Stock Exchange be cancelled in accordance with PN17.

On 11 October 2011, the Company submitted an application to the Listing (Appeals) Committee of the Stock Exchange to seek a second review of the Listing Decision. As at the date of the annual report, the date of the hearing by the Listing (Appeals) Committee is fixed on 7 September 2012,

The Directors consider the conditions precedent to the Open Offer will be satisfied and the Company's liabilities will be settled pursuant to the Schemes. Accordingly, the Directors were satisfied with the financial position of the Group and considered the preparation of the consolidated financial statements on a going concern basis as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES

Measurement basis

The consolidated financial statements are prepared using the historical cost basis.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 April each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit on loss on disposal.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

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.

Leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the terms of relevant lenses.

Property, plant and equipment

Construction in progress is carried at cost, less any identified impairment loss. Construction in progress is not depreciated until completion of construction when assets are ready for their intended use. Costs on completed construction work are transferred to the appropriate category of property, plant and equipment.

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives after taking into account of their estimated residual value, using the straight-line method.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year in which the item is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis, and in the case of work in progress and finished goods, cost comprises direct materials, direct labour and an attributable proportion of projection overheads. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

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 the end of the reporting period. 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 translation 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 except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (*i.e.* Hong Kong dollars) 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, 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 as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement 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) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables, including trade and other receivables and bank balances, are carried at amortised cost using the effective interest rate method, less any identified impairment losses. 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 the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an 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 instrument issued by the Company comprises share capital.

The Group's financial liabilities, including trade payables, other payables, guarantor's liability, bank borrowings and bank overdrafts, are generally classified as other financial liabilities. Other financial liabilities are subsequently measured at amortised cost, using the effective interest rate method.

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 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.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received or receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's consolidated statement of financial position when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Impairment

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— intangible assets; and

— goodwill

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (*i.e.* a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash on hand and bank overdrafts.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Employee benefits

(i) Retirement benefit scheme

The retirement benefit costs charged to profit or loss represent the contributions payable in respect of the current year to the Group's defined contribution retirement benefits schemes for its employees.

(ii) Termination benefits

Termination benefits are recognised when, and only when the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

  (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate of joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are a joint venture of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close member of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the entity.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENT

In the process of applying the Group's accounting policies which are described in note 3 to the consolidated financial statements, management has made the following estimation uncertainty and judgement that has most significant effect on the amounts recognised in the consolidated financial statements.

Estimated impairment of trade receivables, deposit and other receivables

The provision policy for bad and doubtful debts of the Group is based on the on-going evaluation of collectability and aging analysis of the outstanding receivables and on management's judgement by reference to the estimation of the future cash flow discounted at an effective interest rate to calculate the present value. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer and other debtors. If the financial conditions of customers and other debtors of the Group were to deteriorate, resulting in an impairment of their abilities to make payments, allowances may be required. As at 30 April 2012, the carrying value of trade receivables, deposit and other receivables was approximately HK$6,748,000 (2011: HK$39,265,000).

Fair value of identifiable assets and liabilities acquired through business combination

The Group applies the acquisition method to account for business combinations, which requires the Group to record assets acquired and liabilities assumed at their fair values on the date of acquisition. Significant judgement is used to estimate the fair values of the assets and liabilities acquired, including estimating future cash flows from the acquired business, determining appropriate discount rates and other assumptions.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and variable selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of a similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to industry cycles. Management reassesses these estimates at the end of each reporting period.

Estimated useful lives of property, plant and equipment

Management of the Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives or residual values are different from those previously estimated. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; and (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. During the year ended 30 April 2012, the Group recognised an impairment loss of HK$5,497,000. Details of the value in use calculation are set out in note 16.

Income tax

As at 30 April 2012, no deferred tax assets had been recognised in respect of the tax losses of approximately HK$31,570,000 (2011: HK$21,050,000) due to the unpredictability of future taxable profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in future. In case where the actual future profit generated is more than expected, a material recognition of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a recognition takes place.

5. FINANCIAL RISK MANAGEMENT

(a) Nature and extent of financial statement risks

Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The Group manages credit risk by setting up credit control policy and periodic evaluation of credit performance of other parties, measured by the extent of past due or default and their financial healthiness.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

As at 30 April 2012, the Group's maximum exposure to credit risk arises from the carrying amounts of respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has no significant concentration of credit risk on trade receivables. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of the Group to meet its financial obligations, measured by the debt-to-equity capital ratio as mentioned in note 24(b) to the consolidated financial statements.

In light of the Group's net liabilities as at 30 April 2012, the management has implemented several measures in order to improve the Group's working capital position and net financial position. Details of these measures are disclosed in note 2(d) to the consolidated financial statements.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities as at 30 April 2012 based on the undiscounted cash flows:

	2012	**2011**
	HK$'000	*HK$'000*
Trade and other payables	38,259	75,792
Guarantor's liability and accrued liability for potential claims	340,346	340,346
Bank borrowings	22,948	22,948
Unsecured bank overdrafts	3,710	2,104
Due for payment within one year or on demand	405,263	441,190

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group considers hedging significant currency risk should the need arise.

The following table details the Group's exposure to currency risk at the end of the reporting period arising from recognised assets or liabilities denominated in a currency other than functional currency of the group entity to which they relate. The exposure arising form the current accounts among the Company and its subsidiaries which form part of net investment in foreign operation is excluded.

	2012		**2011**	
	United states Dollars	**Hong Kong Dollars**	**United States Dollars**	**Hong Kong Dollars**
	'000	*'000*	*'000*	*'000*
Trade receivables, deposits and other receivables	—	—	48	—
Cash and bank balances	—	—	229	5,560
Trade and other payables	(53)	—	(108)	—
Net exposure arising from recognised assets and liabilities	(53)	—	169	5,560

The Group operates in Hong Kong and the People's Republic of China ("PRC") and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars ("USD") and Hong Kong dollars ("HKD") respectively.

Since HKD is pegged to USD, material fluctuations in the exchange rates of HKD against USD are remote.

As at 30 April 2012 and 2011, if RMB appreciated/depreciated 5 percent against HKD with all other variables held constant, there would be no significant change to the Group's loss/profit for both years.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group manages interest rate risk, when it is considered significant, by entering into appropriate swap contracts.

As at 30 April 2012, bank balances of HK$109,000 (2011: HK$9,481,000) and bank overdrafts of HK$3,710,000 (2011: HK$2,104,000) bore interest at rates varies with the then prevailing market condition.

The sensitivity analysis below has been determined based on the exposure to interest rates for the Group's variable-rate bank balances, bank borrowings, bank overdrafts and guarantor's liability as at 30 April 2012 and 2011. For variable-rate bank balances, bank borrowings, bank overdrafts and guarantor's liability, the analysis is prepared assuming the amount of assets or liability outstanding as at 30 April 2012 and 2011 was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If the interest rates as at 30 April 2012 and 2011 had been 50 basis points higher/lower and all other variables were held constant, there would be no significant change to the Group's loss/profit for both years.

(b) Fair value estimation

The fair values of financial assets and financial liabilities are determined based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

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

6. TURNOVER

Turnover represents the fair value of the amounts received and receivable for goods sold to outside customers less returns and allowances during the year.

7. SEGMENT INFORMATION

Reportable segments

For management purposes, the Group is organised into three operating divisions. These divisions are the basis on which the Group reports its segment information.

Principal activities are as follows:

— Trading of household electrical appliances

— Manufacturing and sale of household electrical appliances; and

— Trading of audio-visual products

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

(1) Segment assets consist primarily of property, plant and equipment, inventories and trade receivables. Segment liabilities comprise operating liabilities and mainly exclude items such as income tax payable.

(2) Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment.

(3) Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

(4) Unallocated items comprise financial and corporate assets and liabilities, guarantee liability, bank borrowings and corporate and financing expenses.

The measure used for reporting segment result is "adjusted EBIT" *i.e.* adjusted earnings before interest and taxes. To arrive at adjusted EBIT, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as other head office or corporate administration costs.

Segment information about the aforementioned businesses is set out as follows:

	Trading of Household Electrical Appliances		Manufacturing and sales of household electrical appliances		Trading of audio-visual products		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER								
External sales	11,472	71,045	52,104	8,079	—	92,234	63,576	171,358
RESULT								
Segment result	(1,283)	2,929	(8,554)	(623)	—	10,637	(9,837)	12,943
Other operating income							151	141
Unallocated corporate expenses							(4,650)	(2,796)
(Loss)/profit before taxation							(14,336)	10,288
Taxation							(87)	(2,242)
(Loss)/profit for the year							(14,423)	8,046
ASSETS								
Segment assets	3	14,660	14,671	9,178	—	27,928	14,674	51,766
Unallocated corporate assets							3,443	18,589
Consolidated total assets							18,117	70,355
LIABILITIES								
Segment liabilities	177	7,719	3,684	3,354	134	23,036	3,995	34,109
Unallocated corporate liabilities							433,797	441,748
Consolidated total liabilities							437,792	475,857
OTHER INFORMATION								
Capital additions	—	—	3,362	3,956	—	—	3,362	3,956
Capital additions from acquisition of a subsidiary	—	—	2,141	—	—	—	2,141	—
Depreciation	6	6	956	333	—	—	962	339
Unallocated depreciation	—	—	—	—	—	—	152	154
Total depreciation							1,114	493
Amortisation of intangible assets	—	—	8	—	—	—	8	—
Impairment of goodwill	—	—	—	—	—	—	5,497	—
Impairment of property, plant and equipment	18	—	1,065	—	—	—	1,083	—
Impairment of intangible asset	—	—	186	—	—	—	186	—
Impairment of inventories	—	—	1,913	—	—	—	1,913	—
Impairment of trade receivables	—	—	948	—	—	—	948	—

Geographical information

The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below.

	Revenue		Non-current assets	
	2012	**2011**	**2012**	**2011**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*
PRC (including Hong Kong)	32,069	163,287	6,042	4,019
Europe	18,136	4,046	—	—
Australia	1,880	3,140	—	—
United States of America	11,491	—	—	—
Others	—	885	—	—
	63,576	171,358	6,042	4,019

The geographical location of customers is based on the location to which the goods are delivered. The geographical location of the non-current assets is based on the physical location of assets.

Information about major customers

For the year ended 30 April 2012, there are two (2011: Nil) customers from segments of manufacturing and sales of household electrical appliances contributing over 10% of the total sales of the Group whose total revenue is approximately HK$22,231,000 (2011: Nil).

For the year ended 30 April 2012, there is one (2011: three) customers from segments of trading of household electrical appliances and trading of audio-visual products contributing over 10% of the total sales of the Group whose total revenue is approximately HK$7,145,000 (2011: HK$ 141,761,000).

8. OTHER INCOME

	2012	**2011**
	HK\$'000	*HK\$'000*
Change in fair value of contingent consideration in respect of acquisition of a subsidiary	5,000	—
Waiver of accrued directors' remuneration	—	140
Interest income	5	2
Sundry income	945	40
	5,950	182

9. (LOSS)/PROFIT BEFORE TAXATION

	2012	2011
	HK$'000	*HK$'000*
(Loss)/profit before taxation has been arrived at after charging:		
Auditors' remuneration	280	390
Amortisation of intangible asset	8	—
Depreciation of property, plant and equipment	1,114	493
Loss on disposal of property, plant and equipment	—	18
Impairment of goodwill — Note 16	5,497	—
Impairment of plant and equipment	1,083	—
Impairment of intangible asset	186	—
Impairment of inventories	1,913	—
Impairment of trade receivables	948	—
Written-off of other receivables, prepayments and deposits	3,926	—
Operating lease rentals in respect of rented premises	884	1,578
Staff costs, including Directors' emoluments	10,288	3,535
Retirement benefits scheme contributions, including Directors	261	59
Interest on bank overdrafts	34	—

10. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest expense on bank overdraft	34	—

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

The emoluments paid or payable to each of the seven (2011: eight) Directors were as follows:

	Fees	Other emoluments	Salaries and other benefits	Contribution to retirement benefit scheme	Share-based payment	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 30 April 2012						
Executive Directors:						
Kan Che Kin, Billy Albert	7	—	—	—	—	7
Li Kai Yien, Arthur Albert	10	—	—	—	—	10
Li Shu Han, Eleanor Stella	10	—	—	—	—	10
Seto Ying	10	—	—	—	—	10
Independent non-executive Directors:						
Lee Kong Leong	50	—	—	—	—	50
Li Siu Yui	50	—	—	—	—	50
Ip Woon Lai	50	—	—	—	—	50
	187	—	—	—	—	187

	Fees	Other emoluments	Salaries and other benefits	Contribution to retirement benefit scheme	Share-based payment	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 30 April 2011						
Executive Directors:						
Li Kai Yien, Arthur Albert	10	—	—	—	—	10
Li Shu Han, Eleanor Stella	10	—	—	—	—	10
Seto Ying	10	—	—	—	—	10
Independent non-executive Directors:						
Tam Ping Kuen, Daniel	—	—	—	—	—	—
Lau Tai Chim	—	—	—	—	—	—
Lee Kong Leong	50	—	—	—	—	50
Li Siu Yui	50	—	—	—	—	50
Ip Woon Lai	50	—	—	—	—	50
	180	—	—	—	—	180

As at 30 April 2012, the remuneration payable to the Directors was approximately HK$1,096,000 (2011: HK$909,000) which was included in trade and other payables in note 21 to the consolidated financial statements.

Employees' emoluments

The emoluments of the five highest paid individual (no Director's are included) for the year ended 30 April 2012 are as follows:

	2012	2011
	HK$'000	*HK$'000*
Salaries and other benefits	1,173	1,382
Retirement benefits scheme contributions	33	15
	1,206	1,397

There was no other arrangement under which a Director waived or agreed to waive any emoluments and no remuneration was paid by the Group to the Directors or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

12. TAXATION

Taxation represents:

	2012	2011
	HK$'000	*HK$'000*
Hong Kong Profits Tax	25	2,224
China Enterprise Income Tax ("EIT")	62	18
	87	2,242

Provision for Hong Kong Profits Tax was calculated at the rate of 16.5% on the estimated assessable profits of a subsidiary of the Company operating in Hong Kong for both years.

Provision for China EIT was calculated at the rate of 25% (2011: 25%) on the estimated assessable profits of a subsidiary of the Company operating in the PRC.

Taxation for the year can be reconciled to the (loss)/profit before taxation per the consolidated statement of comprehensive income as follows:

	2012	**2011**
	HK$'000	*HK$'000*
(Loss)/profit before taxation	(14,336)	10,288
Tax at Hong Kong Profits Tax rate of 16.5% (2011: 16.5%)	(2,365)	1,697
Hong Kong and PRC tax rates differential	150	6
Tax effect of non-taxable income	(5)	(23)
Tax effect of non-deductible expenses	547	209
Tax effect of deductible temporary differences not recognised	25	22
Tax effect of tax loss not recognised	1,795	331
Utilisation of tax losses	(60)	—
Taxation for the year	87	2,242

At 30 April 2012, the Group had unused tax losses of approximately HK$31,570,000 (2011: HK$21,050,000) available for offset against future profits. No deferred tax assets have been recognised due to the unpredictability of future profit streams. The unused tax losses can be carried forward indefinitely.

At 30 April 2012, the Group had deductible temporary differences of approximately HK$293,000 (2011: HK$141,000) arising from the decelerated tax allowances. No deferred tax asset has been recognised in relation to these deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

13. DIVIDEND

No dividend was paid or proposed during the year ended 30 April 2012, nor has any dividend been proposed since the end of the reporting period.

14. (LOSS)/EARNINGS PER SHARE

The calculation of the basic earnings per Share attributable to equity holders of the Company for the year is based on the loss for the year attributable to equity holders of the Company of approximately HK$14,423,000 (2011: profit of HK$8,046,000) and the weighted average number of 422,000,000 (2011: 422,000,000) Shares in issue.

The company had no potential dilutive instruments during the years ended 30 April 2012 and 2011. Accordingly, diluted earnings per share is not presented.

15. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated net loss attributable to equity shareholders of the Company includes a loss of approximately HK$2,917,000 (2011: net profit of HK$738,000) which has been dealt with in the financial statements of the Company.

16. GOODWILL

	HK$'000
Cost:	
Addition and at 30.4.2012	5,497
Accumulated impairment losses:	
Impairment loss and at 30.4.2012	5,497
Carrying amount:	
At 30.4.2012	—

Impairment test for cash-generating units containing goodwill

Goodwill is allocated to the group's cash-generating units ("CGU") identified operating segment as follows:

	2012 HK$'000
Manufacturing and sales of household electrical appliances	—

(a) The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a one year period.

(b) Goodwill arose from an acquisition of a subsidiary in June 2011 (Note 31). However, the subsidiary generated loss during the period after acquisition, the management decided to stop the operation of the subsidiary. Accordingly, the goodwill was impaired and recorded in profit or loss.

17. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Total HK$'000
Cost:						
At 1.5.2010	—	531	130	—	—	661
Exchange difference	12	1	2	1	12	28
Additions	416	25	46	1,073	2,396	3,956
Disposals	—	—	(18)	—	—	(18)
At 30.4.2011	428	557	160	1,074	2,408	4,627
Acquisition from a subsidiary	—	—	247	677	1,217	2,141
Exchange difference	8	5	1	9	19	42
Additions	865	282	40	956	1,219	3,362
Disposals	—	—	(257)	(1,175)	—	(1,432)
Reallocation	(1,301)	476	—	825	—	—
At 30.4.2012	—	1,320	191	2,366	4,863	8,740
Aggregate depreciation:						
At 1.5.2010	—	100	15	—	—	115
Charge for the year	—	133	28	70	262	493
At 30.4.2011		233	43	70	262	608
Exchange difference	—	—	—	1	—	1
Charge for the year	—	177	64	264	609	1,114
Elimination on disposals	—	—	(25)	(83)	—	(108)
At 30.4.2012	—	410	82	252	871	1,615
Aggregate impairment:						
Charge for the year and at 30.4.2012	—	—	18	—	1,065	1,083
Net book value:						
At 30.4.2012	—	910	91	2,114	2,927	6,042
At 30.4.2011	428	324	117	1,004	2,146	4,019

The above items of plant and equipment were depreciated on a straight-line basis at the following rate per annum:

Construction in progress	Nil
Leasehold improvement	10% to 25%
Furniture, fixtures and equipment	20% to 33%
Plant and machinery	10%
Moulds	10% to 20%

18. INVENTORIES

	2012	2011
	HK$'000	*HK$'000*
Raw materials	1,811	803
Work-in-progress	1,609	2,938
Finished goods	250	2
Goods held for re-sale	—	5,579
	3,670	9,322

The analysis of the amount of inventories recognised on expenses and included in profit or loss is as follows:

	2012	2011
	HK$'000	*HK$'000*
Carrying amount of inventories sold	58,523	153,611
Write down of inventories	1,913	—
	60,436	153,611

Operation of a subsidiary of the Group was ceased during the year, all unsold goods was fully written off.

19. TRADE RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	3,413	37,318
Deposits and other receivables	3,335	1,947
At end of the year	6,748	39,265

The Group allows its trade customers with a credit period normally ranging from payment on delivery to 120 days. The aged analysis (based on invoice date) of the Group's trade receivables as at 30 April 2012 and 2011 is as follows:

	2012	2011
	HK$'000	*HK$'000*
Aged:		
0 to 90 days	3,413	29,857
91 to 180 days	—	7,461
	3,413	37,318

Included in the Group's trade receivables, the carrying amount of HK$2,054,000 (2011: HK$9,735,000) are past due but not impaired at the end of the reporting period.

Trade receivables that were past due but not impaired are related to independent customers that had a good track record with the Group. Based on the past experience, management believed that no impairment allowance is necessary in respect of these balances as there had not been a significant change in credit quality and the balances were considered fully recoverable. The Group does not hold any collateral over the balances.

20. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with original maturity of three months or less at prevailing interest rates. The bank balances are denominated primarily in HKD, RMB and USD.

21. TRADE AND OTHER PAYABLES

	2012	**2011**
	HK$'000	*HK$'000*
Trade payables	3,215	32,537
Other payables	18,040	18,181
Amount due to a shareholder	14,730	22,800
Amount due to a deconsolidated subsidiary	2,274	2,274
	38,259	75,792

The aged analysis of the Group's trade payables as at 30 April 2012 and 2011 is as follows:

	2012	**2011**
	HK$'000	*HK$'000*
Aged:		
0 to 90 days	1,439	32,226
91 to 180 days	1,391	—
Over 180 days	385	311
	3,215	32,537

The amounts due to a shareholder and a deconsolidated subsidiary are unsecured, interest-free and repayable on demand.

22. GUARANTOR'S LIABILITY AND ACCRUED LIABILITY FOR POTENTIAL CLAIMS

The amount represents (i) the liability arising from the guarantee arrangements between the Company and two deconsolidated subsidiaries, namely Housely Industries Limited ("Housely Industries") and Dongguan Kalee Electrical Co., Ltd. ("Dongguan Kalee") of approximately HK$299,891,000 (2011: HK$299,891,000); (ii) the accrued liability for potential claims against the Group by the creditors of Housely Industries of approximately HK$16,500,000 (2011: HK$16,500,000); and (iii) the accrued interest of approximately HK$23,955,000 (2011: HK$23,955,000) on the outstanding bank borrowings and overdrafts of Housely Industries and Dongguan Kalee of which the Company acts as a guarantor for the period from the respective time Housely Industries and Dongguan Kalee were excluded from consolidation to 30 April 2012.

According to the Schemes, no interest accruing on debt after the Scheme Creditors' meeting held in March 2009 is provable or admissible as a claim under the Schemes. Accordingly, no interest was accrued during the year.

23. BANK BORROWINGS

	2012	2011
	HK$'000	*HK$'000*
The Group's unsecured bank borrowings comprise:		
Bank loans	21,456	21,456
Trust receipt loans	1,492	1,492
	22,948	2,948

According to the Schemes, no interest accruing on debt after the Scheme Creditors' meeting held in March 2009 is provable or admissible as a claim under the Schemes. Accordingly, no interest was accrued during the year for the bank borrowings.

All bank borrowings are denominated in HKD. There was no new bank borrowing raised during the current and preceding years.

24. SHARE CAPITAL

(a) Share capital

	Number of Shares	Amount
	'000	*HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 May 2010, 30 April 2011 and 30 April 2012	8,000,000	80,000
Issued and fully paid:		
At 1 May 2010, 30 April 2011 and 30 April 2012	422,000	4,220

(b) Capital management

The Group's equity capital management objectives are to safeguard the Group's ability to continue as a going concern and to provide an adequate return to shareholders commensurately with the level of risk. To meet these objectives, the Group manages the equity capital structure and makes adjustments to it in the light of changes in economic conditions by issuing new equity shares, and raising or repaying debts as appropriate.

The Group's equity capital management strategy, which is unchanged from the previous periods, is to maintain a reasonable proportion in total debts and equity capital. The Group monitors equity capital on the basis of the debt-to-equity capital ratio, which is calculated as net debts over equity capital.

The only externally imposed capital requirement is that under the Listing Rules, the Company has to maintain the minimum public float requirement of which at least 25% of the issued Shares being held in public hands. Details of sufficiency of public float have been included in the paragraph headed "Sufficiency of Public Float" in the section headed "Report of the Directors" of this annual report.

25. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 26 November 2002 for the primary purpose of providing incentives to directors and eligible participants, and will expire on 25 November 2012. Under the Scheme, the Directors may grant options to eligible participants, including any full-time or part-time employee of the Company or any member of the Group, including any executive, non-executive and independent non-executive directors, advisors and consultants of the Company or any subsidiaries of the Company, to subscribe for Shares.

The total number of Shares in respect of which options may be granted under the Scheme and other share option scheme of the Company is not permitted to exceed 10% of the Shares in issue at the date of listing of Shares on the Stock Exchange. The number of Shares in respect of which options may be granted to any individual in any 12-months period is not permitted to exceed 1% of the total number of Shares in issue from time to time, without prior approval from the Company's shareholders.

Options granted must be taken up within 28 days from the date of offer, upon payment of HK$1 per offer. The exercise price is determined by the Directors, and will be the highest of (i) the closing price of the Shares on the date of offer; (ii) the average closing price of the Shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Share.

There was no outstanding option pursuant to the scheme as at 1 May 2011. In addition, no share option has been granted during the current and preceding years.

26. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund scheme for all qualifying employees of its Hong Kong subsidiaries. The assets of the scheme are held separately from those of the Group and in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs to the scheme, which contribution is matched by employees.

The employees of the Company's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their employee's payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The total cost charged to the consolidated statement of comprehensive income of HK$261,000 (2011: HK$59,000) represents contributions payable to the scheme by the Group at rate specified in the rules of the scheme.

As at 30 April 2012 and 2011, there was no forfeited contribution, which arose upon employees leaving the retirement benefits scheme and which was available to reduce the contribution payable in the future years.

27. OPERATING LEASE COMMITMENTS

As at 30 April 2012, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	2012	**2011**
	HK$'000	*HK$'000*
Within one year	18	871

Operating lease payments represent rentals payable by the Group for its office premises, factory and warehouse. The leases are negotiated for terms of one to three years and the lease for the office premises in Hong Kong is guaranteed by Mr. Kan.

28. LITIGATIONS

(a) On 7 March 2007, China Construction Bank (Asia) Limited commenced proceedings in the High Court of Hong Kong under HCA 438 of 2007 against Housely Industries and the Company for approximately HK$1,540,000, interest and costs on indemnity basis.

(b) On 3 April 2007, China Construction Bank (Asia) Limited commenced proceedings in the High Court of Hong Kong under HCA 673 of 2007 against Housely Industries and the Company for approximately HK$1,016,000, interest and costs on indemnity basis. On 26 April 2007, the court granted a final and interlocutory judgement against Housely Industries and the Company for approximately HK$1,016,000, interest and costs on indemnity basis. The judgement debt has not been settled at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2012.

(c) On 14 April 2007, the Bank of Tokyo-Mitsubishi UFJ, Ltd. commenced proceedings in the High Court of Hong Kong under HCA 733 of 2007 against Housely Industries and the Company for approximately HK$4,985,000, interest and costs. On 7 June 2007, the court granted a judgement against Housely Industries and the Company for the sum of approximately HK$4,985,000, interest and costs in the sum of approximately HK$2,000. The judgment debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2012. The indebtedness claimed was subsequently assigned by the Bank of Tokyo-Mitsubishi UFJ, Ltd. to an independent third party of the Group.

(d) On 20 April 2007, DBS Bank (Hong Kong) Limited commenced proceedings in the High Court of Hong Kong under HCA 797 of 2007 against the Company for approximately HK$5,060,000, interest and costs on indemnity basis. On 18 June 2007, the court granted a judgement against the Company for the sum of approximately HK$5,060,000 and interest. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2012. The indebtedness claimed was subsequently assigned by DBS Bank (Hong Kong) Limited to an independent third party of the Group.

(e) On 20 April 2007, DBS Bank (Hong Kong) Limited commenced proceedings in the High Court of Hong Kong under HCA 798 of 2007 against Housely Industries and the Company for approximately HK$5,449,000 approximately US$90,000, interest and costs on indemnity basis. On 18 June 2007, the court granted a judgement against Housely Industries and the Company for the sum of approximately HK$5,449,000, approximately US$90,000, interest and costs on indemnity basis. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2012. The indebtedness claimed was subsequently assigned by DBS Bank (Hong Kong) Limited to an independent third party of the Group.

(f) On 1 June 2007, Bank of Communications Co., Ltd. (Hong Kong Branch) commenced proceedings in the High Court of Hong Kong under HCA 1161 of 2007 against Housely Industries, Housely Technology Limited (a wholly-owned subsidiary of the Company), Housely Trading Company Limited (a wholly-owned subsidiary of the Company) and the Company for approximately HK$13,652,000 and approximately US$329,000, interest and costs on indemnity basis. On 16 July 2007, the court granted a judgement against the said companies for approximately HK$13,652,000 and approximately US$329,000, interest and fixed costs in the sum of approximately HK$2,000. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2012.

(g) On 31 October 2007, the Commissioner of Inland Revenue commenced proceedings in District Court of Hong Kong under DCTC 8694 of 2007 against Tacho Company Limited ("Tacho") for the sum of approximately HK$26,593,000, interest and costs. On 14 January 2008, the court granted a judgement against Tacho for approximately HK$26,593,000, interest and costs in the sum of approximately HK$1,000. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2012.

(h) On 5 December 2007, the Commissioner of Inland Revenue commenced proceedings in District Court of Hong Kong under DCTC 9371 of 2007 against Tacho for the sum of approximately HK$62,000, interest and costs. On 18 February 2008, the court granted a judgement against Tacho for approximately HK$62,000, interest and costs in the sum of approximately HK$1,000. A writ of fieri facias has been issued against Tacho. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2012.

(i) On 21 January 2008, the Commissioner of Inland Revenue commenced proceedings in District Court of Hong Kong under DCTC 554 of 2007 against Tacho for the sum of approximately HK$6,089,000, interest and costs. On 19 March 2008, a judgement was granted by the District Court of Hong Kong against Tacho for approximately HK$6,089,000, interest and costs. A writ of fieri facias has been issued to enforce the judgement. The judgement has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2012.

(j) On 23 July 2008, the Commissioner of Inland Revenue commenced proceedings in the District Court of Hong Kong under DCTC 5918 of 2008 against Tacho for approximately HK$3,206,000, interest and costs. The amount of approximately HK$3,206,000 represented tax surcharge for the unpaid taxes mentioned in note 27(g) and note 27(i) to the consolidated financial statements. On 23 October 2008, the court granted a judgement against Tacho for the sum of approximately HK$3,206,000, interest and costs in the sum of approximately HK$1,000. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2012.

(k) On 23 December 2008, PR Asia Consultants Limited commenced the Civil Action No. 5897 of 2008 in the District Court of Hong Kong against the Company for the sum of approximately HK$818,000, interest, further or other relief and costs. On 22 January 2009, a judgement was granted by the District Court of Hong Kong against the Company for the sum of approximately HK$818,000, interest and costs in the sum of approximately HK$1,000. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2012.

(l) On 9 March 2009, Bank of China Limited Macau Branch commenced proceedings in the High Court of Hong Kong under HCA 664 of 2009 against the Company for the sum of approximately HK$13,890,000, interest, further or other relief and costs on indemnity basis. On 7 April 2009, a judgement was granted by the High Court of Hong Kong against the Company for the sum of approximately HK$13,890,000, interest and costs on indemnity basis. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2012.

29. BANKING FACILITIES

There is no banking facility granted as at 30 April 2012. As at 30 April 2011, the Group had banking facilities to the extent of HK$10,000,000 which were secured by a corporate guarantee provided by the Company of HK$10,000,000 and a personal guarantee provided by its shareholder, Mr. Kan Che Kin, Billy Albert of HK$10,000,000.

30. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 30 April 2012 which have been included in these consolidated financial statements are as follows:

Name of subsidiary	Place of incorporation	Issued and fully paid ordinary share capital/ registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Housely (Macao) Commercial Offshore Company Limited	Macau	HK$98,039	—	100%	Inactive
Tacho Company Limited	Hong Kong	HK$1,002	—	100%	Inactive
Up Stand Holdings Limited	Hong Kong	HK$1	100%	—	Trading of household electrical appliances and audio-visual products

Name of subsidiary	Place of incorporation	Issued and fully paid ordinary share capital/ registered capital	Attributable equity interest held by the Company Directly	Indirectly	Principal activities
Dongguan Up Stand Electrical Manufacturing Company Limited # 東莞堅東電器制造有限公司#	The People's Republic of China (PRC)	HK$8,000,000	—	100%	Designing, manufacturing, marketing and distribution of household appliances

Registered as a wholly foreign owned enterprise under PRC laws

None of the subsidiaries had issued debt securities as at 30 April 2012.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

31. ACQUISITION OF A SUBSIDIARY

On 22 June 2011, the Company acquired 100% of the issued shares of Rich Honest (Europe) Ltd. for an aggregate purchase consideration of HK$5,000,000. The details of the acquisition are as follows:

Recognised amounts of identifiable assets acquired and liabilities assumed:

	HK$'000
Property, plant and equipment	2,141
Intangible asset	194
Inventories	512
Trade and other receivables	4,562
Bank overdraft	(1,583)
Trade and other payables	(6,131)
Taxation payable	(192)
Fair value of total identifiable net liabilities	(497)
Goodwill — *Note 16*	5,497
Total consideration	5,000
Purchase consideration settled in cash *(note)*	—
Bank overdraft in a subsidiary acquired	1,583
Cash outflow on acquisition	1,583

From the period between 22 June 2011 and 30 April 2012, the subsidiary contributed turnover of HK$4,702,000 and a net loss of HK$10,239,000 to the consolidated net loss for the year ended 30 April 2012.

If the acquisition had occurred on 1 May 2011, the directors estimates that the Group's turnover would have been HK$64,623,000 and net loss would have been HK$15,391,000 for the year ended 30 April 2012.

Note: The purchase consideration of HK$5,000,000 was waived during the year as the earnings target stated in the sales and purchase agreement of acquiring Rich Honest (Europe) Ltd. was not reached.

32. STATEMENT OF FINANCIAL POSITION

The statement of financial position of the Company as at 30 April 2012 is as follow:

	2012	**2011**
	HK$'000	*HK$'000*
Non-current assets		
Investment in subsidiaries	—	4,500
Current assets		
Deposit	1,000	—
Bank balances and cash	12	8
	1,012	8
Current liabilities		
Other payables	6,160	5,496
Amounts due to subsidiaries	13,202	14,445
Amount due to a deconsolidated subsidiary	2,274	2,274
Guarantor's liability	347,989	347,989
Unsecured bank overdrafts	26	26
	369,651	370,230
Net current liabilities	(368,639)	(370,222)
Net liabilities	(368,639)	(365,722)
Capital and reserves		
Share capital	4,220	4,220
Reserves	(372,859)	(369,942)
Capital deficiencies	(368,639)	(365,722)

33. RELATED PARTY TRANSACTIONS

Apart from the information as disclosed elsewhere in the consolidated financial statements, the Group had no other material transaction with its related parties during the year.

Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

	2012	**2011**
	HK$'000	*HK$'000*
Short-term benefits	635	620
Post-employment benefits	12	12
	647	632

The remuneration of key management is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

These transactions do not fall within the definition of "connected transactions" in Chapter 14A of the Listing Rules.

AUDITED FINANCIAL INFORMATION OF THE GROUP FOR THE YEAR ENDED 30 APRIL 2011

To the Members of
Warderly International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Warderly International Holdings Limited (the ''Company'') and its subsidiaries (collectively known as the ''Group'') set out on pages 21 to 61, which comprise the consolidated statement of financial position as at 30 April 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 30 April 2011 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2(d) to the consolidated financial statements which indicates that as at 30 April 2011, the Group's current liabilities exceeded its current assets by approximately HK$410 million and its total liabilities exceeded its total assets by approximately HK$406 million respectively. These conditions, together with the other matters as set forth in note 2(d) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

PKF
Certified Public Accountants

Hong Kong
28 July 2011

The following is an extract of the financial statements of the Group from the annual report of the Company for the 12 months ended 30 April 2011:

Consolidated Statement of Comprehensive Income
For the year ended 30 April 2011

	Notes	**2011** *HK$'000*	**2010** *HK$'000*
Turnover	*6*	171,358	150,020
Cost of sales		(153,611)	(140,274)
Gross profit		17,747	9,746
Other income	*8*	182	26
Selling and distribution expenses		(1,653)	(249)
Administrative expenses		(5,988)	(3,186)
Profit before taxation	*9*	10,288	6,337
Taxation	*11*	(2,242)	(1,325)
Profit for the year attributable to equity shareholders of the Company		8,046	5,012
Other comprehensive loss for the year (after tax)			
Exchange differences on translation of foreign operation before and after tax effects		(34)	—
Total comprehensive income for the year attributable to equity shareholders of the Company		8,012	5,012
Earnings per share	*13*		
— Basic		HK$0.02	HK$0.01
— Diluted		N/A	N/A

Consolidated Statement of Financial Position

At 30 April 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSET			
Property, plant and equipment	14	4,019	546
CURRENT ASSETS			
Inventories	15	9,322	17
Trade receivables, deposits and other receivables	16	39,265	45,221
Bank balances and cash	17	17,749	8,290
		66,336	53,528
CURRENT LIABILITIES			
Trade and other payables	18	75,792	68,955
Guarantor's liability and accrued liability for potential claims	19	340,346	340,346
Bank borrowings	20	22,948	22,948
Unsecured bank overdrafts		2,104	2,104
Taxation payable		34,667	33,235
		475,857	467,588
NET CURRENT LIABILITIES		(409,521)	(414,060)
NET LIABILITIES		(405,502)	(413,514)
CAPITAL AND RESERVES			
Share capital	21(a)	4,220	4,220
Reserves		(409,722)	(417,734)
CAPITAL DEFICIENCIES		(405,502)	(413,514)

Consolidated Statement of Change in Equity

	Share capital *HK$'000*	Share premium *HK$'000*	Special reserve *HK$'000*	Translation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 May 2009	4,220	84,868	1,010	—	(508,624)	(418,526)
Total comprehensive income for the year	—	—	—	—	5,012	5,012
At 30 April 2010 and 1 May 2010	4,220	84,868	1,010	—	(503,612)	(413,514)
Total comprehensive (loss)/ income for the year	—	—	—	(34)	8,046	8,012
At 30 April 2011	4,220	84,868	1,010	(34)	(495,566)	(405,502)

The special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation in 2002.

Consolidated Statement of Cash Flows

	2011	2010
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Profit before taxation	10,288	6,337
Adjustments for:		
Depreciation	493	115
Loss on disposal of property, plant and equipment	18	—
Interest income	(2)	—
Operating cash flows before movements in working capital	10,797	6,452
Increase in inventories	(9,204)	(17)
Decrease/(increase) in trade receivables, deposits and other receivables	5,906	(27,347)
(Decrease)/increase in trade and other payables	(5,538)	22,780
Cash from operations	1,961	1,868
Hong Kong Profits Tax paid	(806)	(8)
China Enterprise Income Tax paid	(4)	—
NET CASH FROM OPERATING ACTIVITIES	1,151	1,860
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,956)	(661)
Interest received	2	—
NET CASH USED IN INVESTING ACTIVITIES	(3,954)	(661)
FINANCING ACTIVITIES		
Advances from a shareholder	12,300	4,500
NET CASH FROM FINANCING ACTIVITIES	12,300	4,500
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,497	5,699
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(38)	—
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	6,186	487
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	15,645	6,186
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	17,749	8,290
Unsecured bank overdrafts	(2,104)	(2,104)
	15,645	6,186

Notes to the Consolidated Financial Statements

For the year ended 30 April 2011

1. GENERAL INFORMATION

Warderly International Holdings Limited (the "Company", together with its subsidiaries, the "Group") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (2007 Revised) of the Cayman Islands. Its shares (the "Shares") are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporation Information" section of this annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries are manufacturing and trading of household electrical appliance and audio-visual products, details of which are set out in note 28 to the consolidated financial statements.

Trading in the Shares on the Stock Exchange has been suspended since 14 May 2007 at the request of the Securities and Futures Commission in Hong Kong (the "SFC") pursuant to sub-Rule 8(1) of the Securities and Futures (Stock Market Listing) Rules (subsidiary legislation V of Chapter 571 of the Laws of Hong Kong).

The consolidated financial statements are presented in Hong Kong dollars which is the functional currency of the Company.

2. BASIS OF PREPARATION

(a) The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (hereinafter collectively referred to as "Hong Kong Financial Reporting Standards").

In addition, the consolidated financial statements include applicable disclosures required by the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

(b) Initial application of Hong Kong Financial Reporting Standards

In the current year, the Group initially applied the following Hong Kong Financial Reporting Standards:

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK-Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 1	Additional Exemptions for First-time Adopters
Amendments to HKFRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to HKFRSs 2008	Amendments to HKFRS 5 as part of improvements to HKFRSs 2008
Amendments to HKFRSs 2009	Improvements to HKFRSs 2009

The adoption of these new and revised HKFRS does not necessitate material changes in the Group's accounting policies or retrospective adjustments of the comparatives presented.

(c) Hong Kong Financial Reporting Standards in issue but not yet effective

The following Hong Kong Financial Reporting Standards in issue as at the date of authorisation of these consolidated financial statements have not been applied in the preparation of the Group's consolidated financial statements for the year ended 30 April 2011 since they were not yet effective for the annual period beginning on 1 May 2010:

HKAS 24 (Revised)	Related Party Disclosures [3]
HKAS 27 (Revised)	Separate Financial Statements [6]
HKAS 28 (Revised)	Investments in Associates and Joint Ventures [6]
HKFRS 9	Financial Instruments [6]
HKFRS 10	Consolidated Financial Statements [6]
HKFRS 11	Joint Arrangements [6]
HKFRS 12	Disclosure of Interests in Other Entities [6]
HKFRS 13	Fair Value Measurement [6]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments [2]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets [5]
Amendments to HKFRS 1	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters [2]
Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [4]
Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets [4]
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement [3]
Amendments to HKFRSs 2010	Improvements to HKFRSs 2010 [1]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011 as appropriate
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of what the impact of these standards, amendments and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

(d) Going concern basis

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of its net current liabilities of approximately HK$410 million and net liabilities of approximately HK$406 million as at 30 April 2011.

Trading in the Shares on the Stock Exchange has been suspended since 14 May 2007 at the request of the SFC. The Company submitted the proposal (the "Resumption Proposal") in relation to the resumption of trading in the Shares to the Stock Exchange and the SFC on 30 September 2008.

As part of the Resumption Proposal, the Company proposed to settle all amounts due to certain creditors of the Company (the "Scheme Creditors") by way of the schemes of arrangement to be made between the Company and the Scheme Creditors under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (the "Hong Kong Scheme") and the Companies Law (2007 Revision) of the Cayman Islands (the "Cayman Scheme", together with the Hong Kong Scheme, the "Schemes") respectively.

The implementation of the Schemes will be financed by the proceeds to be raised by the Company by way of the open offer of zero coupon convertible notes (the "Offer Convertible Notes") with an aggregate principal amount of HK$84.4 million (the "Open Offer"). If the conversion rights attaching to the Offer Convertible Notes are fully exercised at the conversion price of HK$0.05 per Share, an aggregate of 1,688,000,000 new Shares will be allotted and issued.

The Open Offer is only available to the shareholders (the "Qualifying Shareholders") on the register of members of the Company on the date for the determination of the entitlements under the Open Offer (the "Record Date") and whose registered addresses as shown on such register on the Record Date are in Hong Kong.

Mr. Kan Che Kin, Billy Albert ("Mr. Kan"), the controlling shareholder of the Company, is the Underwriter to the Open Offer. Pursuant to the underwriting agreement dated 8 October 2008 entered into between the Company and Mr. Kan (the "Underwriting Agreement"), Mr. Kan has conditionally agreed to underwrite those Offer Convertible Notes not having been subscribed by the Qualifying Shareholders.

The major terms of the Hong Kong Scheme and the Cayman Scheme are as follows:

(i) Both the Hong Kong Scheme and the Cayman Scheme will be made with the Scheme Creditors who are all creditors of the Company excluding (a) Up Stand Holdings Limited ("Up Stand") which is a wholly owned subsidiary of the Company; (b) secured creditors to the extent of the value of their security interests agreed with the scheme administrators (the "Scheme Administrators") under the Schemes or upon realisation, the net proceeds of realisation of their security interests; and (c) persons with claims for the costs incurred by the Company in the negotiation, preparation and implementation of the Resumption Proposal, the proposal for the restructuring of the Company, the Hong Kong Scheme and the Cayman Scheme (the "Restructuring and Scheme Costs"), to the extent of such claims.

(ii) The Company will transfer a sum of HK$37 million (the "Scheme Fund") out of the proceeds of the Open Offer to a scheme trust account to be opened by the Scheme Administrators.

(iii) The Hong Kong Scheme and the Cayman Scheme will be administered by the Scheme Administrators who will hold the Scheme Fund for, first, the full payment of the preferential claims of the Scheme Creditors as at the effective date of the Schemes (the "Effective Date") and admitted by the Scheme Administrators or the scheme adjudicators (the "Scheme Adjudicators"), and secondly, settlement of the unsecured and non-preferential claims of the Scheme Creditors as at the Effective Date and admitted by the Scheme Administrators or the Scheme Adjudicators on a pari passu basis.

(iv) Upon the Hong Kong Scheme and the Cayman Scheme becoming effective, each of the Scheme Creditors will discharge and waive all of its claims as at the Effective Date against the Company in consideration of the right to receive full payment of its admitted preferential claims and participate with other Scheme Creditors in the distribution of the Scheme Fund in respect of its admitted non-preferential claims, and each of the Scheme Creditors is barred from taking any proceedings against the Company in respect of its claims.

The proceeds from the Open Offer of HK$84.4 million will be used as to (i) HK$37 million as the Scheme Fund mentioned above; and (ii) the remaining amount of HK$47.4 million, firstly for the payment of the Restructuring and Scheme Costs, which costs shall be borne by the Company up to a maximum amount of HK$7 million and the excess borne by Mr. Kan pursuant to the Hong Kong Scheme and the Cayman Scheme, secondly for the repayment of the loan due from Up Stand to Mr. Kan pursuant to a loan agreement entered into between Up Stand, the Company and Mr. Kan dated 2 January 2009 and as supplemented and amended from time to time, which loan is the interim funding to the Group to meet its general working capital requirements, and thirdly for the general working capital of the Group.

Each of the Hong Kong Scheme and the Cayman Scheme was duly approved by a majority in number (*i.e.* over 50% in number) of the Scheme Creditors together representing no less than 75% in value of the Scheme Creditors present and voting in person or by proxy at the Scheme Creditors' meeting held on 16 March 2009. The Cayman Scheme was sanctioned by the Grand Court of the Cayman Islands on 27 March 2009 while the Hong Kong Scheme was sanctioned by the High Court of Hong Kong on 6 May 2009.

The Hong Kong Scheme and the Cayman Scheme will be effective upon an office copy of the relevant court order sanctioning the respective Scheme having been delivered to the Registrar of Companies in Hong Kong or the Cayman Islands (as the case may be) for registration.

The Open Offer is conditional and fully underwritten by Mr. Kan. In particular, the Open Offer is conditional upon the lifting of the suspension of trading in the Shares on the Stock Exchange by the SFC, the approval of the Resumption Proposal from the Stock Exchange having been obtained, the approval of the Open Offer and transactions contemplated thereunder by the independent shareholders of the Company, by way of a poll, at an extraordinary general meeting of the Company and the Underwriting Agreement becoming unconditional. Accordingly, the Open Offer may or may not proceed.

On 26 November 2009, the Stock Exchange announced that the Company would be placed into the third stage of the delisting procedures pursuant to Practice Note 17 ("PN 17") to the Listing Rules as the Stock Exchange determined that the Company's Resumption Proposal was not a viable resumption proposal. The Company submitted a revised Resumption Proposal to the Stock Exchange on 7 May 2010.

On 13 May 2011, the Stock Exchange issued a letter to the Company stating that the Listing Committee of the Stock Exchange considered that the revised Resumption Proposal submitted by the Company has not satisfactorily demonstrated sufficiency of operation or assets as required by the Listing Rules and decided that the listing of the Shares on the Stock Exchange be cancelled in accordance with PN 17 (the "Listing Decision").

On 17 May 2011, the Company submitted an application to the Listing (Review) Committee of the Stock Exchange to seek a review of the Listing Decision.

The Directors consider the Company will be able to maintain the listing of the Shares on the Stock Exchange and that the conditions precedent to the Open Offer will be satisfied and the Company's liabilities will be settled pursuant to the Schemes. Accordingly, the Directors were satisfied with the financial position of the Group and considered the preparation of the consolidated financial statements on a going concern basis as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES

Measurement basis

The consolidated financial statements are prepared using the historical cost basis.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 April each year.

The results of subsidiaries acquired or disposed of during the year are included in profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

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.

Leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the terms of relevant leases.

Property, plant and equipment

Construction in progress is carried at cost, less any identified impairment loss. Construction in progress is not depreciated until completion of construction when assets are ready for their intended use. Costs on completed construction work are transferred to the appropriate category of property, plant and equipment.

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives after taking into account of their estimated residual value, using the straight-line method.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis and, in the case of work in progress and finished goods, cost comprises direct materials, direct labour and an attributable proportion of projection overheads. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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 the end of the reporting period. 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 translation 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 except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (*i.e.* Hong Kong dollars) 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, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement 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) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables, including trade and other receivables and bank balances, are carried at amortised cost using the effective interest rate method, less any identified impairment losses. 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 the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an 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 instrument issued by the Company comprises share capital.

The Group's financial liabilities, including trade payables, other payables, guarantor's liability, bank borrowings and bank overdrafts, are generally classified as other financial liabilities. Other financial liabilities are subsequently measured at amortised cost, using the effective interest rate method.

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 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.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received or receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's consolidated statement of financial position when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Impairment

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that these assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of 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 the reporting period.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences 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 tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash on hand and bank overdrafts.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Employee benefits

(i) Retirement benefit scheme

The retirement benefit costs charged to profit or loss represent the contributions payable in respect of the current year to the Group's defined contribution retirement benefits schemes for its employees.

(ii) Termination benefits

Termination benefits are recognised when and only when the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic probability of withdrawal.

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Related parties

An individual is related to the Group if the individual (i) has, directly or indirectly, control or joint control or significant influence over the Group, or (ii) is a member of the key management personnel of the Group, or (iii) is a close member of the family of the individuals in (i) or (ii).

An entity is related to the Group if the entity (i) has, directly or indirectly, control or joint control or significant influence over the Group, or (ii) is controlled by or under common control with the Group, or (iii) is an associate or a jointly controlled entity of the Group, or (iv) is controlled, jointly-controlled or significantly influenced by an individual related to the Group.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENT

In the process of applying the Group's accounting policies which are described in note 3 to the consolidated financial statements, management has made the following estimation uncertainty and judgement that has most significant effect on the amounts recognised in the consolidated financial statements.

Estimated impairment of trade receivables

The provision policy for bad and doubtful debts of the Group is based on the on-going evaluation of collectability and aging analysis of the outstanding receivables and on management's judgement by reference to the estimation of the future cash flow discounted at an effective interest rate to calculate the present value. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group are to deteriorate, resulting in an impairment of their abilities to make payments, allowances may be required. As at 30 April 2011, the carrying value of trade receivables was approximately HK$37,318,000 (2010: HK$42,200,000).

Income tax

As at 30 April 2011, no deferred tax assets had been recognised in respect of the tax losses of HK$21,050,000 (2010: HK$19,047,000) due to the unpredictability of future taxable profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in future. In case where the actual future profit generated is more than expected, a material recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition takes place.

5. FINANCIAL RISK MANAGEMENT

(a) Nature and extent of financial statement risks

Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The Group manages credit risk by setting up credit control policy and periodic evaluation of credit performance of other parties, measured by the extent of past due or default and their financial healthiness.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

As at 30 April 2011, the Group's maximum exposure to credit risk arises from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has no significant concentration of credit risk on trade receivables. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of the Group to meet its financial obligations, measured by the debt-to-equity capital ratio as mentioned in note 21(b) to the consolidated financial statements.

In light of the Group's net liabilities as at 30 April 2011, the management has implemented several measures in order to improve the Group's working capital position and net financial position. Details of these measures are disclosed in note 2(d) to the consolidated financial statements.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities as at 30 April 2011 based on the undiscounted cash flows:

	2011	**2010**
Trade and other payables	75,792	68,955
Guarantor's liability and accrued liability for potential claims	340,346	340,346
Bank borrowings	22,948	22,948
Unsecured bank overdrafts	2,104	2,104
Due for payment within one year or on demand	441,190	434,353

Currency risk

Currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

The following table details the Group's exposure to currency risk at the end of the reporting period arising from recognised assets or liabilities denominated in a currency other than functional currency of the group entity to which they relate. The exposure arising from the current accounts among the Company and its subsidiaries which form part of net investment in foreign operation is excluded.

	2011		**2010**	
	United States Dollars *'000*	**Hong Kong Dollars** *'000*	**United States Dollars** *'000*	**Hong Kong Dollars** *'000*
Trade receivables, deposits and other receivables	48	—	188	—
Cash and bank balances	229	5,560	—	—
Trade and other payables	(108)	—	—	—
Net exposure arising from recognised assets and liabilities	169	5,560	188	—

The Group operates in Hong Kong and the People's Republic of China ("PRC") and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars ("USD") and Hong Kong dollars ("HKD") respectively.

Since HKD is pegged to USD, material fluctuations in the exchange rates of HKD against USD are remote.

As at 30 April 2011 and 2010, if RMB appreciated/depreciated 5 percent against HKD with all other variables held constant, there would be no significant change to the Group's profit for both years.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group manages interest rate risk, when it is considered significant, by entering into appropriate swap contracts.

As at 30 April 2011, bank balances of HK$9,481,000 (2010: HK$1,543,000) bore interests at rates varied with the then prevailing market condition.

The sensitivity analysis below has been determined based on the exposure to interest rates for the Group's variable-rate bank balances as at 30 April 2011 and 2010 and is prepared assuming the amount of bank balances outstanding as at 30 April 2011 and 2010 was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If the interest rates as at 30 April 2011 and 2010 had been 50 basis points higher/lower with all other variables held constant, there would be no significant change to the Group's profit for both years.

(b) Fair value estimation

The fair values of financial assets and financial liabilities are determined based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

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

6. TURNOVER

Turnover represents the fair value of the amounts received and receivable for goods sold to outside customers less returns and allowances during the year.

7. SEGMENT AND ENTITY — WIDE INFORMATION

Reportable segments

For management purposes, the Group is organised into three operating divisions. These divisions are the basis on which the Group reports its segment information.

The Group's principal activities are as follows:

— Trading of household electrical appliances;

— Manufacturing and sale of household electrical appliances; and

— Trading of audio-visual products.

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

(1) Segment assets consist primarily of property, plant and equipment, inventories and trade receivables. Segment liabilities comprise operating liabilities and mainly exclude items such as income tax payable.

(2) Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment.

(3) Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

(4) Unallocated items comprise financial and corporate assets and liabilities, guarantee liability, bank borrowings and corporate and financing expenses.

The measure used for reporting segment result is "adjusted EBIT" *i.e.* adjusted earnings before interest and taxes. To arrive at the adjusted EBIT, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as other head office or corporate administration costs.

Segment information about the aforementioned businesses is set out as follows:

	Trading of household electrical appliances		**Manufacturing and sale of household electrical appliances**		**Trading of audio-visual products**		**Consolidated**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER								
External sales	71,045	60,668	8,079	—	92,234	89,352	171,358	150,020
RESULT								
Segment results	2,929	2,397	(623)	—	10,637	7,203	12,943	9,600
Other operating income							141	26
Unallocated corporate expenses							(2,796)	(3,289)
Profit before taxation							10,288	6,337
Taxation							(2,242)	(1,325)
Profit for the year							8,046	5,012
ASSETS								
Segment assets	14,660	19,903	9,178	—	27,928	25,189	51,766	45,092
Unallocated corporate assets							18,589	8,982
Consolidated total assets							70,355	54,074
LIABILITIES								
Segment liabilities	7,719	16,458	3,354	—	23,036	22,996	34,109	39,454
Unallocated corporate liabilities							441,748	428,134
Consolidated total liabilities							475,857	467,588

	Trading of household electrical appliances		Manufacturing and sale of household electrical appliances		Trading of audio-visual products		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OTHER INFORMATION								
Capital additions	—	48	3,956	—	—	—	3,956	48
Unallocated capital additions							—	613
Total capital additions							3,956	661
Depreciation	6	—	333	—	—	—	339	—
Unallocated depreciation							154	115
Total depreciation							493	115

Geographical information

The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue		Non-current assets	
	2011	2010	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
PRC (including Hong Kong)	163,287	150,020	4,019	546
Europe	4,046	—	—	—
Australia	3,140	—	—	—
Others	885	—	—	—
	171,358	150,020	4,019	546

The geographical location of customers is based on the location to which the goods are delivered. The geographical location of the non-current assets is based on the physical location of assets.

Information about major customers

There are three (2010: four) customers from segments of trading of household electrical appliances and trading of audio-visual products contributing over 10% of the total sales of the Group whose total revenue is approximately HK$141,761,000 (2010: HK$142,567,000).

8. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
Waiver of accrued directors' remuneration	140	8
Interest income	2	—
Sundry income	40	18
	182	26

9. PROFIT BEFORE TAXATION

	2011	2010
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Auditors' remuneration	390	340
Depreciation of property, plant and equipment	493	115
Loss on disposal of property, plant and equipment	18	—
Operating lease rentals in respect of rented premises	1,578	432
Staff costs, including Directors' emoluments	3,535	993
Retirement benefits scheme contributions	59	16

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

The emoluments paid or payable to each of the eight (2010: ten) Directors were as follows:

	Fees	Other emoluments	Salaries and other benefits	Contribution to retirement benefit scheme	Share-based payment	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 30 April 2011						
Executive Directors:						
Li Kai Yien, Arthur Albert	10	—	—	—	—	10
Li Shu Han, Eleanor Stella	10	—	—	—	—	10
Seto Ying	10	—	—	—	—	10
Independent non-executive Directors:						
Lee Kong Leong	50	—	—	—	—	50
Li Siu Yui	50	—	—	—	—	50
Ip Woon Lai	50	—	—	—	—	50
Tam Ping Kuen, Daniel (resigned on 1 September 2010)	—	—	—	—	—	—
Lau Tai Chim (resigned on 1 September 2010)	—	—	—	—	—	—
	180	—	—	—	—	180
For the year ended 30 April 2010						
Executive Directors:						
Li Kai Yien, Arthur Albert	10	—	—	—	—	10
Li Shu Han, Eleanor Stella	10	—	—	—	—	10
Seto Ying	10	—	—	—	—	10
Hung Kwok Wa	—	—	—	—	—	—
Lau Man Tak	—	—	—	—	—	—
Independent non-executive Directors:						
Tam Ping Kuen, Daniel	50	—	—	—	—	50
Lau Tai Chim	50	—	—	—	—	50
Lee Kong Leong	50	—	—	—	—	50
Li Siu Yui	50	—	—	—	—	50
Ip Woon Lai	50	—	—	—	—	50
	280	—	—	—	—	280

Mr. Tam Ping Kuen ("Mr. Tam") and Mr. Lau Tai Chim ("Mr. Lau") resigned as the Company's independent non-executive Director on 1 September 2010. The remuneration for the year payable to Mr. Tam and Mr. Lau of approximately HK$17,000 and HK$17,000 were waived by them respectively.

Mr. Hung Kwok Wa ("Mr. Hung") and Mr. Lau Man Tak resigned as the Company's executive Director on 18 September 2009 and 8 January 2010 respectively. The remuneration for the year payable to Mr. Hung and Mr. Lau Man Tak of approximately HK$4,000 and HK$7,000 were waived by them respectively.

As at 30 April 2011, the remuneration payable to the Directors was approximately HK$909,000 (2010: HK$869,000) which was included in trade and other payables in note 18 to the consolidated financial statements.

Employees' emoluments

During the year, the five (2010: five) highest paid individuals included no (2010: one) Director, details of whose emoluments are set out above. The emoluments of the remaining five (2010: four) highest paid individuals for the year ended 30 April 2011 are as follows:

	2011	**2010**
	HK$'000	*HK$'000*
Salaries and other benefits	1,382	663
Retirement benefits scheme contributions	48	14
	1,430	677

During the year, the accrued directors' remuneration of prior years of approximately HK$140,000 was waived by Mr. Tam and Mr. Lau.

Save as disclosed herein and the aforementioned waiver of current year's remuneration by Mr. Tam and Mr. Lau, there was no other arrangement under which a Director waived or agreed to waive any emoluments and no remuneration was paid by the Group to the five highest paid employees (including Directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

11. TAXATION

Taxation represents:

	2011	**2010**
	HK$'000	*HK$'000*
Hong Kong Profits Tax	2,224	1,325
China Enterprise Income Tax ("EIT")	18	—
	2,242	1,325

Provision for Hong Kong Profits Tax and China EIT was calculated at the rate of 16.5% (2010: 16.5%) and 25% on the estimated assessable profits of two subsidiaries of the Company operating in Hong Kong and the PRC respectively. No provision for EIT has been made for the preceding year as the Group had no assessable profits chargeable to EIT.

Taxation for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2011	2010
	HK$'000	*HK$'000*
Profit before taxation	10,288	6,337
Tax at Hong Kong Profits Tax rate of 16.5% (2010: 16.5%)	1,697	1,046
Hong Kong and PRC tax rates differential	6	—
Tax effect of non-taxable income	(23)	(4)
Tax effect of non-deductible expenses	209	257
Tax effect of temporary differences not recognised	22	(2)
Tax effect of tax loss not recognised	331	28
Taxation for the year	2,242	1,325

At 30 April 2011, the Group had unused tax losses of approximately HK$21,050,000 (2010: HK$19,047,000) available for offset against future profits. No deferred tax assets have been recognised due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely except the losses of approximately HK$357,000 (2010: HK$ Nil) which will expire in 2015.

At 30 April 2011, the Group had deductible temporary differences of approximately HK$141,000 (2010: HK$9,000) arising from the decelerated tax allowances. No deferred tax asset has been recognised in relation to these deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

12. DIVIDEND

No dividend was paid or proposed during the year ended 30 April 2011, nor has any dividend been proposed since the end of the reporting period.

13. EARNINGS PER SHARE

The calculation of the basic earnings per Share attributable to equity shareholders of the Company for the year is based on the profit for the year attributable to equity shareholders of the Company of approximately HK$8,046,000 (2010: HK$5,012,000) and the weighted average number of 422,000,000 (2010: 422,000,000) Shares in issue.

The Company had no potential dilutive instruments during the years ended 30 April 2011 and 2010. Accordingly, diluted earnings per share is not presented.

14. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Total HK$'000
Cost:						
Additions and at 30.4.2010	—	531	130	—	—	661
Exchange difference	12	1	2	1	12	28
Additions	416	25	46	1,073	2,396	3,956
Disposals	—	—	(18)	—	—	(18)
At 30.4.2011	428	557	160	1,074	2,408	4,627
Aggregate depreciation:						
Charge for the year and at 30.4.2010	—	100	15	—	—	115
Charge for the year	—	133	28	70	262	493
At 30.4.2011	—	233	43	70	262	608
Net book value:						
At 30.4.2011	428	324	117	1,004	2,146	4,019
At 30.4.2010	—	431	115	—	—	546

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

Construction in progress	Nil
Leasehold improvements	10% to 25%
Furniture, fixtures and equipment	20% to 33%
Plant and machinery	10%
Moulds	10% to 20%

15. INVENTORIES

	2011 HK$'000	2010 HK$'000
Raw materials	803	—
Work-in-progress	2,938	—
Finished goods	2	—
Goods held for re-sales	5,579	17
	9,322	17

16. TRADE RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES

	2011 HK$'000	2010 HK$'000
Trade receivables	37,318	42,200
Deposits and other receivables	1,947	3,021
At end of the year	39,265	45,221

The Group allows its trade customers with a credit period normally ranging from payment on delivery to 120 days. The aged analysis of the Group's trade receivables (based on invoice date) as at 30 April 2011 and 2010 is as follows:

	2011	2010
	HK$'000	*HK$'000*
Aged:		
0 to 90 days	29,857	31,714
91 to 180 days	7,461	10,486
	37,318	42,200

Included in the Group's trade receivables, the carrying amount of approximately HK$9,735,000 (2010: HK$8,272,000) are past due but not impaired at the end of the reporting period.

Trade receivables that were past due but not impaired are related to independent customers that had a good track record with the Group. Based on the past experience, management believed that no impairment allowance is necessary in respect of these balances as there had not been a significant change in credit quality and the balances were considered fully recoverable. The Group does not hold any collateral over the balances.

17. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with original maturity of three months or less at prevailing interest rates. The bank balances are denominated primarily in HKD, RMB and USD.

18. TRADE AND OTHER PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade payables	32,537	39,312
Other payables	18,181	16,869
Amount due to a shareholder	22,800	10,500
Amount due to a deconsolidated subsidiary	2,274	2,274
	75,792	68,955

The aged analysis of the Group's trade payables as at 30 April 2011 and 2010 is as follows:

	2011	2010
	HK$'000	*HK$'000*
Aged:		
0 to 90 days	32,226	29,311
91 to 180 days	—	9,690
Over 180 days	311	311
	32,537	39,312

The amounts due to a shareholder and a deconsolidated subsidiary are unsecured, interest-free and repayable on demand.

19. GUARANTOR'S LIABILITY AND ACCRUED LIABILITY FOR POTENTIAL CLAIMS

The amount represents (i) the liability arising from the guarantee arrangements between the Company and two deconsolidated subsidiaries, namely Housely Industries Limited ("Housely Industries") and Dongguan Kalee Electrical Co., Ltd. ("Dongguan Kalee") of approximately HK$299,891,000 (2010: HK$299,891,000); (ii) the accrued liability for potential claims against the Group by the creditors of Housely Industries of approximately HK$16,500,000 (2010: HK$16,500,000); and (iii) the accrued interest of approximately HK$23,955,000 (2010: HK$23,955,000) on the outstanding bank borrowings and overdrafts of Housely Industries and Dongguan Kalee of which the Company acts as a guarantor for the period from the respective time Housely Industries and Dongguan Kalee were excluded from consolidation to 30 April 2011.

According to the Schemes, no interest accruing on debt after the Scheme Creditors' meeting held in March 2009 is provable or admissible as a claim under the Schemes. Accordingly, no interest was accrued during the current and preceding years.

20. BANK BORROWINGS

	2011	**2010**
	HK$'000	*HK$'000*
The Group's unsecured bank borrowings comprise:		
Bank loans	21,456	21,456
Trust receipt loans	1,492	1,492
	22,948	22,948

According to the Schemes, no interest accruing on debt after the Scheme Creditors' meeting held in March 2009 is provable or admissible as a claim under the Schemes. Accordingly, no interest was accrued during the year for the bank borrowings.

All bank borrowings are denominated in HKD.

There was no new bank borrowing raised during the current and preceding years.

21. SHARE CAPITAL

(a) Share capital

	Number of Shares	**Amount**
	'000	*HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 May 2009, 30 April 2010 and 30 April 2011	8,000,000	80,000
Issued and fully paid:		
At 1 May 2009, 30 April 2010 and 30 April 2011	422,000	4,220

(b) Capital management

The Group's equity capital management objectives are to safeguard the Group's ability to continue as a going concern and to provide an adequate return to shareholders commensurately with the level of risk. To meet these objectives, the Group manages the equity capital structure and makes adjustments to it in the light of changes in economic conditions by issuing new equity shares, and raising or repaying debts as appropriate.

The Group's equity capital management strategy, which is unchanged from the previous periods, is to maintain a reasonable proportion in total debts and equity capital. The Group monitors equity capital on the basis of the debt-to-equity capital ratio, which is calculated as net debts over equity capital.

The only externally imposed capital requirement is that under the Listing Rules, the Company has to maintain the minimum public float requirement of which at least 25% of the issued Shares being held in public hands. Details of sufficiency of public float have been included in the paragraph headed "Sufficiency of Public Float" in the section headed "Report of the Directors" of this annual report.

22. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 26 November 2002 for the primary purpose of providing incentives to directors and eligible participants, and will expire on 25 November 2012. Under the Scheme, the Directors may grant options to eligible participants, including any full-time or part-time employee of the Company or any member of the Group, including any executive, non-executive and independent non-executive directors, advisors and consultants of the Company or any subsidiaries of the Company, to subscribe for Shares.

The total number of Shares in respect of which options may be granted under the Scheme and other share option scheme of the Company is not permitted to exceed 10% of the Shares in issue at the date of listing of Shares on the Stock Exchange. The number of Shares in respect of which options may be granted to any individual in any 12-months period is not permitted to exceed 1% of the total number of Shares in issue from time to time, without prior approval from the Company's shareholders.

Options granted must be taken up within 28 days from the date of offer, upon payment of HK$1 per offer. The exercise price is determined by the Directors, and will be the highest of (i) the closing price of the Shares on the date of offer; (ii) the average closing price of the Shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Share.

There was no outstanding option pursuant to the Scheme as at 1 May 2009. In addition, no share option was granted during the current and preceding years.

23. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund scheme for all qualifying employees of its Hong Kong subsidiaries. The assets of the scheme are held separately from those of the Group and in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs to the scheme, which contribution is matched by employees.

The employees of the Company's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their employees' payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The total cost charged to the consolidated statement of comprehensive income of HK$59,000 (2010: HK$16,000) represents contributions payable to the scheme by the Group at rate specified in the rules of the scheme.

As at 30 April 2011 and 2010, there was no forfeited contribution, which arose upon employees leaving the retirement benefits scheme and which was available to reduce the contribution payable in the future years.

24. OPERATING LEASE COMMITMENTS

As at 30 April 2011, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	2011	2010
	HK$'000	*HK$'000*
Within one year	871	629
In the second to fifth year inclusive	—	600
	871	1,229

Operating lease payments represent rentals payable by the Group for its office premises, factory and warehouse. The leases are negotiated for terms of one to three years and the lease for the office premises in Hong Kong is guaranteed by Mr. Kan.

25. LITIGATIONS

(a) On 7 March 2007, China Construction Bank (Asia) Limited commenced proceedings in the High Court of Hong Kong under HCA 438 of 2007 against Housely Industries and the Company for approximately HK$1,540,000, interest and costs on indemnity basis.

(b) On 3 April 2007, China Construction Bank (Asia) Limited commenced proceedings in the High Court of Hong Kong under HCA 673 of 2007 against Housely Industries and the Company for approximately HK$1,016,000, interest and costs on indemnity basis. On 26 April 2007, the court granted a final and interlocutory judgement against Housely Industries and the Company for approximately HK$1,016,000, interest and costs on indemnity basis. The judgement debt has not been settled at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2011.

(c) On 14 April 2007, the Bank of Tokyo-Mitsubishi UFJ, Ltd. commenced proceedings in the High Court of Hong Kong under HCA 733 of 2007 against Housely Industries and the Company for approximately HK$4,985,000, interest and costs. On 7 June 2007, the court granted a judgement against Housely Industries and the Company for the sum of approximately HK$4,985,000, interest and costs in the sum of approximately HK$2,000. The judgment debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2011. The indebtedness claimed was subsequently assigned by the Bank of Tokyo-Mitsubishi UFJ, Ltd. to an independent third party of the Group.

(d) On 20 April 2007, DBS Bank (Hong Kong) Limited commenced proceedings in the High Court of Hong Kong under HCA 797 of 2007 against the Company for approximately HK$5,060,000, interest and costs on indemnity basis. On 18 June 2007, the court granted a judgement against the Company for the sum of approximately HK$5,060,000 and interest. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2011. The indebtedness claimed was subsequently assigned by DBS Bank (Hong Kong) Limited to an independent third party of the Group.

(e) On 20 April 2007, DBS Bank (Hong Kong) Limited commenced proceedings in the High Court of Hong Kong under HCA 798 of 2007 against Housely Industries and the Company for approximately HK$5,449,000 approximately US$90,000, interest and costs on indemnity basis. On 18 June 2007, the court granted a judgement against Housely Industries and the Company for the sum of approximately HK$5,449,000, approximately US$90,000, interest and costs on indemnity basis. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2011. The indebtedness claimed was subsequently assigned by DBS Bank (Hong Kong) Limited to an independent third party of the Group.

(f) On 1 June 2007, Bank of Communications Co., Ltd. (Hong Kong Branch) commenced proceedings in the High Court of Hong Kong under HCA 1161 of 2007 against Housely Industries, Housely Technology Limited (a wholly-owned subsidiary of the Company), Housely Trading Company Limited (a wholly-owned subsidiary of the Company) and the Company for approximately HK$13,652,000 and approximately US$329,000, interest and costs on indemnity basis. On 16 July 2007, the court granted a judgement against the said companies for approximately HK$13,652,000 and approximately US$329,000, interest and fixed costs in the sum of approximately HK$2,000. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2011.

(g) On 31 October 2007, the Commissioner of Inland Revenue commenced proceedings in District Court of Hong Kong under DCTC 8694 of 2007 against Tacho Company Limited ("Tacho") for the sum of approximately HK$26,593,000, interest and costs. On 14 January 2008, the court granted a judgement against Tacho for approximately HK$26,593,000, interest and costs in the sum of approximately HK$1,000. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2011.

(h) On 5 December 2007, the Commissioner of Inland Revenue commenced proceedings in District Court of Hong Kong under DCTC 9371 of 2007 against Tacho for the sum of approximately HK$62,000, interest and costs. On 18 February 2008, the court granted a judgement against Tacho for approximately HK$62,000, interest and costs in the sum of approximately HK$1,000. A writ of fieri facias has been issued against Tacho. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2011.

(i) On 21 January 2008, the Commissioner of Inland Revenue commenced proceedings in District Court of Hong Kong under DCTC 554 of 2007 against Tacho for the sum of approximately HK$6,089,000, interest and costs. On 19 March 2008, a judgement was granted by the District Court of Hong Kong against Tacho for approximately HK$6,089,000, interest and costs. A writ of fieri facias has been issued to enforce the judgement. The judgement has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2011.

(j) On 23 July 2008, the Commissioner of Inland Revenue commenced proceedings in the District Court of Hong Kong under DCTC 5918 of 2008 against Tacho for approximately HK$3,206,000, interest and costs. The amount of approximately HK$3,206,000 represented tax surcharge for the unpaid taxes mentioned in note 25(g) and note 26(i) to the consolidated financial statements. On 23 October 2008, the court granted a judgement against Tacho for the sum of approximately HK$3,206,000, interest and costs in the sum of approximately HK$1,000. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2011.

(k) On 10 November 2008, RHT Limited ("RHT") commenced High Court Action No. 2260 of 2008 ("HCA 2260/2008") in the High Court of Hong Kong against the Company for approximately HK$92,565,000 and costs. In July 2010, the Company and RHT reached a settlement agreement (the "Settlement Agreement") in the principal terms that RHT is to withdraw its claims in the HCA 2260/2008 and each party is to bear its own costs HCA2260/2008. A consent order in terms of the Settlement Agreement was filed on 20 July 2010 with the High Court of Hong Kong. Therefore, no liabilities in respect of RHT's claim in HCA2260/2008 have been provided in the consolidated statement of financial position as at 30 April 2011.

(l) On 23 December 2008, PR Asia Consultants Limited commenced the Civil Action No. 5897 of 2008 in the District Court of Hong Kong against the Company for the sum of approximately HK$818,000, interest, further or other relief and costs. On 22 January 2009, a judgement was granted by the District Court of Hong Kong against the Company for the sum of approximately HK$818,000, interest and costs in the sum of approximately HK$1,000. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2011.

(m) On 9 March 2009, Bank of China Limited Macau Branch commenced proceedings in the High Court of Hong Kong under HCA 664 of 2009 against the Company for the sum of approximately HK$13,890,000, interest, further or other relief and costs on indemnity basis. On 7 April 2009, a judgement was granted by the High Court of Hong Kong against the Company for the sum of approximately HK$13,890,000, interest and costs on indemnity basis. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2011.

26. BANKING FACILITIES

As at 30 April 2011, the Group had available banking facilities to the extent of HK$10,000,000 which were secured by a corporate guarantee provided by the Company of HK$10,000,000 and a personal guarantee provided by Mr. Kan of HK$10,000,000.

27. SUBSEQUENT EVENTS

(i) As disclosed in note 2(d) to the consolidated financial statements, the Company received a letter dated 13 May 2011 from the Stock Exchange in relation to the Listing Decision. On 17 May 2011, the Company submitted an application to the Listing (Review) Committee of the Stock Exchange to seek a review of the Listing Decision.

(ii) On 30 May 2011, the Company entered into an agreement with Ms. Yeung Chui Man (the "Vendor") pursuant to which the Company has conditionally agreed to acquire the entire issued share capital of Rich Honest (Europe) Limited ("RHE") at a consideration of HK$5,000,000, which will be fully satisfied in cash, from the Vendor.

The Vendor is an independent third party who is not a connected person of the Company as defined in the Listing Rules and is independent of the Company and connected persons of the Company. RHE is incorporated in Hong Kong with limited liability and is principally engaged in the manufacturing and sale of digital enhanced cordless telephony products to overseas customers.

Further details of the acquisition are set forth in the Company's announcement dated 30 May 2011 and the acquisition of RHE was completed on 22 June 2011.

28. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 30 April 2011 which have been included in these consolidated financial statements are as follows:

Name of subsidiary	Place of incorporation	Issued and fully paid ordinary share capital/ registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Housely (Macao) Commercial Offshore Company Limited	Macau	HK$98,039	—	100%	Inactive
Olevia Home Appliances Limited ("Olevia")	Hong Kong	HK$1	100%	—	Development and distribution of household electrical appliances
Tacho Company Limited	Hong Kong	HK$1,002	—	100%	Inactive
Up Stand Holdings Limited	Hong Kong	HK$1	100%	—	Trading of household electrical appliances and audio-visual products

Name of subsidiary	Place of incorporation	Issued and fully paid ordinary share capital/ registered capital	Attributable equity interest held by the Company Directly	Indirectly	Principal activities
Dongguan Up Stand Electrical Manufacturing Company Limited 東莞堅東電器製造有限公司#	PRC	HK$8,000,000 (paid up: HK$7,000,000)	—	100%	Designing, manufacturing, marketing and distribution of household electrical appliances

Registered as a wholly foreign owned enterprise under the PRC laws

None of the subsidiaries had issued debt securities as at 30 April 2011.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company as at 30 April 2011 is as follows:

	2011 *HK$'000*	**2010** *HK$'000*
Non-current assets		
Investments in subsidiaries	4,500	—
Current asset		
Bank balances and cash	8	9
Current liabilities		
Other payables	5,496	5,698
Amounts due to subsidiaries	14,445	9,006
Amount due to a deconsolidated subsidiary	2,274	2,274
Guarantor's liability	347,989	347,989
Unsecured bank overdrafts	26	26
	370,230	364,993
Net current liabilities	(370,222)	(364,984)
Net liabilities	(365,722)	(364,984)
Capital and reserves		
Share capital	4,220	4,220
Reserves	(369,942)	(369,204)
Capital deficiencies	(365,722)	(364,984)

30. RELATED PARTY TRANSACTIONS

Apart from the information as disclosed elsewhere in the consolidated financial statements, the Group had no other material transaction with its related parties during the year.

Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

	2011	**2010**
	HK$'000	*HK$'000*
Short-term benefits	620	702
Post-employment benefits	12	12
	632	714

The remuneration of key management is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

These transactions do not fall within the definition of "connected transactions" in Chapter 14A of the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS OF HISTORICAL RESULTS OF OPERATIONS

Set out below are a discussion and analysis of the Group's results of operations for the three years ended 30 April 2013. The information set out below is principally extracted from the "Management discussion and analysis" section of the relevant annual reports of the Company to provide further information relating to the financial condition and results of operations of the Group during the periods stated.

For the 12 months ended 30 April 2013

Business Review

Trading in the shares (the "Shares") of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended since 14 May 2007 at the request of the Securities and Futures Commission in Hong Kong (the "SFC").

During the year, the operation of the Group only remained the business of manufacturing and sale of household electrical appliances (the "Manufacturing Business") such as convection panel heaters, quartz heaters, bathroom panel heaters and electric fans. Its products are mainly supplied to overseas customers in Europe, Australia and America through a People's Republic of China (the "PRC") import and export company. Due to the fluctuating economics in overseas market, the number of customers decreased and the orders from each customer decreased largely compared with last year. Moreover, the increasing material and labor costs and appreciation in Renminbi caused the profit margin of the Group not as high as before. Therefore, the turnover of the Manufacturing Business decreased and the result of the Manufacturing Business changed from a profit of approximately HK$2 million for the year ended 30 April 2012 to a loss of approximately HK$2.8 million for the year ended 30 April 2013.

In order to fulfill the requirements of the Stock Exchange to maintain the listing of the Shares, the Company identified a suitable acquisition target with sizable track records, Nanjing Fullshare Asset Management Limited (南京豐盛資產管理有限公司) (the "Target Company"), which is a limited liability company established in the PRC and is wholly owned by Nanjing Fullshare Industrial Holding Group Co. Limited* (南京豐盛產業控股集團有限公司) ("Nanjing Fullshare Holding"). On 21 August 2012, an acquisition agreement was entered into between Mighty Fame Limited, a wholly owned subsidiary of the Company, and Nanjing Fullshare Holding in relation to the acquisition of the entire equity interest of the Target Company at a consideration of HK$500 million (the "Acquisition"). The Target Company is a property developer currently focusing primarily on developing and selling residential complex in Yancheng, Jiangsu Province and Chongqing Municipality in the PRC. In addition, the Company proposed to raise HK$84.4 million by allotment and issuance of 1,688,000,000 new Shares (the "Offer Share(s)") at the subscription price of HK$0.05 per Offer Share on the basis of 4 Offer Shares for every 1 Share (the "Open Offer") and issuance of the convertible bonds (the "Convertible Bonds") under the subscription agreement (the "Subscription Agreement") dated 21 August 2012 entered into between the Company, Magnolia Wealth International Limited ("Magnolia Wealth"), a company incorporated in the British Virgin Islands and Mr. Kan Che Kin, Billy Albert ("Mr. Kan"), the executive Director and the substantial shareholder (the "Shareholder") of the Company, with an aggregate principal amount of HK$500,000,000. The Company submitted a new resumption proposal in respect of, amongst other things, the Acquisition, the Open Offer and the Subscription Agreement (the "New Resumption Proposal") to the Stock Exchange during the appeal stage on 22 August 2012 and attended the appeal hearing held by the Listing Appeals Committee of the Stock Exchange on 7 September 2012. On 17 September 2012, the Company was pleased to announce that the Listing Appeals Committee of the Stock Exchange decided to exercise its discretion to receive and consider the New Resumption Proposal and refer the matter back to the Listing Committee of the Stock Exchange, and to allow the Listing Division of the Stock Exchange and the SFC to complete its usual vetting work for the proposed transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Hong Kong Code on Takeovers and Mergers. The Listing Appeals Committee of the Stock Exchange considered that the proposed transactions contained in the New Resumption Proposal constitute a reverse takeover and hence subject to the Listing Rules applicable to such transactions. As such, CMB International Capital Limited has been appointed as the sponsor to the Company in relation to the reverse takeover involving a new listing application to fulfill the requirements under the Listing Rules.

During the process of restructuring of the Company, on 18 January 2013, the Company disposed of the entire interest in Warderly Group Limited ("WGL"), Olevia Home Appliances Limited ("Olevia") and Rich Honest (Europe) Limited ("RHE") (collectively, the "Disposal Companies") at a consideration of HK$1 each to Mr. Kan Che Kin, Billy Albert ("Mr. Kan"), an executive director and a substantial shareholder of the Company (the "Disposal"). Each of the Disposal Companies, namely WGL, RHE and Olevia, has been dormant since April 2007, October 2011 and April 2012 respectively. As at the date of the Disposal, the Disposal Companies had aggregate consolidated net liabilities of approximately HK$86 million. As the Company provided corporate guarantee to certain banks to secure the banking facilities granted to the subsidiaries of WGL and its subsidiaries had net liabilities and they were in default on payment of such bank borrowings and overdrafts, the Company recognised a liability of approximately HK$24 million, equivalent to the outstanding bank borrowings and overdrafts and accrued interest therein, to reflect its obligations under the guarantee arrangements. Therefore, a gain on disposal of approximately HK$62 million was recognised for the year ended 30 April 2013. Accordingly, following the completion of the Disposal, the Group will save administrative costs relating to the maintenance and reporting of such non-core subsidiaries. The Disposal forms part of the Company's pursuit of the restructuring of the Group and resumption of trading in the Shares and was completed on 18 January 2013.

After completion of the Acquisition, the Company has no intention to continue the existing Manufacturing Business and therefore, on 5 April 2013, a disposal agreement (the "Disposal Agreement") was entered into between the Company and Homely Manufacturing Limited ("Homely"), a limited company incorporated in Hong Kong, which is wholly and beneficially owned by Mr. Yeung Kui Wong, who was the founder of the Company and had been the controlling shareholder and chairman of the Company, to dispose of the entire interest in Up Stand Holdings Limited ("Up Stand"), a wholly owned subsidiary of the Company, and its subsidiary, Dongguan Up Stand Electrical Manufacturing Company Limited, which is principally engaged in the Manufacturing Business, to Homely at a consideration of HK$10 million subject to adjustment by the increases/decreases in the consolidated net asset value of

Up Stand during the period from 31 December 2012 to the date of completion of the disposal of Up Stand with limit of HK$1 million. After completion of the Acquisition and the disposal of Up Stand, the Group will be solely engaged in property development industry in the PRC. The Acquisition and the disposal of Up Stand have not been completed as at the date of this report.

As the Disposal Agreement was entered into on 5 April 2013, the Company's interest in Up Stand is treated as "assets held for sale". After the completion of the Disposal Agreement, all the existing business of the Group would be discontinued and hence, were treated as discontinued operations for the year ended 30 April 2013.

Prospects

The Company is now taking appropriate steps to comply with the requirements under the Listing Rules and the Hong Kong Code on Takeovers and Mergers in respect of the proposed transactions set out in the New Resumption Proposal, which include, amongst other things, the Acquisition (constituting a reverse takeover), the Open Offer (instead of zero coupon convertible notes) and the subscription of the Convertible Bonds. The relevant agreements in relation to the Acquisition and the subscription of Convertible Bonds were entered into by the Company with relevant parties on 21 August 2012 and announced on 21 March 2013.

Financial Review

For the year ended 30 April 2013, the net result of the Group changed from a loss of approximately HK$14 million to a profit of approximately HK$43 million compared with last year.

The net profit of the Group was mainly derived from the gain on disposal of the entire interest in the Disposal Companies at an aggregate consideration of HK$3 to Mr. Kan, offset by the administrative expenses of the Group of approximately HK$19 million for the year. The gain on the Disposal was approximately HK$62 million, which was a result of the net effect from written off of the net liabilities of the Disposal Companies and additional guarantee liability taken up by the Company.

During the year, the Group recorded a turnover of approximately HK$23 million from discontinued operations, which was solely derived from the Manufacturing Business, representing a decrease by 65% in overall turnover compared with last year. Since the Group has ceased the operation of RHE and Olevia since October 2011 and April 2012, the Group only remained the Manufacturing Business during the year.

For the Manufacturing Business segment, the turnover decreased by 51% from approximately HK$47 million to approximately HK$23 million compared with last year. The average gross profit margin changed from 13% to 8% compared with last year. The decrease in turnover was mainly due to fluctuating economics in Europe, Australia and America, where it is the target market of the Group, the number of customers decreased and the orders from each customer decreased largely compared with last year. The increasing material and labor costs and appreciation in Renminbi caused the average profit margin of the Group decreased by 5% to 8% compared with last year. Moreover, in order to better control the cashflow, the products were sold to overseas customers through a PRC import and export company since April 2012. Therefore, the average gross profit was further eroded by the PRC import and export company. As a result, the net profit of the Manufacturing Business changed from a profit of approximately HK$2 million to a loss of approximately HK$2.8 million compared with last year.

On the other hand, the Company is under restructuring and is now taking appropriate steps to comply with the requirements under the Listing Rules and the Hong Kong Code on Takeovers and Mergers in respect of the proposed transactions set out in the New Resumption Proposal. Therefore, out of the administrative expenses of the Group, the Company incurred relevant legal and professional fees of approximately HK$11.5 million for the engagement of services from the sponsor, financial adviser, solicitors, reporting accountant, auditors, valuer and etc.

Liquidity, Financial Resources and Gearing Ratio

The Group currently finances its operations mainly by internally generated funds and a loan from a shareholder of the Company.

The Group had total cash and bank balances of approximately HK$62,000 as at 30 April 2013 (2012: approximately HK$1.7 million). Balance of bank overdrafts, bank borrowings and guarantor's liability were approximately HK$348 million as at 30 April 2013 (2012: approximately HK$351 million). The gearing ratio of the Group as at 30 April 2013 calculated as a ratio of total bank loans, bank overdrafts and guarantor's liability to total assets was approximately 2,512% (2012: approximately 1,935%). Net liabilities were approximately HK$376 million (2012: approximately HK$420 million).

The Group recorded total current asset value of approximately HK$14 million as at 30 April 2013 (2012: approximately HK$12 million) and total current liability value of approximately HK$390 million (2012: approximately HK$438 million). The current ratio of the Group, calculated by dividing the total current asset value by the total current liability value, was about 0.04 as at 30 April 2013 (2012: approximately 0.03). The improvement of current assets and current ratio of the Group as at 30 April 2013 was due to the reclassification of the non-current assets attributable to the Manufacturing Business to current assets as the Manufacturing Business is expected to be sold within twelve months.

The Group recorded a profit of approximately HK$43 million for the year ended 30 April 2013 (2012: loss of approximately HK$14 million) and this resulted in an increase in shareholders' funds to a negative value of approximately HK$376 million as at 30 April 2013 (2012: negative value of approximately HK$420 million).

Foreign Exchange Exposure

Sales and purchases of the Group were transacted in Renminbi ("RMB"), United States dollars ("USD") and Hong Kong dollars ("HKD"). Most of the Group's monetary assets and liabilities were denominated in these currencies. The Directors were aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates between these currencies and will continue to evaluate the Group's foreign currency exposure and take actions as appropriate.

Treasury Policies

The Group's major borrowings are in HKD and at variable interest rates. Bank balances and cash held by the Group were denominated in HKD and RMB. The Group currently did not have a foreign currency and interest rate hedging policy. However, the management of the Group monitored foreign exchange and interest rate exposure from time to time and will consider hedging significant foreign currency and interest rate exposure should the need arise.

Pledge of Assets

The Group had no pledged assets as at 30 April 2013.

Investments

The Group had not held any significant investment for the year ended 30 April 2013.

Material Acquisitions and Disposals of Subsidiaries or Associated Companies

On 18 January 2013, the Company disposed of the entire interest in Rich Honest (Europe) Limited ("RHE") and Olevia Home Appliances Limited ("Olevia"), which are incorporated in Hong Kong with limited liability and Warderly Group Limited ("WGL"), which is incorporated in the British Virgin Islands with limited liability, at a cash consideration of HK$1 each to Mr. Kan Che Kin, Billy Albert, an executive director and controlling shareholder of the Company. The principal activities of RHE, Olevia and WGL are manufacturing and sale of electrical appliances, development and distribution of household electrical appliances and investment holding respectively and they have been dormant since October 2011, April 2012 and April 2007 respectively. A gain on disposal of subsidiaries of approximately HK$62 million was recognised during the year ended 30 April 2013 and was classified as a profit from discontinued operations. The disposal of RHE, Olevia, WGL constituted a connected transaction under Chapter 14A of the Listing Rules and a disclosable transaction under Chapter 14 of the Listing Rules.

On 5 April 2013, the Company entered into a disposal agreement to dispose of the entire interest in Up Stand Holdings Limited ("Up Stand"), a wholly owned subsidiary of the Company, and its subsidiary, Dongguan Up Stand Electrical Manufacturing Company Limited, whose principal activities are manufacturing and sale of household electrical appliances and audio-visual products. The disposal of Up Stand has not been completed as at the date of this report. The disposal of Up Stand constituted a connected transaction under Chapter 14A of the Listing Rules and a very substantial disposal under Chapter 14 of the Listing Rules. Details of the disposal of Up Stand are included in note 33(ii) to the consolidated financial statements.

The Company confirms that it has complied with all the disclosure requirements under Chapters 14 and 14A of the Listing Rules.

Segmental Information

Details of segmental information for the year ended 30 April 2013 are set out in note 6 to the consolidated financial statements.

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 April 2013.

Staff and Remuneration Policies

As at 30 April 2013, the Group had about 113 employees (2012: 91 employees). The Group's total staff costs amounted to approximately HK$5,180,000 (2012: HK$10,288,000) for the year ended 30 April 2013.

Competitive remuneration packages including discretionary bonus, retirement scheme benefits and share options are structured to commensurate with individual job duties, qualifications, performance and years of experience.

For the 12 months ended 30 April 2012

Business Review

Trading in the shares (the "Shares") of the Company on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended since 14 May 2007 at the request of the Securities and Futures Commission in Hong Kong (the "SFC").

Due to the sealing up of its manufacturing facilities in April 2007, the Company, via its subsidiaries, began to concentrate its effort in trading business (the "Trading Business") by securing sales orders from distributors and wholesalers and engaging subcontractors of original equipment manufacturer to manufacture the household electrical appliances and audio-visual products. In April 2010, the Group expanded its business scope by moving upstream into the design of household appliances and distribution of its own designed appliances under the "Olevia" brand (the "Olevia Business"). During the year, the turnover generated from the Trading business and the Olevia Business decreased by approximately HK$152 million to approximately HK$11 million and changed from gross profit of approximately HK$16 million to gross loss of approximately HK$476,000 compared with last year. The decrease in the results of the Trading Business and the Olevia Business was mainly due to scale down of their businesses during the year. Ever since it has been made clear by the Stock Exchange that the Trading Business and the Olevia Business could not justify a listing resumption of its shares, the Company has been concentrating on possible acquisition of manufacturing business with sizable profitable track record.

In order to re-activate the Group's manufacturing operation (the "Manufacturing Business"), the Group, in July 2010, set up Dongguan Up Stand Electrical Manufacturing Co., Ltd ("Dongguan Up Stand"), a wholly-owned subsidiary of the Group established in the People's Republic of China ("PRC"), to engage in the design, manufacturing, marketing and distribution of household appliances such as convection panel heaters, quartz heaters, bathroom panel heaters and electric fans. Its products mainly supplied to overseas customers in Europe, Australia and America. Since August 2011, the Group has started to develop the PRC market. The Group generated turnover of over HK$20 million from the PRC market during the year. Resulted from the effort of the Group in expending the production facilities and marketing its products during the year, the turnover and gross profit generated from Manufacturing Business increased significantly from approximately HK$8 million to approximately HK$47 million and from approximately HK$2 million to approximately HK$6 million respectively as compared with last year.

On 22 June 2011, the Company acquired 100% interest in Rich Honest (Europe) Limited ("RHE"), which is incorporated in Hong Kong with limited liability, at a cash consideration of HK$5 million. RHE's principal business is the manufacturing and sale of a different type of household appliance-digital enhanced cordless telephony ("DECT") products, CAT-iq handset and 3G wireless local loop products (the "RHE Business"). The RHE Business generated net operating loss (before impairment) and gross loss of approximately HK$2 million and HK$595,000 respectively during the four months operation. However, as the Stock Exchange has casted doubts on the achievability of RHE's forecast profit in the assessment of the listing resumption of its Shares, the Company has no choice but to cease investing in the RHE business.

Financial Review

For the year ended 30 April 2012, the net result of the Group changed from profit of approximately HK$8 million to net loss of approximately HK$14 million compared with last year.

During the year, the Group recorded a turnover of approximately HK$64 million, representing a decrease by 63% compared with last year. The average gross profit margin decreased from 10% to 8% compared with last year. The decrease in turnover was mainly due to scale down operation of the Trading Business and the Olevia Business. Turnover from the Trading Business and the Olevia Business decreased from approximately HK$163 million to approximately HK$11 million. The decrease in gross profit margin was mainly due to decrease in average gross profit margin of Manufacturing Business from 19% to 13% resulted from increasing PRC sales with lower profit margin. Besides, in order to sell out all the stock of the Olevia Business which became outdate, the Group offered large discounts to its wholesalers and end users. Gross loss of approximately HK$1.3 million was generated from the Olevia Business.

In addition, the RHE Business, which the Company acquired on 22 June 2011 and invested over HK$9 million, was not performed as expected, generating net operating loss of approximately HK$2 million and gross loss of approximately HK$595,000 for the period from 22 June 2011 to 31 October 2011. Upon the cessation by the Company in the investing in the RHE Business, a loss provision of approximately HK$8 million was made over certain assets at the year ended. Moreover, the goodwill of approximately HK$5 million deriving from the acquisition of RHE by the Company was also written off at the year ended.

On the positive side, turnover from the Manufacturing Business increased from approximately HK$8 million to approximately HK$47 million and net result changed from a loss of approximately HK$623,000 to a profit of approximately HK$2.2 million compared with last year. The significant achievement is a result of improvement in the effectiveness and efficiency in the use of the production facilities and maturity of the management team after one year operation and in expending the customer base through direct promotion exhibitions.

Important Events and Prospects

On 30 September 2008, the Company submitted the proposal (the "Resumption Proposal") in relation to the resumption of trading in the Shares to the Stock Exchange and the SFC. The Resumption Proposal contains, amongst other matters, a restructuring proposal to revitalise the Company's financial position. As part of the Resumption Proposal, the Company proposed to raise HK$84.4 million, before expenses, by way of the Open Offer of the Offer Convertible Notes to the Qualifying Shareholders of the Company, which is fully underwritten by Mr. Kan pursuant to the Underwriting Agreement entered into between the Company and Mr. Kan on 8 October 2008. The Company also proposed to settle the Company's indebtedness by way of the Schemes.

Each of the Hong Kong Scheme and the Cayman Scheme was duly approved by a majority in number (*i.e.* over 50% in number) of the Scheme Creditors together representing no less than 75% in value of the Scheme Creditors present and voting in person or by proxy at the Scheme Creditors' meeting held on 16 March 2009. The Cayman Scheme was sanctioned by the Grand Court of the Cayman Islands on 27 March 2009 while the Hong Kong Scheme was sanctioned by the High Court of Hong Kong on 6 May 2009.

The Hong Kong Scheme and the Cayman Scheme will become effective upon an office copy of the relevant court order sanctioning the respective scheme having been delivered to the Registrar of Companies in Hong Kong or the Cayman Islands (as the case may be) for registration.

On 26 November 2009, the Stock Exchange announced that the Company would be placed into the third stage of delisting procedures pursuant to Practice Note 17 ("PN 17") to the Rules Governing the Listing of Securities on the Stock Exchange as the Stock Exchange determined that the Company's Resumption Proposal was not a viable resumption proposal.

On 7 May 2010, the Company submitted a revised Resumption Proposal to the Stock Exchange. On 13 May 2011, the Stock Exchange issued a letter to the Company stating that the Listing Committee of the Stock Exchange considered that the revised Resumption Proposal submitted by the Company has not satisfactorily demonstrated sufficiency of operation or assets as required by the Listing Rules and decided that the listing of the Shares on the Stock Exchange be cancelled in accordance with PN 17 (the "Listing Decision").

On 17 May 2011, the Company submitted an application to the Listing (Review) Committee of the Stock Exchange to seek a review of the Listing Decision.

The Company submitted a submission to the Stock Exchange on 31 August 2011 and attended the review hearing with the Listing (Review) Committee to review the Listing Decision on 20 September 2011. However, the Listing (Review) Committee decided to uphold the Listing Decision that the revised Resumption Proposal had not satisfactorily demonstrated sufficiency of operation or assets as required under Rule 13.24 and that the listing of the Company's shares on the Stock Exchange be cancelled in accordance with PN 17.

On 11 October 2011, the Company submitted an application to the Listing (Appeals) Committee of the Stock Exchange to seek a second review of the Listing Decision. As at the date of the annual report, the date of hearing by the Listing (Appeals) Committee is fixed on 7 September 2012.

In order to convince the Stock Exchange to grant a listing resumption of the Shares, the Directors shall continue to search for suitable acquisition of operations with sizable profitable track records.

Upon resumption of trading in the Shares on the Stock Exchange, the Company would become almost debt free and additional working capital would be injected into the Group.

Liquidity, Financial Resources and Gearing Ratio

The Group had total cash and bank balances of approximately HK$2 million as at 30 April 2012 (2011: approximately HK$18 million). Balance of bank overdrafts, bank borrowings and guarantor's liability were approximately HK$351 million as at 30 April 2012 (2011: approximately HK$349 million). The gearing ratio of the Group as at 30 April 2012 calculated as a ratio of total bank loans, bank overdrafts and guarantor's liability to total assets was approximately 1,935% (2011: approximately 496%). Net liabilities were approximately HK$420 million (2011: approximately HK$406 million).

The Group recorded total current asset value of approximately HK$12 million as at 30 April 2012 (2011: approximately HK$66 million) and total current liability value of approximately HK$438 million (2011: approximately HK$476 million). The current ratio of the Group, calculated by dividing the total current asset value by the total current liability value, was about 0.03 as at 30 April 2012 (2011: approximately 0.14).

The Group recorded a loss of approximately HK$14 million for the year ended 30 April 2012 (2011: profit of approximately HK$8 million) and this resulted in an decrease in shareholders' funds to a negative value of approximately HK$420 million as at 30 April 2012 (2011: negative value of approximately HK$406 million).

Foreign Exchange Exposure

Sales and purchases of the Group were transacted in Renminbi ("RMB"), United States dollars ("USD") and Hong Kong dollars ("HKD"). Most of the Group's monetary assets and liabilities were denominated in these currencies. The Directors were aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates between these currencies and will continue to evaluate the Group's foreign currency exposure and take actions as appropriate.

Treasury Policies

The Group's major borrowings are in HKD and at variable interest rates. Bank balances and cash held by the Group were denominated in HKD, USD and RMB. The Group currently did not have a foreign currency and interest rate hedging policy. However, the management of the Group monitored foreign exchange and interest rate exposure from time to time and will consider hedging significant foreign currency and interest rate exposure should the need arise.

Pledge Of Assets

The Group had no pledged assets as at 30 April 2012.

Investments

The Group had not held any significant investment for the year ended 30 April 2012.

Material Acquisitions and Disposals of Subsidiaries or Associated Companies

On 22 June 2011, the Company acquired 100% interest in Rich Honest (Europe) Limited ("RHE"), which is incorporated in Hong Kong with limited liability, at a cash consideration of HK$5 million. RHE's principal business is manufacturing and sale of household electrical appliances. 10 Warderly International Holdings Limited Annual Report 2012 Management Discussion and Analysis

Segmental Information

Details of segmental information for the year ended 30 April 2012 are set out in note 7 to the consolidated financial statements.

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 April 2012.

Staff and Remuneration Policies

As at 30 April 2012, the Group had about 91 employees (2011: 114 employees). The Group's total staff costs amounted to approximately HK$10,288,000 (2011: HK$3,535,000) for the year ended 30 April 2012.

Competitive remuneration packages including discretionary bonus, retirement scheme benefits and share options are structured to commensurate with individual job duties, qualifications, performance and years of experience.

For the 12 months ended 30 April 2011

Business Review

Trading in the shares (the "Shares") of Warderly International Holdings Limited (the "Company") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended since 14 May 2007 at the request of the Securities and Futures Commission in Hong Kong (the "SFC").

Due to the sealing up of its manufacturing facilities in April 2007, the Company, via its subsidiaries (collectively, the "Group"), began to concentrate its effort in trading business by securing sales orders from distributors and wholesalers and engaging subcontractors of original equipment manufacturer to manufacture the products. The Company, via its subsidiaries, now offers a wide range of products, including digital photo frames, digital enhanced cordless technology phones, baby monitors, digital TV signal converters, DVD players, water heaters, notebooks, HD-TVs and full HD media players. During the year, the turnover and gross profit generated from trading of the above products increased by HK$8 million to HK$158 million and by HK$5 million to HK$15 million respectively compared with last year.

In April 2010, the Group expanded its business scope by moving upstream into the design of household appliances. The Group set up a wholly-owned subsidiary, Olevia Home Appliances Limited ("Olevia"), hired a team of professional and exclusively licensed the "Olevia" brand (the leading set-top box brand in Hong Kong) to engage in the design, marketing and distribution of household appliances such as fans, washing machines, air-conditioners and electric kitchen appliances under the Olevia brand (the "Olevia Business"). The sale of household appliances under the "Olevia" brand was commenced in May 2010. Customers for the Olevia Business included branded chain stores and wholesalers and home users. The results of the Olevia Business has been grouped under the Group's business segment of trading of household electrical appliances as the Group has not established its own manufacturing capabilities for such products during the year. However, as the business did not perform as expected, the Company will reduce its investment in the Olevia Business.

Besides, in order to re-activate the Group's manufacturing operation, the Group has also, in July 2010, set up Dongguan Up Stand Electrical Manufacturing Co., Ltd ("Dongguan Up Stand"), a wholly-owned subsidiary of the Group established in the People's Republic of China ("PRC"), to engage in the design, manufacturing, marketing and distribution of household appliances such as convection panel heaters, quartz heaters, bathroom panel heaters and electric fans. With the establishment of Dongguan Up Stand, the Group has its own manufacturing operation (the "Manufacturing Business"). Its products will be mainly supplied to overseas customers in Europe, Australia and America. Dongguan Up Stand has commenced production in September 2010 and the first sale was made in October 2010. Dongguan Up Stand has generated profit since March 2011 despite the fact that it was still at a start up stage.

Financial Review

During the year, the Group recorded a turnover of approximately HK$171 million, representing an increase of approximately HK$21 million from a turnover of approximately HK$150 million compared with last year. The average gross profit margin increased from 6.5%

to 10.4% compared with last year. The increase in both the turnover and the average gross profit margin were mainly attributed to the increase in sales from the Olevia Business and the Manufacturing Business with higher average gross profit margin of 18%, and concentration on sale of products with higher average gross profit margin of over 10% like digital TV signal converters, HD-TVs and full HD media players for the original trading business.

For the original trading business, the turnover increased by HK$8 million to HK$158 million, representing an increase in turnover of 5% compared with last year. The gross profit increased by HK$5 million to HK$15 million, representing an increase in gross profit of 50% compared with last year. The increase was mainly due to the Company's effort on sale of high technology products with higher profit margin such as HD-TVs, Full HD media players, etc.

During the year, the net losses from the Olevia Business and the Manufacturing Business were approximately HK$1.7 million and HK$0.6 million respectively. The losses were mainly due to the fact that the development of the Olevia Business and the Manufacturing Business were at the initial stage and the result of the Olevia Business did not perform as expected, which mainly resulted from high entry costs of well branded chain stores, delay in shipment of products from suppliers and high storage charges. Nevertheless, the Manufacturing Business has managed to generate profit commencing from March 2011. During the year, the turnover and gross profit generated from the Manufacturing Business were HK$8 million and HK$1.5 million respectively. In April 2011, Dongguan Up Stand began to set up a new powder coating line which was in use in July 2011. The manufacturing cost can be reduced subsequently. The Group expects the average gross profit margin can increase by 4% in future to 22% compared with the average gross profit margin of 18% for the year ended 30 April 2011. While being optimistic about the prospect of the Manufacturing Business, the management of the Group will continue to closely monitor the operations of both the Olevia Business and the Manufacturing Business.

Resulted from the good performance of the existing trading business, the profit of the Group for the year was approximately HK$8 million, representing an increase of approximately HK$3 million from a profit of approximately HK$5 million compared with last year.

Important events and Prospects

On 30 September 2008, the Company submitted the proposal (the "Resumption Proposal") in relation to the resumption of trading in the Shares to the Stock Exchange and the SFC. The Resumption Proposal contains, amongst other matters, a restructuring proposal to revitalise the Company's financial position. As part of the Resumption Proposal, the Company proposed to raise HK$84.4 million, before expenses, by way of the open offer of the zero coupon convertible notes to the qualifying shareholders of the Company, which is fully underwritten by Mr. Kan Che Kin, Billy Albert ("Mr. Kan"), the controlling shareholder of the Company, pursuant to the underwriting agreement entered into between the Company and Mr. Kan on 8 October 2008. The Company also proposed to settle the Company's indebtedness due to certain creditors (the "Scheme Creditors") by way of the schemes of arrangement to be made between the Company and the Scheme Creditors under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (the "Hong Kong Scheme") and the Companies Law (2007 Revision) of the Cayman Islands (the "Cayman Scheme") respectively.

Each of the Hong Kong Scheme and the Cayman Scheme was duly approved by a majority in number (*i.e.* over 50% in number) of the Scheme Creditors together representing no less than 75% in value of the Scheme Creditors present and voting in person or by proxy at the Scheme Creditors' meeting held on 16 March 2009. The Cayman Scheme was sanctioned by the Grand Court of the Cayman Islands on 27 March 2009 while the Hong Kong Scheme was sanctioned by the High Court of Hong Kong on 6 May 2009.

The Hong Kong Scheme and the Cayman Scheme will become effective upon an office copy of the relevant court order sanctioning the respective scheme having been delivered to the Registrar of Companies in Hong Kong or the Cayman Islands (as the case may be) for registration.

On 26 November 2009, the Stock Exchange announced that the Company would be placed into the third stage of delisting procedures pursuant to Practice Note 17 ("PN 17") to the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange as the Stock Exchange determined that the Company's Resumption Proposal was not a viable resumption proposal.

On 7 May 2010, the Company submitted a revised Resumption Proposal to the Stock Exchange. On 13 May 2011, the Stock Exchange issued a letter to the Company stating that the Listing Committee of the Stock Exchange considered that the revised Resumption Proposal submitted by the Company has not satisfactorily demonstrated sufficiency of operation or assets as required by the Listing Rules and decided that the listing of the Shares on the Stock Exchange be cancelled in accordance with PN 17 (the "Listing Decision").

On 17 May 2011, the Company submitted an application to the Listing (Review) Committee of the Stock Exchange to seek a review of the Listing Decision.

Upon resumption of trading in the Shares on the Stock Exchange, the Company would become almost debt free and additional working capital would be injected into the Group.

In order to strengthen the manufacturing operation of the Group, on 30 May 2011, the Company entered into an agreement to acquire 100% interest in Rich Honest (Europe) Limited ("RHE"), which is incorporated in Hong Kong with limited liability, at a cash consideration of HK$5,000,000. The acquisition of RHE was completed on 22 June 2011. RHE's principal business is the manufacturing and sale of a different type of household appliance-digital enhanced cordless telephony ("DECT") products, CAT-iq handset and 3G wireless local loop products ("RHE Business"). RHE is one of the key players in the DECT business with strong development knowhow and market knowledge. RHE will mainly sell products to overseas customers in Japan and America. As part of the acquisition, the previous owner of RHE has guaranteed to the Company that the net profit of the RHE group contributed to the Group will be not less than HK$3.3 million, HK$5 million and HK$5 million for the years ending 30 April 2012, 30 April 2013 and 30 April 2014 respectively.

The Group would continue to expand the product range, develop and explore products with higher profit margins, extend its distribution channels and customer base and develop worldwide market and the PRC market for both its trading and manufacturing operations.

The Directors believe that the manufacturing operation including both the Manufacturing Business and the RHE Business will strengthen the competitive advantage of the Group and generate better returns to the Group. Besides, the Directors will continue to look for suitable acquisition targets to strengthen its manufacturing operation and believe that the Group's business will grow gradually and the Company will be able to maintain the listing of the Shares on the Stock Exchange.

Liquidity, Financial Resources and Gearing Ratio

The Group had total cash and bank balances of approximately HK$18 million as at 30 April 2011 (2010: approximately HK$8 million). Balance of bank overdrafts, bank borrowings and guarantor's liability were approximately HK$349 million as at 30 April 2011 (2010: approximately HK$349 million). The gearing ratio of the Group as at 30 April 2011 calculated as a ratio of total bank loans, bank overdrafts and guarantor's liability to total assets was approximately 496% (2010: approximately 645%). Net liabilities were approximately HK$406 million (2010: approximately HK$414 million).

The Group recorded total current asset value of approximately HK$66 million as at 30 April 2011 (2010: approximately HK$54 million) and total current liability value of approximately HK$476 million (2010: approximately HK$468 million). The current ratio of the Group, calculated by dividing the total current asset value by the total current liability value, was about 0.14 as at 30 April 2011 (2010: approximately 0.11).

The Group recorded a profit of approximately HK$8 million for the year ended 30 April 2011 (2010: approximately HK$5 million) and this resulted in an increase in shareholders' funds to a negative value of approximately HK$406 million as at 30 April 2011 (2010: negative value of approximately HK$414 million).

Foreign Exchange Exposure

Sales and purchases of the Group were transacted in Renminbi ("RMB"), United States dollars ("USD") and Hong Kong dollars ("HKD"). Most of the Group's monetary assets and liabilities were denominated in these currencies. The Directors were aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates between these currencies and will continue to evaluate the Group's foreign currency exposure and take actions as appropriate.

Treasury Policies

The Group's major borrowings are in HKD and at variable interest rates. Bank balances and cash held by the Group were denominated in HKD, USD and RMB. The Group currently did not have a foreign currency and interest rate hedging policy. However, the management of the Group monitored foreign exchange and interest rate exposure from time to time and will consider hedging significant foreign currency and interest rate exposure should the need arise.

Pledge of Assets

The Group had no pledged assets as at 30 April 2011.

Investments

The Group had not held any significant investment for the year ended 30 April 2011.

Material Acquisitions and Disposals of Subsidiaries or Associated Companies

The Group did not have any material acquisition or disposal of subsidiaries or associated companies during the year ended 30 April 2011.

Segmental Information

Details of segmental information for the year ended 30 April 2011 are set out in note 7 to the consolidated financial statements.

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 April 2011.

Staff and Remuneration Policies

As at 30 April 2011, the Group had about 114 employees (2010: 12 employees). The Group's total staff costs amounted to approximately HK$3,535,000 (2010: HK$993,000) for the year ended 30 April 2011.

Competitive remuneration packages including discretionary bonus, retirement scheme benefits and share options are structured to commensurate with individual job duties, qualifications, performance and years of experience.

MATERIAL CHANGES

As at the Latest Practicable Date, the Directors confirm that there have been no material changes in the financial or trading position of the Group and save as the impact of the restructuring of the Company, in particular, the Disposal, there have been no material changes in the outlook of the Group since 30 April 2013, being the date to which the latest published audited financial statements of the Group were made up. Upon completion of the Acquisition and the Disposal, the Group will discontinue the existing manufacturing business and solely be engaged in property development.

INDEBTEDNESS OF THE GROUP

As at the close of business on 31 August 2013, being the latest practicable date for the purpose of this statement of indebtedness, the Group had guarantor's liability of approximately HK$348.0 million.

(a) As at the close of business on 31 August 2013, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	HK$'000
Within one year	979
In the second to fifth year inclusive	784
	1,763

(b) As at the close of business on 31 August 2013, the Group did not have any capital commitment.

Save as aforesaid and apart from intra-group liabilities, none of the entities of the Group had any debt securities which are issued and outstanding, or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits or hire purchase commitments, mortgage, charges, guarantees or other material contingent liabilities as at the close of business on 31 August 2013.

*Set out below are the consolidated statements of financial position of the Disposed Group as at 30 April 2011, 2012 and 2013, and the related consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years ended 30 April 2011, 2012 and 2013, and certain explanatory information, which have been audited by the independent auditor of the Company, PKF, in accordance with Hong Kong Standards on Auditing ("**HKSA**") issued by the Hong Kong Institute of Certified Public Accountants without any qualification.*

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Causeway Bay
Hong Kong

Accountants &
business advisers

REPORT ON AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE DISPOSED GROUP TO THE BOARD OF DIRECTORS OF WARDERLY INTERNATIONAL HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have audited the consolidated financial information set out on pages 3 to 27, which comprises the consolidated statements of financial position of Up Stand Holdings Limited ("**Up Stand**") and its subsidiary (collectively referred to as the "**Disposed Group**") as of 30 April 2011, 2012, 2013, and the related consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the years then ended (the "**Relevant Periods**") and explanatory information (the "**Consolidated Financial Information**"). The Consolidated Financial Information has been prepared solely for the purpose of inclusion in the circular dated 28 October 2013 issued by Warderly International Holdings Limited (the "**Company**") in connection with the proposed disposal of Up Stand in accordance with Rule 14.68(2)(a)(i) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

For the purpose of this report, the directors of the Company (the "**Directors**") have prepared the consolidated financial statements of the Disposed Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") (the "**Underlying Financial Statements**"). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "**HKSAs**") issued by the HKICPA.

The Financial Information set out in this report has been prepared by the Directors from the Underlying Financial Statements with no adjustment made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation and presentation of the Underlying Financial Statements and Consolidated Financial Information of the Disposed Group in accordance with the basis of preparation set out in note 2 to the Consolidated Financial Information and Rule 14.68(2)(a)(i) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REPORTING ACCOUNTANT'S RESPONSIBILITY

For the purpose of this report, our responsibility is, with reference to Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants, to carry out our procedures to express an opinion on the Consolidated Financial Information and report our opinion to you.

OPINION

In our opinion, the Consolidated Financial Information together with the notes thereon, for the purpose of this report and prepared on the basis of preparation as set out in note 2, give a true and fair view of the state of the Disposed Group's affairs as at 30 April 2011, 2012 and 2013, and of its profit or loss and cash flows for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PKF
Certified Public Accountants
Hong Kong
28 October 2013

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended 30 April 2011, 2012 and 2013

		Years ended 30 April		
		2011	**2012**	**2013**
	Notes	*HK$*	*HK$*	*HK$*
REVENUE	*6*	166,019,586	54,546,371	22,545,010
Cost of sales		(149,216,353)	(47,646,076)	(20,825,851)
Gross profit		16,803,233	6,900,295	1,719,159
Other income	*6*	42,257	170,257	26,160
Waiver of amount due to ultimate holding company		—	—	5,994,641
Waiver of amounts due to fellow subsidiaries		—	—	172,174
Impairment of amounts due from fellow subsidiaries		(2,027,810)	(10,842,503)	(129,339)
Selling and distribution costs		(730,208)	(1,571,034)	(951,495)
General and administrative expenses		(3,281,081)	(4,352,509)	(5,143,564)
PROFIT/(LOSS) BEFORE TAXATION	*8*	10,806,391	(9,695,494)	1,687,736
Taxation	*10*	(2,241,669)	(87,437)	(67,391)
PROFIT/(LOSS) FOR THE YEAR		8,564,722	(9,782,931)	1,620,345
OTHER COMPREHENSIVE (LOSS)/INCOME				
Exchange differences on translation of foreign operation		(29,752)	251,914	152,150
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		8,534,970	(9,531,017)	1,772,495

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At 30 April 2011, 2012 and 2013

		As at 30 April		
		2011	**2012**	**2013**
	Notes	*HK$*	*HK$*	*HK$*
NON-CURRENT ASSET				
Property, plant and equipment	*13*	3,995,359	6,041,561	4,615,513
		3,995,359	6,041,561	4,615,513
CURRENT ASSETS				
Inventories	*15*	3,742,662	3,670,287	2,598,143
Trade and other receivables	*16*	38,762,787	5,744,849	4,881,343
Amount due from ultimate holding company	*17*	11,996,956	10,753,268	—
Amounts due from fellow subsidiaries	*17*	9,123,042	1,134,854	—
Cash and bank balances	*18*	9,880,206	501,952	1,404,452
		73,505,653	21,805,210	8,883,938
CURRENT LIABILITIES				
Trade and other payables	*19*	34,239,715	4,428,643	3,311,002
Amounts due to fellow subsidiaries	*17*	172,174	172,174	—
Amount due to a shareholder of ultimate holding company	*17*	22,800,000	14,730,000	—
Tax payable		3,166,156	924,004	824,004
		60,378,045	20,254,821	4,135,006
NET CURRENT ASSETS		13,127,608	1,550,389	4,748,932
NET ASSETS		17,122,967	7,591,950	9,364,445
CAPITAL AND RESERVES				
Share capital	*20*	1	1	1
Retained profits		17,152,718	7,369,787	8,990,132
Exchange reserve		(29,752)	222,162	374,312
SHAREHOLDER'S FUND		17,122,967	7,591,950	9,364,445

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended 30 April 2011, 2012 and 2013

	Share capital *HK$*	Retained profits *HK$*	Exchange reserve *HK$*	Total equity *HK$*
At 1 May 2010	1	8,587,996	—	8,587,997
Total comprehensive income/(loss) for the year	—	8,564,722	(29,752)	8,534,970
At 30 April 2011 and 1 May 2011	1	17,152,718	(29,752)	17,122,967
Total comprehensive (loss)/income for the year	—	(9,782,931)	251,914	(9,531,017)
At 30 April 2012 and 1 May 2012	1	7,369,787	222,162	7,591,950
Total comprehensive income for the year	—	1,620,345	152,150	1,772,495
At 30 April 2013	1	8,990,132	374,312	9,364,445

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended 30 April 2011, 2012 and 2013

	Years ended 30 April		
	2011	**2012**	**2013**
	HK$	*HK$*	*HK$*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax	10,806,391	(9,695,494)	1,687,736
Adjustments for:			
Interest income	(1,515)	(3,855)	(3,042)
Depreciation	486,275	848,127	995,959
Written-off of property, plant and equipment	—	—	1,052,207
Impairment of inventories	—	—	80,508
Waiver of amount due to ultimate holding company	—	—	(5,994,641)
Waiver of amounts due to fellow subsidiaries	—	—	(172,174)
Impairment of other receivables	—	—	346,806
Impairment of amounts due from fellow subsidiaries	2,027,810	10,842,503	129,339
Operating profit/(loss) before working capital change	13,318,961	1,991,281	(1,877,302)
(Increase)/decrease in inventories	(3,742,662)	72,375	991,636
Decrease in trade and other receivables	3,622,140	33,017,938	226,720
Decrease in trade and other payables	(5,389,133)	(29,811,072)	(343,016)
Cash generated from/(used in) operations	7,809,306	5,270,522	(1,001,962)
Hong Kong Profits Tax paid	(794,492)	(2,253,030)	(100,000)
PRC income tax paid	(3,807)	(76,559)	(67,391)
Net cash flows generated from/(used in) operating activities	7,011,007	2,940,933	(1,169,353)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment to acquire property, plant and equipment	(3,955,917)	(2,853,237)	(563,498)
(Increase)/decrease in amount due from ultimate holding company	(5,439,875)	1,243,688	(1,951,601)
(Increase)/decrease in amounts due from fellow subsidiaries	(4,214,147)	(2,854,315)	996,238
Interest received	1,515	3,855	3,042
Net cash flows used in investing activities	(13,608,424)	(4,460,009)	(1,515,819)

	Years ended 30 April		
	2011	2012	2013
	HK$	*HK$*	*HK$*
CASH FLOWS FROM FINANCING ACTIVITIES			
Advance from a shareholder of ultimate holding company	12,300,000	5,000,000	4,870,000
Repayment to a shareholder of ultimate holding company	—	(13,070,000)	(1,375,858)
Net cash flows generated from/(used in) financing activities	12,300,000	(8,070,000)	3,494,142
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	5,702,583	(9,589,076)	808,970
Cash and cash equivalents at beginning of year	4,234,474	9,880,206	501,952
Effect of foreign exchange rate change	(56,851)	210,822	93,530
CASH AND CASH EQUIVALENTS AT END OF YEAR	9,880,206	501,952	1,404,452
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	9,880,206	501,952	1,404,452

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION OF THE DISPOSED GROUP

1. GENERAL INFORMATION

On 5 April 2013, the Company has entered into the sale and purchase agreement with Homely Manufacturing Limited, pursuant to which the Company has conditionally agreed to sell the entire equity interest of Up Stand, which holds the entire registered capital of Dongguan Up Stand Electrical Manufacturing Company Limited (collectively referred to as the "**Disposed Group**"), at the Consideration of HK$10,000,000 subject to adjustment by the increase/decrease in the consolidated net asset value of Up Stand during the period from 31 December 2012 to the date of completion of the disposal of Up Stand with limit of HK$1 million.

The Disposed Group is engaged in manufacturing and trading of household electrical appliances and audio-visual products.

The Consolidated Financial Information are presented in Hong Kong dollars ("**HK$**") which is the functional currency of Up Stand.

2. BASIS OF PREPARATION

(a) The Consolidated Financial Information of the Disposed Group has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules, and solely for the purpose of inclusion in the circular dated 28 October 2013 issued by the Company in connection with the proposed disposal.

(b) The Consolidated Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"), Hong Kong Accounting Standards ("**HKAS**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (hereinafter collectively referred to as "**Hong Kong Financial Reporting Standards**").

In addition, the Consolidated Financial Information includes applicable disclosures required by the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and by the Hong Kong Companies Ordinance.

(c) **Initial application of Hong Kong Financial Reporting Standards**

For the purpose of this Consolidated Financial Information, the Disposed Group has adopted all the new and revised Hong Kong Financial Reporting Standards applicable to the year ended from the beginning of the year. The adoption of these Hong Kong Financial Reporting Standards does not necessitate material changes in the Disposed Group's accounting policies or retrospective adjustments on these Consolidated Financial Information.

(d) **Hong Kong Financial Reporting Standards in issue but not yet effective**

The following Hong Kong Financial Reporting Standards in issue as at the date of authorisation of these Consolidated Financial Information has not been applied in the preparation of the Disposed Group's Consolidated Financial Information for the Relevant Periods since they were not yet effective for the annual period beginning on 1 May 2012:

HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]
HK(IFRIC)-Int 21	Levies[3]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[3]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[3]
Amendments to HKFRS 1	Government Loans[2]
Amendments to HKFRS 7 (Revised 2011)	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[3]
Amendments to HKFRSs 2011	Annual improvement to HKFRSs 2009–2011 cycles[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

The Disposed Group is in the process of making an assessment of what the impact of these standards, amendments and interpretations are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Disposed Group's results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

Measurement basis

The Consolidated Financial Information is prepared using the historical cost basis.

Basis of consolidation

The Consolidated Financial Information incorporates the financial statements of Up Stand and its subsidiary made up to 30 April each year.

The results of subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiary to bring its accounting policies in line with those used by other members of the Disposed Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

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.

Leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the terms of relevant leases.

Property, plant and equipment

Construction in progress is carried at cost, less any identified impairment loss. Construction in progress is not depreciated until completion of construction when assets are ready for their intended use. Costs on completed construction work are transferred to the appropriate category of property, plant and equipment.

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives after taking into account of their estimated residual value, using the straight-line method.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year in which the item is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis and in the case of work in progress and finished goods, cost comprises direct materials, direct labour and an attributable proportion of projection overheads. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

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 the end of the reporting period. 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 translation 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 except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the Consolidated Financial Information, the assets and liabilities of the Disposed Group's foreign operations are translated into the presentation currency of the Disposed Group (*i.e.* Hong Kong dollars) 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, 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 as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement 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) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Disposed Group's financial assets are classified into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables, including trade and other receivables, amount due from ultimate holding company, amounts due from fellow subsidiaries and bank balances, are carried at amortised cost using the effective interest rate method, less any identified impairment losses. 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 the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Disposed Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Disposed Group after deducting all of its liabilities. Equity instrument issued by Up Stand comprises share capital.

The Disposed Group's financial liabilities, including trade and other payables, amounts due to fellow subsidiaries and amount due to a shareholder of ultimate holding company, are generally classified as other financial liabilities. Other financial liabilities are subsequently measured at amortised cost, using the effective interest rate method.

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 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.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Disposed Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received or receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Disposed Group's consolidated statement of financial position when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Impairment

At the end of each reporting period, the Disposed Group reviews the carrying amounts of its assets to determine whether there is any indication that these assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Disposed Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiary, except where the Disposed Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and cash on hand.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Disposed Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Employee benefits

(i) Retirement benefit scheme

The retirement benefit costs charged to profit or loss represent the contributions payable in respect of the current year to the Disposed Group's defined contribution retirement benefits schemes for its employees.

(ii) Termination benefits

Termination benefits are recognised when, and only when the Disposed Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Related parties

(a) A person, or a close member of that person's family, is related to the Disposed Group if that person:

(i) has control or joint control over the Disposed Group;

(ii) has significant influence over the Disposed Group; or

(iii) is a member of the key management personnel of the Disposed Group or the Disposed Group's parent.

(b) An entity is related to the Disposed Group if any of the following conditions applies:

(i) The entity and the Disposed Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate of joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are a joint venture of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Disposed Group or an entity related to the Disposed Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close member of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the entity.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENT

In the process of applying the Disposed Group's accounting policies which are described in note 3 to the Consolidated Financial Information, management has made the following estimation uncertainty and judgement that has most significant effect on the amounts recognised in the Consolidated Financial Information.

Estimated impairment of trade and other receivables

The provision policy for bad and doubtful debts of the Disposed Group is based on the on-going evaluation of collectability and aging analysis of the outstanding receivables and on management's judgement by reference to the estimation of the future cash flow discounted at an effective interest rate to calculate the present value. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer and other debtors. If the financial conditions of customers and other debtors of the Disposed Group were to deteriorate, resulting in an impairment of their abilities to make payments, allowances may be required. As at 30 April 2011, 2012 and 2013, the carrying value of trade receivables and other receivables was HK$38,762,787, HK$5,744,849 and HK$4,881,343 respectively.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and variable selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of a similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to industry cycles. Management reassesses these estimates at the end of each reporting period.

Estimated useful lives of property, plant and equipment

Management of the Disposed Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment with reference to the estimated periods that the Disposed Group intends to derive future economic benefits from the use of these assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives or residual values are different from those previously estimated. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business.

5. FINANCIAL RISK MANAGEMENT

(a) Nature and extent of financial statement risks

Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Disposed Group by failing to discharge an obligation. The Disposed Group manages credit risk by setting up credit control policy and periodic evaluation of credit performance of other parties, measured by the extent of past due or default and their financial healthiness.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Disposed Group does not obtain collateral from customers.

As at 30 April 2011, 2012 and 2013, the Disposed Group's maximum exposure to credit risk arises from the carrying amounts of respective recognised financial assets as stated in the consolidated statement of financial position.

The Disposed Group has no significant concentration of credit risk on trade receivables. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

Liquidity risk is the risk that the Disposed Group will encounter difficulty in meeting obligations associated with financial liabilities. The Disposed Group manages liquidity risk by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of the Disposed Group to meet its financial obligations, measured by the debt-to-equity capital ratio as mentioned in note 20(b) to the Consolidated Financial Information.

The following table details the Disposed Group's remaining contractual maturity for its non-derivative financial liabilities as at 30 April 2011, 2012 and 2013 based on the undiscounted cash flows:

		As at 30 April	
	2011	**2012**	**2013**
	HK$	*HK$*	*HK$*
Trade and other payables	34,239,715	4,428,643	3,311,002
Amounts due to fellow subsidiaries	172,174	172,174	—
Amount due to a shareholder of ultimate holding company	22,800,000	14,730,000	—
Due for payment within one year or on demand	57,211,889	19,330,817	3,311,002

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Disposed Group considers hedging significant currency risk should the need arise.

The following table details the Disposed Group's exposure to currency risk at the end of the reporting period arising from recognised assets or liabilities denominated in a currency other than functional currency of the group entity to which they relate. The exposure arising form the current accounts among Up Stand and its subsidiary which form part of net investment in foreign operation is excluded.

	2011		**2012**		**2013**	
	United states Dollars	*Hong Kong Dollars*	*United States Dollars*	*Hong Kong Dollars*	*United States Dollars*	*Hong Kong Dollars*
Trade receivables, deposits and other receivables	47,606	—	—	—	—	—
Cash and bank balances	228,744	1,137,116	16	165	32	165
Trade and other payables	(108,283)	—	(52,815)	—	—	—
Net exposure arising from recognised assets and liabilities	168,067	1,137,116	(52,799)	165	32	165

The Disposed Group operates in Hong Kong and the People's Republic of China ("**PRC**") and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars ("**USD**") and Hong Kong dollars ("**HKD**") respectively.

Since HKD is pegged to USD, material fluctuations in the exchange rates of HKD against USD are remote.

As at 30 April 2011, 2012 and 2013, if RMB appreciated/depreciated 5 percent against HKD with all other variables held constant, there would be no significant change to the Disposed Group's profit/loss for the Relevant Periods.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Disposed Group manages interest rate risk, when it is considered significant, by entering into appropriate swap contracts.

As at 30 April 2011, 2012 and 2013, bank balances of HK$5,043,558, HK$107,756 and HK$1,292,835 respectively bore interest at rates varies with the then prevailing market condition.

The sensitivity analysis below has been determined based on the exposure to interest rates for the Disposed Group's variable-rate bank balances as at 30 April 2011, 2012 and 2013. For variable-rate bank balances, the analysis is prepared assuming the amount of assets outstanding as at 30 April 2011, 2012 and 2013 was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If the interest rates as at 30 April 2011, 2012 and 2013 had been 50 basis points higher/lower and all other variables were held constant, there would be no significant change to the Disposed Group's profit/loss for the Relevant Periods.

(b) Fair value estimation

The fair values of financial assets and financial liabilities are determined based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

6. TURNOVER AND OTHER INCOME

(i) Turnover represents the fair value of the amounts received and receivable for goods sold to outside customers less returns and allowances during the year.

(ii) Other income

	Years ended 30 April		
	2011	**2012**	**2013**
	HK$	*HK$*	*HK$*
Interest income	1,515	3,855	3,042
Sundry income	40,742	166,402	23,118
	42,257	170,257	26,160

7. SEGMENT INFORMATION

Reportable segments

For management purposes, the Disposed Group is organised into three operating divisions. These divisions are the basis on which the Disposed Group reports its segment information.

Principal activities are as follows:

— Trading of household electrical appliances;

— Manufacturing and sale of household electrical appliances; and

— Trading of audio-visual products.

For the purposes of assessing segment performance and allocating resources between segments, the Disposed Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

(1) Segment assets consist primarily of property, plant and equipment, inventories and trade receivables. Segment liabilities comprise operating liabilities and mainly exclude items such as income tax payable.

(2) Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment.

(3) Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

(4) Unallocated items comprise financial and corporate assets and liabilities, guarantee liability, bank borrowings and corporate and financing expenses.

The measure used for reporting segment result is ''adjusted EBIT'' *i.e.* adjusted earnings before interest and taxes. To arrive at adjusted EBIT, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as other head office or corporate administration costs.

Segment information about the aforementioned businesses is set out as follows:

	Trading of Household Electrical Appliances			Manufacturing and sales of household electrical appliances			Trading of audio-visual products			Consolidated		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
TURNOVER												
External sales	65,706,464	7,144,600	—	8,078,902	47,401,771	22,545,010	92,234,220	—	—	166,019,586	54,546,371	22,545,010
RESULT												
Segment result	4,581,032	744,433	—	(622,934)	2,181,493	(2,724,223)	10,637,493	—	—	14,595,591	2,925,926	(2,724,223)
Other operating income										260	118,326	6,167,194
Unallocated corporate expenses										(3,789,460)	(12,739,746)	(1,755,235)
Profit/(loss) before taxation										10,806,391	(9,695,494)	1,687,736
Taxation										(2,241,669)	(87,437)	(67,391)
Profit/(loss) for the year										8,564,722	(9,782,931)	1,620,345
ASSETS												
Segment assets	8,565,972	—	—	9,177,414	14,671,136	12,094,999	27,927,900	—	—	45,671,286	14,671,136	12,094,999
Unallocated corporate assets										31,829,726	13,175,635	1,404,452
Consolidated total assets										77,501,012	27,846,771	13,499,451
LIABILITIES												
Segment liabilities	7,345,085	—	—	3,354,015	3,684,018	3,311,002	22,901,814	—	—	33,600,914	3,684,018	3,311,002
Unallocated corporate liabilities										26,777,131	16,570,803	824,004
Consolidated total liabilities										60,378,045	20,254,821	4,135,006
OTHER INFORMATION												
Capital additions	—	—	—	3,955,917	2,853,237	563,498	—	—	—	3,955,917	2,853,237	563,498
Depreciation	—	—	—	332,975	694,827	893,759	—	—	—	332,975	694,827	893,759
Unallocated depreciation										153,300	153,300	102,200
Total depreciation										486,275	848,127	995,959
Impairment of inventories	—	—	—	—	—	80,508	—	—	—	—	—	80,508
Written-off of property, plant and equipment	—	—	—	—	—	962,791	—	—	—	—	—	962,791
Written-off of property, plant and equipment (unallocated)	—	—	—	—	—	—	—	—	—	—	—	89,416

Geographical information

The Disposed Group's revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below.

	Revenue			Non-current assets		
	2011	**2012**	**2013**	**2011**	**2012**	**2013**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
PRC (including Hong Kong)	157,948,293	27,741,301	22,545,010	3,995,359	6,041,561	4,615,513
Europe	4,045,795	17,417,450	—	—	—	—
Australia	3,140,487	1,880,240	—	—	—	—
United States of America	—	7,507,380	—	—	—	—
Others	885,011	—	—	—	—	—
	166,019,586	54,546,371	22,545,010	3,995,359	6,041,561	4,615,513

The geographical location of customers is based on the location to which the goods are delivered. The geographical location of the non-current assets is based on the physical location of assets.

Information about major customers

For the year ended 30 April 2013, there is one customer from segment of manufacturing and sales of household electrical appliances contributing over 10% of the total sales of the Disposed Group whose total revenue is approximately HK$22,545,000.

For the year ended 30 April 2012, there are two customers from segment of manufacturing and sales of household electrical appliances and one customer from segment of trading of household electrical appliances contributing over 10% of the total sales of the Disposed Group whose total revenue is approximately HK$22,231,000 and approximately HK$7,145,000 respectively.

For the year ended 30 April 2011, there are three customers from segments of trading of household electrical appliances and trading of audio-visual products contributing over 10% of the total sales of the Disposed Group whose total revenue is approximately HK$141,759,584.

8. PROFIT/(LOSS) BEFORE TAXATION

	Years ended 30 April		
	2011	**2012**	**2013**
	HK$	*HK$*	*HK$*
Profit/(loss) before taxation has been arrived at after charging/(crediting):			
Auditor's remuneration	390,000	280,000	—
Other staff costs			
Salaries and other benefits	2,905,458	7,731,807	4,821,139
Contributions to retirement benefits schemes	36,595	241,711	177,245
	2,942,053	7,973,518	4,998,384
Depreciation of property, plant and equipment	486,275	848,127	995,959
Exchange loss	53,880	141,069	4,108
Operating lease expenses	650,274	695,100	806,174
Written-off of property, plant and equipment	—	—	1,052,207
Impairment of inventories	—	—	80,508
Impairment of other receivables	—	—	346,806
Impairment of amounts due from fellow subsidiaries	2,027,810	10,842,503	129,339
Waiver of amount due to ultimate holding company	—	—	(5,994,641)
Waiver of amounts due to fellow subsidiaries	—	—	(172,174)

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

No directors' remuneration as defined in Section 161 of Hong Kong Companies Ordinance was paid or payable for the years ended 30 April 2011, 2012 and 2013.

The emoluments of the five highest paid individuals (no Directors are included) for the years ended 30 April 2011, 2012 and 2013 are as follows:

	Years ended 30 April		
	2011	**2012**	**2013**
	HK$	*HK$*	*HK$*
Salaries and other benefits	1,196,175	1,172,845	803,325
Retirement benefits scheme contributions	34,030	28,864	12,841
	1,230,205	1,201,709	816,166

10. TAXATION

	Years ended 30 April		
	2011	**2012**	**2013**
	HK$	*HK$*	*HK$*
Hong Kong Profits Tax	2,223,944	25,197	—
China Enterprise Income Tax	17,725	62,240	67,391
	2,241,669	87,437	67,391

Provision for Hong Kong Profits Tax was calculated at the rate of 16.5% on the estimated assessable profits of Up Stand for the years ended 30 April 2011 and 2012.

No provision for Hong Kong Profits Tax has been made in the Consolidated Financial Statements as Up Stand did not have any assessable profit for the year ended 30 April 2013.

Provision for China Enterprise Income Tax was calculated at the rate of 25% on the estimated assessable profits of a subsidiary of Up Stand operating in China for the years ended 30 April 2011, 2012 and 2013.

Taxation for the year can be reconciled to the profit/(loss) before taxation per the consolidated statement of comprehensive income as follows:

	Years ended 30 April		
	2011	**2012**	**2013**
	HK$	*HK$*	*HK$*
Profit/(loss) before taxation	10,806,391	(9,695,494)	1,687,736
Tax at Hong Kong Profits Tax Rate of 16.5%	1,783,054	(1,599,756)	278,476
Tax effect of deductible temporary differences not recognised	20,923	21,096	—
Tax effect of non-taxable income	(43)	(27)	(1,017,587)
Tax effect of non-deductible expenses	372,876	1,574,932	624,123
Tax effect of tax loss not recognised	58,833	—	—
Hong Kong and PRC tax rates differential	6,026	150,025	182,379
Utilisation of tax losses	—	(58,833)	—
Taxation for the year	2,241,669	87,437	67,391

At end of 30 April 2013, the Disposed Group had no deductible temporary difference. At end of 30 April 2011 and 2012, the Disposed Group had deductible temporary differences of HK$164,896 and HK$292,751 respectively arising from the decelerated tax allowances. No deferred tax asset has been recognised in relation to these deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At end of 30 April 2011, the Disposed Group had unutilised tax losses of HK$356,564 available for offset future taxable profits. No deferred tax had been recognised in respect of such losses due to unpredictability of future profits streams in prior year. The unused tax losses had been offset by profits generated for the year ended 30 April 2012.

11. DIVIDEND

No dividend was paid or proposed during the years ended 30 April 2011, 2012 and 2013 nor has any dividend been proposed since the end of the Relevant Periods.

12. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS

Profit attributable to equity shareholders of Up Stand includes a profit of HK$8,769,357, a loss of HK$11,338,871 and a profit of HK$3,907,698 which has been dealt with in the separate financial statements of Up Stand for the years ended 30 April 2011, 2012 and 2013 respectively.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture, fixture and equipment	Moulds	Plant and Machinery	Construction in progress	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
COST:						
At 1.5.2010	531,382	81,810	—	—	—	613,192
Additions	25,195	46,047	2,395,689	1,073,419	415,567	3,955,917
Exchange realignment	726	1,328	12,511	1,015	11,983	27,563
At 30.4.2011	557,303	129,185	2,408,200	1,074,434	427,550	4,596,672
Additions	282,132	29,110	1,218,815	458,171	865,009	2,853,237
Reallocation	475,714	—	—	824,678	(1,300,392)	—
Exchange realignment	5,437	1,358	18,764	9,013	7,833	42,405
At 30.4.2012	1,320,586	159,653	3,645,779	2,366,296	—	7,492,314
Additions	—	—	547,408	16,090	—	563,498
Written-off	(531,382)	(81,810)	(962,790)	—	—	(1,575,982)
Exchange realignment	15,140	1,493	26,093	25,720	—	68,446
At 30.4.2013	804,344	79,336	3,256,490	2,408,106	—	6,548,276

	Leasehold improvements HK$	Furniture, fixture and equipment HK$	Moulds HK$	Plant and Machinery HK$	Construction in progress HK$	Total HK$
ACCUMULATED DEPRECIATION:						
At 1.5.2010	99,639	15,336	—	—	—	114,975
Charge for the year	132,852	21,565	261,768	70,090	—	486,275
Exchange realignment	—	32	6	25	—	63
At 30.4.2011	232,491	36,933	261,774	70,115	—	601,313
Charge for the year	176,819	32,927	457,145	181,236	—	848,127
Exchange realignment	279	107	415	512	—	1,313
At 30.4.2012	409,589	69,967	719,334	251,863	—	1,450,753
Charge for the year	170,374	28,624	554,166	242,795	—	995,959
Elimination on written-off	(453,911)	(69,864)	—	—	—	(523,775)
Exchange realignment	2,072	488	3,675	3,591	—	9,826
At 30.4.2013	128,124	29,215	1,277,175	498,249	—	1,932,763
NET BOOK VALUE:						
At 30.4.2013	676,220	50,121	1,979,315	1,909,857	—	4,615,513
At 30.4.2012	910,997	89,686	2,926,445	2,114,433	—	6,041,561
At 30.4.2011	324,812	92,252	2,146,426	1,004,319	427,550	3,995,359

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

Construction in progress	Nil
Leasehold improvements	10% to 25%
Furniture, fixtures and equipment	20% to 33%
Plant and machinery	10%
Moulds	10% to 20%

14. PARTICULARS OF SUBSIDIARY

Particulars of Up Stand's subsidiary as at 30 April 2011, 2012 and 2013 which have been included in these Consolidated Financial Information are as follows:

Name of subsidiary	Place of incorporation	Issued and fully paid ordinary share capital/ registered capital	Attributable equity Interest held by the Company Directly	Indirectly	Principal activities
Dongguan Up Stand Electrical Manufacturing Company Limited# 東莞堅東電器製造有限公司#	The People's Republic of China ("PRC")	HK$8,000,000	100%	—	Designing, manufacturing, marketing and distribution of household appliances

Registered as a wholly foreign owned enterprise under PRC laws

15. INVENTORIES

	As at 30 April		
	2011	**2012**	**2013**
	HK$	*HK$*	*HK$*
Raw materials	802,511	1,811,329	1,749,529
Work in progress	2,937,781	1,609,148	505,552
Finished goods	2,370	249,810	343,062
	3,742,662	3,670,287	2,598,143

The analysis of the amount of inventories recognised on expenses and included in profit or loss is as follows:

	2011	**2012**	**2013**
	HK$	*HK$*	*HK$*
Carrying amount of inventories sold	149,216,353	47,646,076	20,825,851
Write down of inventories	—	—	80,508
	149,216,353	47,646,076	20,906,359

16. TRADE AND OTHER RECEIVABLES

	As at 30 April		
	2011	**2012**	**2013**
	HK$	*HK$*	*HK$*
Trade receivables	36,865,202	3,413,102	3,978,151
Deposits and other receivables	1,897,585	2,331,747	903,192
	38,762,787	5,744,849	4,881,343

The Disposed Group allows its trade customers with a credit period normally ranging from payment on delivery to 120 days.

The aged analysis (based on invoice date) of the Disposed Group's trade receivables as at 30 April 2011, 2012 and 2013 is as follow:

	As at 30 April		
	2011	**2012**	**2013**
	HK$	*HK$*	*HK$*
Aged:			
0 to 30 days	13,499,730	1,358,960	3,201,391
31 to 90 days	15,935,972	2,054,142	776,760
More than 90 days	7,429,500	—	—
	36,865,202	3,413,102	3,978,151

Included in the Disposed Group's trade receivables, as of 30 April 2011, 2012 and 2013, the carrying amount of HK$9,427,130, HK$2,054,142 and HK$776,760 respectively are past due but not impaired at the end of the Relevant Periods.

Trade receivables that were past due but not impaired are related to independent customers that had a good track record with the Disposed Group. Based on the past experience, management believed that no impairment allowance is necessary in respect of these balances as there had not been a significant change in credit quality and the balances were considered fully recoverable. The Disposed Group does not hold any collateral over the balances.

17. BALANCES WITH ULTIMATE HOLDING COMPANY, FELLOW SUBSIDIARIES AND A SHAREHOLDER OF ULTIMATE HOLDING COMPANY

The amounts are interest-free, unsecured and repayable on demand.

18. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Disposed Group and short-term bank deposits with original maturity of three months or less at prevailing interest rates. All bank balances are denominated in HKD, RMB and USD.

19. TRADE AND OTHER PAYABLES

	As at 30 April		
	2011	**2012**	**2013**
	HK$	*HK$*	*HK$*
Trade payables	32,225,026	2,903,545	1,971,354
Other payables	2,014,689	1,525,098	1,339,648
	34,239,715	4,428,643	3,311,002

The aged analysis of the Disposed Group's trade payables as at 30 April 2011, 2012 and 2013 is as follows:

	As at 30 April		
	2011	**2012**	**2013**
	HK$	*HK$*	*HK$*
Aged:			
0 to 30 days	12,046,188	480,358	672,774
31 to 90 days	20,178,838	958,121	1,198,252
Over 90 days	—	1,465,066	100,328
	32,225,026	2,903,545	1,971,354

20. SHARE CAPITAL

(a) Share capital

	Number of Shares	Amount
		HK$
Ordinary shares of HK$1 each		
Authorised:		
At 1 May 2010, 30 April 2011, 30 April 2012, 30 April 2013	10,000	10,000
Issued and fully paid:		
At 1 May 2010, 30 April 2011, 30 April 2012, 30 April 2013	1	1

(b) Capital management

The Disposed Group's equity capital management objectives are to safeguard the Disposed Group's ability to continue as a going concern and to provide an adequate return to shareholders commensurately with the level of risk. To meet these objectives, the Disposed Group manages the equity capital structure and makes adjustments to it in the light of changes in economic conditions by issuing new equity shares, and raising or repaying debts as appropriate.

The Disposed Group's equity capital management strategy, which is unchanged from the previous periods, is to maintain a reasonable proportion in total debts and equity capital. The Disposed Group monitors equity capital on the basis of the debt-to-equity capital ratio, which is calculated as net debts over equity capital.

21. BANKING FACILITIES

As at 30 April 2011, the Disposed Group had available banking facilities to the extent of HK$10,000,000 which were secured by a corporate guarantee provided by its ultimate holding company of HK$10,000,000 and a personal guarantee provided by a shareholder of its ultimate holding company of HK$10,000,000. There were no bank facilities as at 30 April 2012 and 2013.

22. RETIREMENT BENEFITS SCHEME

The Disposed Group operates a Mandatory Provident Fund scheme for all qualifying employees of Up Stand. The assets of the scheme are held separately from those of the Disposed Group and in funds under the control of trustees. The Disposed Group contributes lower of 5% of HK$1,250 per person of the relevant payroll costs to the scheme, which contribution is matched by employees.

The employees of Up Stand's PRC subsidiary are members of the state-managed retirement benefits scheme operated by the PRC government. The Up Stand's PRC subsidiary is required to contribute a certain percentage of their employee's payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Disposed Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

As at 30 April 2011, 2012 and 2013, there was no forfeited contribution, which arose upon employees leaving the retirement benefits scheme and which was available to reduce the contribution payable in the future years.

23. OPERATING LEASE COMMITMENTS

As at 30 April 2011, 2012 and 2013, the future minimum lease payments in respect of the factory of the Disposed Group under non-cancellable operating lease are due for payments as follows:

	As at 30 April		
	2011	**2012**	**2013**
	HK$	*HK$*	*HK$*
Within one year	17,430	18,373	18,726

The lease is negotiated for a term of one year with fixed monthly rentals.

24. RELATED PARTY TRANSACTIONS

Apart from the information as disclosed elsewhere in the Consolidated Financial Information, the Disposed Group had no other material transaction with its related parties during the years ended 30 April 2011, 2012 and 2013.

Compensation of key management personnel

The remuneration of key management personnel during the years ended 30 April 2011, 2012 and 2013 was as follows:

	Years ended 30 April		
	2011	**2012**	**2013**
	HK$	*HK$*	*HK$*
Short-term benefits	435,176	493,479	163,475
Post-employment benefits	11,830	9,664	1,960
	447,006	503,143	165,435

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP AND THE REMAINING GROUP (SCENARIO I)

(Assuming none of the existing shareholders takes up their respective entitlements to the Offer Shares under the Open Offer and the underwriter take up the Offer Shares in full)

The accompanying unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows (the "**Unaudited Pro Forma Financial Information**") have been prepared to illustrate the effect of proposed open offer, the proposed issue of convertible bonds, the debt restructuring, acquisition of the entire equity interests of Nanjing Fullshare Asset Management Limited (the "**Target Company**") and its subsidiaries (hereinafter collectively referred to as the "**Target Group**") (the "**Proposed Acquisition**") and disposal of the entire equity interests of Up Stand Holdings Limited and its subsidiary (the "**Disposed Group**") (the "**Proposed Disposal**"), which might have affected the financial information of Warderly International Holdings Limited (the "**Company**") and its subsidiaries (hereafter collectively referred to as the "**Group**") (the proposed open offer, the proposed issue of convertible bonds, the debt restructuring, the Proposed Acquisition hereinafter collectively referred to as the "**Proposed Transactions**"). The Group immediately after the completion of the Proposed Transactions is referred to as the "**Enlarged Group**" and the Enlarged Group excluding the Disposed Group hereinafter referred to as the "**Remaining Group**". In accordance with Hong Kong Financial Reporting Standard 3 "Business Combinations" ("**HKFRS 3**"), the Proposed Acquisition is accounted for using the reverse acquisition accounting, whereby the Target Company is accounted for as the accounting acquirer and the Company as the accounting acquiree of the Proposed Acquisition. The Proposed Acquisition has been deemed as "Reverse Takeover". Details of the Proposed Transactions and the Proposed Disposal are contained in the circular of the Company dated 28 October 2013 (the "**Circular**").

Enlarged Group

The unaudited pro forma consolidated statement of financial position of the Enlarged Group has been prepared based on (1) the audited consolidated statement of financial position of the Group as at 30 April 2013, which has been extracted from the published annual report of the Company as of 30 April 2013 dated 30 July 2013 and (2) the audited consolidated statement of financial position of the Target Group as of 30 June 2013, which has been extracted from the accountants' report of the Target Group as set out in Appendix I to this Circular, and adjusted in accordance with the pro forma adjustments described in the notes thereto, as if the Proposed Transactions had been completed as at 30 April 2013.

The unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Enlarged Group have been prepared based on (1) the audited consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year ended 30 April 2013, which have been extracted from the published annual report of the Company as of 30 April 2013 dated 30 July 2013 and (2) the audited consolidated statement of comprehensive income and consolidated statement of cash flows of the Target Group for the year ended 31 December 2012, which have been extracted from the accountants' report of the Target Group as set out in Appendix I to this Circular, and adjusted in accordance with the pro forma adjustments described in the notes thereto, as if the Proposed Transactions had been completed on 1 May 2012.

Remaining Group

The unaudited pro forma consolidated statement of financial position of the Remaining Group has been prepared based on the unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 April 2013 and adjusted in accordance with the pro forma adjustments described in the notes thereto, as if the Proposed Disposal had been completed as at 30 April 2013.

The unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group have been prepared based on the unaudited consolidated statement of comprehensive income and consolidated statement of cash flows of the Enlarged Group for the year ended 30 April 2013 and adjusted in accordance with the pro forma adjustments described in the notes thereto, as if the Proposed Disposal had been completed on 1 May 2012.

The Unaudited Pro Forma Financial Information of the Remaining Group is presented in two stages, which illustrates (i) the effect of the Proposed Transactions and (ii) the effect of Proposed Disposal.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of its hypothetical nature, it may not give a true picture of the financial position, results of operations or cash flows of the Enlarged Group and Remaining Group had the Proposed Transactions and the Proposed Disposal been completed as at 30 April 2013 or 1 May 2012 where applicable or at any future dates.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AND REMAINING GROUP

			Stage (i)							Stage (ii)		
	Audited consolidated statement of financial position of the Group as at 30 April 2013	Audited consolidated statement of financial position of the Target Group as at 30 June 2013	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Unaudited pro forma consolidated statement of financial position of the Enlarged Group	Pro Forma Adjustment	Pro Forma Adjustment	Unaudited pro forma consolidated statements of financial position of the Remaining Group
		Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*		*Note 8a*	*Note 9a*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current asset												
Property, plant and equipment	—	2,890							2,890			2,890
Deferred tax assets	—	3,832							3,832			3,832
	—	6,722							6,722			6,722
Current assets												
Held for trading investments	—	503							503			503
Trade receivables, prepayment, deposits and other receivables	290	111,172							111,462			111,462
Amounts due from related parties	—	7,853							7,853			7,853
Tax prepaid	—	8,564							8,564			8,564
Properties under development	—	1,663,578							1,663,578			1,663,578
Properties held for sale	—	232,136							232,136			232,136
Pledged bank deposits	—	14,087							14,087			14,087
Bank balances and cash	62	194,775	84,400	(37,000)	(18,224)	500,000	(500,000)	(9,796)	214,217		10,000	224,217
	352	2,232,668							2,252,400			2,262,400

	Audited consolidated statement of financial position of the Group as at 30 April 2013	Audited consolidated statement of financial position of the Target Group as at 30 June 2013	Stage (i)							Stage (ii)		
			Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Unaudited pro forma consolidated statement of financial position of the Enlarged Group	Pro Forma Adjustment	Pro Forma Adjustment	Unaudited pro forma consolidated statements of financial position of the Remaining Group
		Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*		*Note 8a*	*Note 9a*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets classified as held for sale	13,500	—							13,500	(13,500)		—
	13,852	2,232,668							2,265,900			2,262,400
Current liabilities												
Trade and other payables	38,001	1,175,182		(6,795)	(18,224)				1,188,164			1,188,164
Taxation payable	—	72,668							72,668			72,668
Amounts due to related parties	—	76,554							76,554			76,554
Guarantor's liability and accrued liability for potential claims	347,989	—		(347,989)					—			—
Bank borrowings — due within one year	—	217,686							217,686			217,686
Unsecured bank overdrafts	26	—		(26)					—			—
	386,016	1,542,090							1,555,072			1,555,072
Liabilities directly associated with assets held for sale	4,135	—							4,135	(4,135)		—
	390,151	1,542,090							1,559,207			1,555,072
Net current (liabilities) assets	(376,299)	690,578							706,693			707,328
Total assets less current liabilities	(376,299)	697,300							713,415			714,050

			Stage (i)							Stage (ii)		
	Audited consolidated statement of financial position of the Group as at 30 April 2013	Audited consolidated statement of financial position of the Target Group as at 30 June 2013	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Unaudited pro forma consolidated statement of financial position of the Enlarged Group	Pro Forma Adjustment	Pro Forma Adjustment	Unaudited pro forma consolidated statements of financial position of the Remaining Group
		Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*		*Note 8a*	*Note 9a*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital and reserves												
Share capital	4,220	503,320	16,880				21,100		524,420			524,420
							(21,100)					
Reserves	(380,519)	(219)	67,520	317,810			(500,000)	(9,796)	(505,204)	(9,365)	9,365	(504,569)
							(4,811)				(374)	
							4,811				1,009	
Equity attributable to owners of the Company	(376,299)	503,101							19,216			19,851
Non-controlling Interests	—	30,621							30,621			30,621
Total equity	(376,299)	533,722							49,837			50,472
Non-current liabilities												
Bank borrowings — due after one year	—	163,578							163,578			163,578
Convertible bonds	—	—				500,000			500,000			500,000
	—	163,578							663,578			663,578
	(376,299)	697,300							713,415			714,050

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ENLARGED GROUP AND REMAINING GROUP

			Stage (i)				Stage (ii)		
	Audited consolidated statement of comprehensive income of the Group for the year ended 30 April 2013	Audited consolidated statement of comprehensive income of the Target Group for the year ended 31 December 2012	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group	Pro Forma Adjustment	Pro Forma Adjustment	Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group
		Note 1	*Note 3*	*Note 6(d)*	*Note 7*		*Note 8b*	*Note 9b*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operation									
Turnover	—	497,688				497,688			497,688
Cost of sales	—	(305,554)				(305,554)			(305,554)
Gross profit	—	192,134				192,134			192,134
Waiver of amount due to ultimate holding company	—	—				—	(5,995)	5,995	—
Wavier of amount due to fellow subsidiaries	—	—				—	(172)	172	—
Impairment of amount due from fellow subsidiaries	—	—				—	129	(129)	—
Other income	67	2,577				2,644			2,644
Gain on settlement of certain liabilities pursuant to schemes	—	—	317,810			317,810			317,810
Fair value change in convertible bonds	—	—			(11,396)	(11,396)			(11,396)
Selling and distribution expenses	—	(26,321)				(26,321)			(26,321)
Administrative expenses	(14,267)	(34,484)			(9,796)	(58,547)			(58,547)
Operating (loss) profit	(14,200)	133,906				416,324			416,324
Finance costs	—	—			(10,000)	(10,000)			(10,000)
(Loss) profit before taxation	(14,200)	133,906				406,324			406,324
Taxation	—	(92,263)				(92,263)			(92,263)
(Loss) profit for the year from continuing operation	(14,200)	41,643				314,061			314,061
Discontinued operations									
Profit for the year from discontinued operation	57,418	—		(38,565)		18,853	4,417	2,630	25,900
Profit for the year	43,218	41,643				332,914			339,961
Other comprehensive income:									
Exchange difference on translating foreign operations	158	—				158	(152)		6
Total comprehensive income for the year attributable to equity shareholders of the Company	43,376	41,643				333,072			339,967

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP AND REMAINING GROUP

			Stage (i)							Stage (ii)		
	Audited consolidated statement of cash flows of the Group for the year ended 30 April 2013	Audited consolidated statement of cash flows of the Target Group for the year ended 31 December 2012	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Unaudited pro forma consolidated statement of cash flows of the Enlarged Group	Pro Forma Adjustment	Pro Forma Adjustment	Unaudited pro forma consolidated statement of cash flows of the Remaining Group
		Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*		*Note 8c*	*Note 9c*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Operating activities												
Profit before taxation												
— Continuing operation	(14,200)	133,906		317,810				(31,192)	406,324			406,324
— Discontinued operations	57,485	—					(38,565)		18,920	(1,688)	8,668	25,900
Adjustment for:												
Depreciation	996	1,120							2,116	(996)		1,120
Bad debts written off	—	—							—	(347)		(347)
Government grants	—	(125)							(125)			(125)
Interest income	(3)	(2,248)							(2,251)	3		(2,248)
Impairment of goodwill	—	—					38,565		38,565			38,565
Impairment of amounts due from fellow subsidiaries of the Disposed Group	—	—							—	(129)	129	—
Waiver of amount due to ultimate holding company	—	—								5,995	(5,995)	—
Wavier of amount due to fellow subsidiaries	—	—								172	(172)	—
Gain on disposal of subsidiaries	(61,850)	—							(61,850)		(2,630)	(64,480)
Gain on settlement of certain liabilities pursuant to schemes	—	—		(317,810)					(317,810)			(317,810)
Plant and equipment written off	1,052	—							1,052	(1,052)		—
Fair value change in convertible bonds	—	—						11,396	11,396			11,396
Impairment of inventories	81	—							81	(81)		—
Finance costs	—	—						10,000	10,000			10,000

			Stage (i)							Stage (ii)		
	Audited consolidated statement of cash flows of the Group for the year ended 30 April 2013	Audited consolidated statement of cash flows of the Target Group for the year ended 31 December 2012	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Unaudited pro forma consolidated statement of cash flows of the Enlarged Group	Pro Forma Adjustment	Pro Forma Adjustment	Unaudited pro forma consolidated statement of cash flows of the Remaining Group
		Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*		*Note 8c*	*Note 9c*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Operating cash flows before movements in working capital	(16,439)	132,653							106,418			108,295
Decrease in inventories	991	—							991	(991)		—
Decrease (increase) in trade receivables, deposits and other receivables	1,577	(555)							1,022	(228)		794
Decrease in properties held for sale	—	305,554							305,554			305,554
Increase in properties under developments	—	(356,997)							(356,997)			(356,997)
Decrease in held for trading investment	—	3,242							3,242			3,242
Increase in trade and other payables	10,924	80,819							91,743	343	(996) 1,952	93,042
Cash (used in) generated from operations	(2,947)	164,716							151,973			153,930
Hong Kong Profits Tax paid	(209)	—							(209)	100		(109)
PRC income tax paid	(67)	(47,859)							(47,926)	67		(47,859)
Interest paid	—	(24,366)							(24,366)			(24,366)
Net cash (used in) from operating activities	(3,223)	92,491							79,472			81,596
Investing activities												
Cash paid to acquisition of the Target Group	—	—					(500,000)		(500,000)			(500,000)
Net proceeds from disposal of subsidiaries	—	—							—		10,000	10,000
Cash outflow arising from reorganisation	—	(498,760)							(498,760)			(498,760)
Advance to fellow subsidiaries	—	—							—	(996)	996	—
Advance from ultimate holding company	—	—							—	1,952	(1,952)	—
Purchase of property, plant and equipment	(563)	(1,485)							(2,048)	563		(1,485)
Decrease in pledged deposits	—	72,058							72,058			72,058
Advance to related parties	—	(55,917)							(55,917)			(55,917)
Proceed from disposal of property, plant and equipment	—	79							79			79
Decrease in bank overdraft from disposal of subsidiaries	3,684	—							3,684			3,684
Interest received	3	2,248							2,251	(3)		2,248
Net cash from (used in) investing activities	3,124	(481,777)							(978,653)			(968,093)

			Stage (i)							Stage (ii)		
	Audited consolidated statement of cash flows of the Group for the year ended 30 April 2013	Audited consolidated statement of cash flows of the Target Group for the year ended 31 December 2012 *Note 1*	Pro Forma Adjustment *Note 2*	Pro Forma Adjustment *Note 3*	Pro Forma Adjustment *Note 4*	Pro Forma Adjustment *Note 5*	Pro Forma Adjustment *Note 6*	Pro Forma Adjustment *Note 7*	Unaudited pro forma consolidated statement of cash flows of the Enlarged Group	Pro Forma Adjustment *Note 8c*	Pro Forma Adjustment *Note 9c*	Unaudited pro forma consolidated statement of cash flows of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financing activities												
Net advance from (repayment to) a shareholder	3,494	—			(18,224)				(14,730)	(3,494)		(18,224)
Cash paid to schemes	—	—		(37,000)					(37,000)			(37,000)
Issuance of shares under open offer	—	—	84,400						84,400			84,400
Issuance of convertible bonds	—	—				500,000			500,000			500,000
Paid in capital	—	498,760							498,760			498,760
Repayment from related parties	—	170,844							170,844			170,844
Bank borrowings raised	—	174,566							174,566			174,566
Government grant received	—	125							125			125
Repayment of bank borrowings	—	(241,275)							(241,275)			(241,275)
Dividend paid	—	(119,702)							(119,702)			(119,702)
Interest paid	—	—						(10,000)	(10,000)			(10,000)
Net cash from financing activities	3,494	483,318							1,005,988			1,002,494
Net increase in cash and cash equivalents	3,395	94,032							106,807			115,997
Effect of foreign exchange rate changes	99	—							99	(93)		6
Cash and cash equivalents at beginning of the year	(2,053)	98,083							96,030	(502)		95,528
Cash and cash equivalents at end of the year	1,441	192,115							202,936			211,531
Analysis of the balances of cash and cash equivalents												
Bank balances and cash	1,467	192,115							202,962	(1,405)	10,000	211,557
Unsecured bank overdrafts	(26)	—							(26)			(26)
	1,441	192,115							202,936			211,531

Notes:

1. The balances have been extracted from the accountants' report of the Target Group as set out in Appendix I to this Circular. The balances extracted from the consolidated statement of financial position of the Target Group were translated to Hong Kong dollars at the exchange rate of RMB1 = HK$1.2583 and the balances extracted from the consolidated statement of comprehensive income and consolidated statement of cash flows of the Target Group were translated to Hong Kong dollars at the exchange rate of RMB1 = HK$1.2469.

2. The adjustment represents the issue of 1,688,000,000 offer shares at the subscription price of HK$0.05 per offer share on the basis of four offer shares for every one existing ordinary share held by the qualifying shareholders (the "**Open Offer**"). The estimated net proceeds of approximately HK$84,400,000 from the Open Offer are calculated based on 1,688,000,000 offer shares, which are expected to be issued at the subscription price of HK$0.05 per offer share. The share capital of approximately HK$16,880,000 represents the par value of 1,688,000,000 offer shares with a par value of HK$0.01 each and the amount of approximately HK$67,520,000 represents the share premium included in reserves arising from the Open Offer (a share premium of HK$0.04 each represents HK$0.05 per share less HK$0.01 at par per share, for 1,688,000,000 offer shares). This adjustment will not have any continuing cash flows effect on the Enlarged Group and the Remaining Group. Details of the Open Offer are set out in the "Letter from the Board" of the Circular.

3. The directors of the Company propose to settle all amounts due to certain creditors of the Company (the "**Scheme Creditors**") by way of the schemes of arrangement to be made between the Company and the Scheme Creditors under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (the "**Hong Kong Scheme**") and the Companies Law (2007 Revision) of the Cayman Islands (the "**Cayman Scheme**", together with the Hong Kong Scheme, hereinafter collectively referred to as the "**Schemes**") respectively. Pursuant to the Schemes, the following amounts will be fully discharged for a cash payment HK$37,000,000.

	HK$'000
Trade and other payables	6,795
Guarantor's liability and accrued liability for potential claim	347,989
Unsecured bank overdrafts	26
	354,810

The discharge of the indebtedness will give rise to a gain of HK$317,810,000. It is assumed that the discharge has been taken place on the date of completion of the Proposed Transactions (*i.e.* 1 May 2012 or 30 April 2013). This adjustment will not have any continuing income statement effect and cash flows effect on the Enlarged Group and the Remaining Group. Details of the Schemes are set out in the "Letter from the Board" of the Circular.

4. According to Section "Use Of Proceeds From The Open Offer And The Issue Of The Convertible Bonds" as set out in the "Letter from the Board" of the Circular, the shareholder's loan of approximately HK$18,224,000 from Mr. Kan Che Kin, Billy Albert ("**Mr. Kan**") to the Company, which has been used as general working capital of the Group, will be fully repaid upon the completion of the Open Offer. This adjustment will not have any continuing cash flows effect on the Enlarged Group and the Remaining Group.

5. Pursuant to subscription agreement, the convertible bonds (2% interest per annum payable annually) ("**CBs**") with principal amount of approximately HK$420,000,000 and HK$80,000,000 will be issued to Magnolia Wealth International Limited ("**Magnolia Wealth**"), which is a party acting in concert with Fullshare Industry Holding Group Co. Ltd. (the "**Vendor**" and ultimate holding company of the Target Company), and Mr. Kan respectively. The CBs will be matured in five years from the date of issuance and will be convertible on any business day during the period commencing from the issue date of the CBs and expiring on the date which is five business days preceding the maturity date. The conversion price of CBs has been set at HK$0.05 per share. Unless previously converted, redeemed, purchased or cancelled in accordance with its conditions,

the CBs will be redeemed by the Company on the maturity date at its principal amount outstanding in Hong Kong dollars upon the presentation of the original of the certificate for the CBs to the Company. Also, the Company has no right to early redeem the CBs at any time after the date of issuance of the CBs.

For the purpose of preparation of unaudited pro forma consolidated statement of financial position, the CBs are classified as financial liabilities designated at fair value through profit or loss according to Hong Kong Accounting Standard HKAS 39 "Financial Instruments: Recognition and Measurement", on initial recognition. The amount of approximately HK$500,000,000 is recognised in the unaudited pro forma consolidated statement of financial position as non-current liability (the holder of CBs cannot require the Company to settle the CBs before the maturity of the CBs).

At initial recognition, the CBs are measured at fair value and subsequently measured at fair value through profit or loss at the end of reporting period.

6. This pro forma adjustment reflects the Company's acquisition of entire equity interest in the Target Group for a deemed consideration of approximately HK$584,400,000. The deemed consideration is to be settled by cash of HK$500,000,000 and new ordinary shares of the Company issued under the Open Offer of HK84,400,000, details are set out in note 6(a) below.

6(a). Assuming none of the existing shareholders of the Company takes up their respective entitlements to the offer shares (Note 2) under the Open Offer and the underwriter (*i.e.* Magnolia Wealth) take up the offer shares (*i.e.* 1,688,000,000 offer shares) in full, Magnolia Wealth would hold 80% equity interest in the Company. In accordance with HKFRS 3, the Proposed Acquisition is deemed as reverse acquisition and accounted for using the reverse acquisition accounting.

For the purpose of preparing the pro forma consolidated statement of financial position, the gain on bargain purchase for the Proposed Acquisition is calculated as if the Proposed Acquisition had been completed on 30 April 2013. Details are set out in the Section "Change in Shareholding Structure of the Company" in the "Letter from the Board" of the Circular.

Gain on bargain purchase arising from Proposed Acquisition

	HK$'000	*HK$'000*
The cost of the reverse acquisition (HK$84,400,000/80%*20%)		21,100
Less: Fair value of the identifiable assets and liabilities of the Group as at 30 April 2013 *(Note)*	(376,299)	
Gain on settlement of certain liabilities pursuant to schemes	317,810	
Cash proceeds from Open Offer	84,400	25,911
Gain on bargain purchase		4,811

Note: The carrying values of the identifiable assets and liabilities of the Group as at 30 April 2013 have been extracted from the published annual report of the Company as of 30 April 2013, assumed that the carrying values of the identifiable assets and liabilities of the Group are approximate their fair values.

On completion of the above Proposed Acquisition, the fair value of the net identifiable assets and liabilities of the Group will have to be assessed, since the actual fair values of the assets, liabilities and contingent liabilities of the Group on completion date of the Proposed Acquisition would be different from their estimated fair values used in the preparation of the unaudited pro forma consolidated statement of financial position presented above, the actual financial position arising from the Proposed Acquisition might be materially different from the financial position as shown in this note.

The Target Company will apply the purchase method of accounting for the Proposed Acquisition of the Group. The cost of the reverse acquisition is deemed to have been incurred by the Target Company at a value equal to 20% equity interests in the Enlarged Group issued to the owners of the Company, which is measured using the Company's shares in issue at their fair value (*i.e.* HK$0.05 per share, assumed the fair value is equal to the Open Offer price and conversion price of the CBs) at the date of completion of the Proposed Acquisition. For the purpose of preparing the pro forma consolidated statement of financial position, the share consideration for the Proposed Acquisition of HK$84,400,000 is deemed to be the fair value of 80% equity interest in the Enlarged Group on 30 April 2013. Accordingly the cost of the reverse acquisition, which represents the fair value of 20% equity interest in the Enlarged Group on 30 April 2013, is calculated proportionally at HK$21,100,000 as if the Proposed Acquisition had taken place on 30 April 2013.

In accordance with HKFRS 3, the gain on bargain purchase of approximately HK$4,811,000 is recognised immediately in the consolidated statement of comprehensive income as if the Proposed Acquisition had taken place on 30 April 2013.

6(b). Pro forma adjustment for share capital and pre-acquisition reserves of the Company of HK$21,100,000 and HK$4,811,000 respectively in the pro forma consolidated statement of financial position will be eliminated upon consolidation as if the Proposed Transactions had been completed on 30 April 2013.

Details of aforesaid share capital and pre-acquisition reserves of the Company are as below, assumed the Open Offer and the scheme of arrangement had been completed on 30 April 2013:

	Share capital	**Pre-acquisition reserves**
	HK$'000	*HK$'000*
Balances as at 30 April 2013	4,220	(380,519)
Cash proceeds from the Open Offer	16,880	67,520
Gain on settlement of certain liabilities pursuant to Schemes	—	317,810
	21,100	4,811

6(c). The balance of HK$500,000,000 will be paid at the date of completion and debited to the reverse acquisition reserve as if the Proposed Acquisition had taken place on 30 April 2013. The amount represented the distribution of cash to accounting acquirer's shareholder at the date of completion.

6(d). For the purpose of preparing the pro forma consolidated statement of comprehensive income and consolidated statement of cash flows, the goodwill for the Proposed Acquisition is calculated as if the Proposed Acquisition had been completed on 1 May 2012. Details are set out in the Section "Change in Shareholding Structure of the Company" in the "Letter from the Board" of the Circular.

Goodwill arising from Proposed Acquisition

	HK$'000	*HK$'000*
The cost of the reverse acquisition (HK$84,400,000/80%*20%)		21,100
Less: Fair value of the identifiable assets and liabilities of the Group as at 30 April 2013 *(Note)*	(419,675)	
Gain on settlement of certain liabilities pursuant to schemes	317,810	
Cash proceeds from Open Offer	84,400	(17,465)
Goodwill arising from Proposed Acquisition		38,565

Note: The carrying values of the identifiable assets and liabilities of the Group as at 1 May 2012 have been extracted from the published annual report of the Company as of 30 April 2012, assumed that the carrying values of the identifiable assets and liabilities of the Group is approximate their fair values.

The goodwill arising from the Proposed Acquisition at the date of completion is allocated to the cash generating unit of manufacturing, sales and trading household electrical appliances ("**CGU**"). Based on the cash flow forecast provided by the directors of the Target Company, the recoverable amount of the CGU is significantly less than its carrying amount. Accordingly, an impairment loss in respect of the full amount of goodwill of approximately HK$38,565,000 is recognised at the date of completion of the Proposed Acquisition.

This adjustment will not have any continuing income statement effect and cash flows effect on the Enlarged Group and the Remaining Group.

7. The pro forma adjustments represent the followings:

(a) For the purpose of preparation of unaudited pro forma statement of comprehensive income and unaudited pro forma statement of cash flows, the directors of the Company assumed the CBs were issued on 1 May 2012. The adjustment of approximately HK$11,396,000 represented the fair value changes of the CBs designated through profit or loss between the fair values of the CBs designated through profit or loss of approximately HK$500,000,000 and approximately HK$511,396,000 as at 1 May 2012 and 30 April 2013 (*i.e.* one year after the date of issuance) respectively. The fair values of the CBs as at 30 April 2013 (*i.e.* one year after the date of issuance) are determined by the directors of the Company with reference to valuation carried out by Avista Valuation Advisory Limited, an independent qualified professional valuer not connected to the Company.

This adjustment will have continuing income statement effect and cash flows effect on the Enlarged Group and the Remaining Group, and the actual amount will vary according to fair value change in the CBs.

The directors of the Company will assess the fair value of the CBs at the end of each financial reporting period.

(b) Assuming the CBs was issued on 1 May 2012, the adjustment of approximately HK$10,000,000 represented the interest paid to the CBs holders by the Group for the year ended 30 April 2013. This unaudited pro forma adjustment will have continuing income statement effect and cash flow statement effect to the Enlarged Group and the Remaining Group.

(c) Assuming the Proposed Transactions had been completed on 30 April 2013, estimated costs of HK$9,796,000 in connection with the Proposed Transactions will be paid by cash.

(d) The adjustment of approximately HK$9,796,000 for the year ended 30 April 2013 represents the estimated costs in connection with the Proposed Transactions. This adjustment will not have any continuing income statement effect and cash flows effect on the Enlarged Group and the Remaining Group.

8. On 5 April 2013, the Company entered into a sale and purchase agreement with Homely Manufacturing Limited (the "**Purchaser**"), a company incorporated in Hong Kong which is wholly and beneficially owned by a director of certain subsidiaries of the Company, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Disposed Group on completion for a consideration of HK$10,000,000. The consideration will be settled by cash upon completion.

8(a). The adjustment reflects the exclusion of the assets and liabilities of the Disposed Group, assuming that the Proposed Disposal had been completed on 30 April 2013. The amount of assets and liabilities of the Disposed Group as at 30 April 2013 were extracted from the Financial Information of the Disposed Group as set out in Appendix III of the Circular.

The assets and liabilities of the Disposed Group classified as held for sale are as follows:

	HK$'000
Assets	
Property, plant and equipment	4,616
Inventories	2,598
Trade receivables, prepayment, deposits and other receivables	4,881
Bank balances and cash	1,405
	13,500
Liabilities	
Trade and other payables	3,311
Taxation payable	824
	4,135
Net assets	9,365

8(b). The adjustment represents the exclusion of the turnover, cost of sales, other income, expenses, impairment and waiver of balances with ultimate holding company and fellow subsidiaries, and exchange difference on translating foreign operations attributable to the Disposed Group from the consolidated statement of comprehensive income of the Group for the year ended 30 April 2013, which was extracted from the Financial Information of the Disposed Group as set out in Appendix III of the Circular, as if the Proposed Disposal had been completed on 1 May 2012. The adjustment will not have the continuing income statement effect on the Enlarged Group and the Remaining Group.

The results related to the Disposed Group are as follows:

	HK$'000
Turnover	(22,545)
Cost of sales	20,826
Other income	(26)
Selling and distribution expenses	951
Administrative expenses	5,144
Taxation	67
	4,417
Exchange difference on translating foreign operations	(152)

Details of impairment of amount due from fellow subsidiaries, waiver of amount due to ultimate holding company and waiver of amount due to fellow subsidiaries of approximately HK$129,000, HK$5,995,000 and HK$172,000 respectively are set out in note 9(b)(ii).

8(c). The adjustment reflects the exclusion of the cash flows of the Disposed Group for the year ended 30 April 2013, which was extracted from the Financial Information of the Disposed Group as set out in Appendix III of the Circular, assuming that the Proposed Disposal had been completed on 1 May 2012. The adjustment will not have continuing cash flow statement effect on the Enlarged Group and the Remaining Group.

9(a). The amount of net assets of the Disposed Group as at 30 April 2013 were extracted from the Financial Information of the Disposed Group as set out in Appendix III of the Circular. The adjustment represents the estimated unaudited loss on disposal, as if the Proposed Disposal had been completed on 30 April 2013, which is calculated as follows:

	HK$'000
Consideration settled by cash	10,000
Less: Net assets value of the Disposed Group#	(9,365)
Exchange reserve released upon the completion of the Proposed Disposal	374
Gain on disposal of subsidiaries	1,009

The final amount of assets and liabilities of the Disposed Group and the loss on the Proposed Disposal may be different from those amounts as presented above. The adjustment will not have continuing income statement effect on the Enlarged Group.

9(b). (i) As at 1 May 2012, the amount of net assets of the Disposed Group as at 1 May 2012 is HK$7,592,000, which was extracted from the Financial Information of the Disposed Group as set out in Appendix III of the Circular, assumed that the calculation basis of the result on disposal of subsidiaries is same as note 9(a) above, the loss on disposal of subsidiaries is approximately HK$2,630,000 (the difference of approximately HK$222,000 is due to exchange reserve released upon completion of Proposed Disposal).

Gain on disposal of subsidiaries

	HK$'000
Consideration received	10,000
Net assets disposal of	(7,592)
Released the exchange reserve upon disposal	222
Gain on disposal of subsidiaries	2,630

(ii) Impairment of amount due from fellow subsidiaries, waiver of amount due to ultimate holding company and wavier of amount due to fellow subsidiaries of approximately HK$129,000, HK$5,995,000 and HK$172,000 respectively will be eliminated on consolidation, as if the Proposed Disposal had taken place on 1 May 2012. The adjustment will not have continuing income statement effect on the Enlarged Group and the Remaining Group.

9(c). (i) The adjustment of approximately HK$10,000,000 represents the cash consideration to be received by the Group from the Purchaser, assuming that the Proposal Disposal had been completed on 1 May 2012. The adjustment will not have continuing cash flow statement effect on the Enlarged Group and the Remaining Group.

(ii) The cash flow effect of "Impairment of amounts due from fellow subsidiaries of the Disposed Group", "Waiver of amount due to ultimate holding company" and "Wavier of amount due to fellow subsidiaries" of approximately HK$129,000, HK$5,995,000 and HK$172,000 respectively will be eliminated on consolidation, as if the Proposed Disposal had taken place on 1 May 2012. The adjustment will not have continuing cash flow statement effect on the Enlarged Group and the Remaining Group.

(iii) The cash flow effect of "advance to fellow subsidiary" of approximately HK$996,000 is reclassified to "Increase in trade and other payable" for the year ended 30 April 2013, as if the Proposed Disposal had taken place on 1 May 2012. The adjustment will not have continuing cash flow statement effect on the Enlarged Group and the Remaining Group.

(iv) The cash flow effect of "Advance from ultimate holding company" of approximately HK$1,952,000 is reclassified to "Increase in trade and other payable" for the year ended 30 April 2013, as if the Proposed Disposal had taken place on 1 May 2012. The adjustment will not have continuing cash flow statement effect on the Enlarged Group and the Remaining Group.

10. The unaudited pro forma net assets of the Remaining Group attributable to the equity holders of the Company and the unaudited pro forma net assets per share of the Remaining Group attributable to the equity holders of the Company would be approximately HK$19,851,000 and HK$0.009 respectively, which is calculated as follows based on figures extracted from the Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group and the Remaining Group as if the Proposed Transactions and Proposed Disposal were completed on 30 April 2013:

	HK$'000
Pro forma net assets of the Remaining Group	50,472
Less: non-controlling interests	30,621
Pro forma net assets attributable to the equity holders of the Company	19,851
Divided by:	
422,000,000 of the Company's ordinary shares outstanding on 30 April 2013 and 1,688,000,000 of the Company's ordinary shares to be issued upon completion of the Proposed Transactions and Proposed Disposal	2,110,000,000
Pro forma net assets attributable to the equity holders of the Company per share (HK$)	0.009

11. No other adjustment has been made to reflect any trading results and other transactions of the Group entered into subsequent to 30 April 2013.

REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP AND THE REMAINING GROUP (SCENARIO I)

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

INDEPENDENT REPORTING ACCOUNTANTS ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF WARDERLY INTERNATIONAL HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Warderly International Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 30 April 2013, the pro forma consolidated statement of comprehensive income and the pro forma consolidated statement of cash flows for the year ended 30 April 2013 and related notes as set out on pages IV-1 to IV-16 of the circular issued by the Company dated 28 October 2013 (the "**Circular**"). The applicable criteria on the basis of which the directors of the Company have compiled the pro forma financial information are described on pages IV-1 to IV-16 of the Circular.

The pro forma financial information has been compiled by the directors of the Company to illustrate the effect of the proposed open offer, the proposed issue of convertible bonds, the debt restructuring, acquisition of the entire equity interests of Nanjing Fullshare Asset Management Limited (the "**Target Company**") and its subsidiaries (hereinafter collectively referred to as the "**Target Group**") (the "**Proposed Acquisition**") (the proposed open offer, the proposed issue of convertible bonds, the debt restructuring, the Proposed Acquisition hereinafter collectively referred to as the "**Proposed Transactions**") and disposal of the entire equity interests of Up Stand Holdings Limited and its subsidiary (the "**Disposed Group**") (the "**Proposed Disposal**") on the Group's financial position as at 30 April 2013 and financial performance and cash flows for the year ended 30 April 2013 as if the Proposed Transactions and Proposed Disposal had taken place at 30 April 2013 and 1 May 2012 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors of the Company from the Group's consolidated financial statements for the year ended 30 April 2013, on which an audit report issued by PKF has been published.

Directors' Responsibility for the Pro Forma Financial Information

The directors of the Company are responsible for compiling the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 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 of the Company have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of the Proposed Transactions and Proposed Disposal on unadjusted financial information of the Group as if the Proposed Transactions and Proposed Disposal had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Transactions and Proposed Disposal at 30 April 2013 or 1 May 2012 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

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

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

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

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

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Hon Kei, Anthony
Practising Certificate Number: P05591
Hong Kong

28 October 2013

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP AND THE REMAINING GROUP (SCENARIO II)

(Assuming all of the existing shareholders (except for Mr. Kan) take up their respective entitlements to the Offer Shares under the Open Offer and conversion of all convertible bonds immediately)

The accompanying unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows (the "**Unaudited Pro Forma Financial Information**") have been prepared to illustrate the effect of proposed open offer, the proposed issue of convertible bonds, the debt restructuring, acquisition of the entire equity interests of Nanjing Fullshare Asset Management Limited (the "**Target Company**") and its subsidiaries (hereinafter collectively referred to as the "**Target Group**") (the "**Proposed Acquisition**") and disposal of the entire equity interests of Up Stand Holdings Limited and its subsidiary (the "**Disposed Group**") (the "**Proposed Disposal**"), which might have affected the financial information of Warderly International Holdings Limited (the "**Company**") and its subsidiaries (hereafter collectively referred to as the "**Group**") (the proposed open offer, the proposed issue of convertible bonds, the debt restructuring, the Proposed Acquisition hereinafter collectively referred to as the "**Proposed Transactions**"). The Group immediately after the completion of the Proposed Transactions is referred to as the "**Enlarged Group**" and the Enlarged Group excluding the Disposed Group hereinafter referred to as the "**Remaining Group**". In accordance with Hong Kong Financial Reporting Standard 3 "Business Combinations" ("**HKFRS 3**"), the Proposed Acquisition is accounted for using the reverse acquisition accounting, whereby the Target Company is accounted for as the accounting acquirer and the Company as the accounting acquiree of the Proposed Acquisition. The Proposed Acquisition has been deemed as "Reverse Takeover". Details of the Proposed Transactions and the Proposed Disposal are contained in the circular of the Company dated 28 October 2013 (the "**Circular**").

Enlarged Group

The unaudited pro forma consolidated statement of financial position of the Enlarged Group has been prepared based on (1) the audited consolidated statement of financial position of the Group as at 30 April 2013, which has been extracted from the published annual report of the Company as of 30 April 2013 dated 30 July 2013 and (2) the audited consolidated statement of financial position of the Target Group as of 30 June 2013, which has been extracted from the accountants' report of the Target Group as set out in Appendix I to this Circular, and adjusted in accordance with the pro forma adjustments described in the notes thereto, as if the Proposed Transactions had been completed as at 30 April 2013.

The unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Enlarged Group have been prepared based on (1) the audited consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year ended 30 April 2013, which have been extracted from the published annual report of the Company as of 30 April 2013 dated 30 July 2013 and (2) the audited consolidated statement of comprehensive income and consolidated statement of cash flows of the Target Group for the year ended 31 December 2012, which have been extracted from the accountants' report of the Target Group as set out in Appendix I to this Circular, and adjusted in accordance with the pro forma adjustments described in the notes thereto, as if the Proposed Transactions had been completed on 1 May 2012.

Remaining Group

The unaudited pro forma consolidated statement of financial position of the Remaining Group has been prepared based on the unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 April 2013 and adjusted in accordance with the pro forma adjustments described in the notes thereto, as if the Proposed Disposal had been completed as at 30 April 2013.

The unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group have been prepared based on the unaudited consolidated statement of comprehensive income and consolidated statement of cash flows of the Enlarged Group for the year ended 30 April 2013 and adjusted in accordance with the pro forma adjustments described in the notes thereto, as if the Proposed Disposal had been completed on 1 May 2012.

The Unaudited Pro Forma Financial Information of the Remaining Group is presented in two stages, which illustrates (i) the effect of the Proposed Transactions and (ii) the effect of Proposed Disposal.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of its hypothetical nature, it may not give a true picture of the financial position, results of operations or cash flows of the Enlarged Group and Remaining Group had the Proposed Transactions and the Proposed Disposal been completed as at 30 April 2013 or 1 May 2012 where applicable or at any future dates.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AND REMAINING GROUP

			Stage (i)							Stage (ii)		
	Audited consolidated statement of financial position of the Group as at 30 April 2013	Audited consolidated statement of financial position of the Target Group as at 30 June 2013	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Unaudited pro forma consolidated statement of financial position of the Enlarged Group	Pro Forma Adjustment	Pro Forma Adjustment	Unaudited pro forma consolidated statements of financial position of the Remaining Group
		Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*		*Note 8a*	*Note 9a*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current asset												
Property, plant and equipment	—	2,890							2,890			2,890
Deferred tax assets	—	3,832							3,832			3,832
	—	6,722							6,722			6,722
Current assets												
Held for trading investments	—	503							503			503
Trade receivables, prepayment, deposits and other receivables	290	111,172							111,462			111,462
Amounts due from related parties	—	7,853							7,853			7,853
Tax prepaid	—	8,564							8,564			8,564
Properties under development	—	1,663,578							1,663,578			1,663,578
Properties held for sale	—	232,136							232,136			232,136
Pledged bank deposits	—	14,087							14,087			14,087
Bank balances and cash	62	194,775	84,400	(37,000)	(18,224)	500,000	(500,000)	(9,796)	214,217		10,000	224,217
	352	2,232,668							2,252,400			2,262,400

			Stage (i)							Stage (ii)		
	Audited consolidated statement of financial position of the Group as at 30 April 2013	Audited consolidated statement of financial position of the Target Group as at 30 June 2013	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Unaudited pro forma consolidated statement of financial position of the Enlarged Group	Pro Forma Adjustment	Pro Forma Adjustment	Unaudited pro forma consolidated statements of financial position of the Remaining Group
		Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*		*Note 8a*	*Note 9a*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets classified as held for sale	13,500	—							13,500	(13,500)		—
	13,852	2,232,668							2,265,900			2,262,400
Current liabilities												
Trade and other payables	38,001	1,175,182		(6,795)	(18,224)				1,188,164			1,188,164
Taxation payable	—	72,668							72,668			72,668
Amounts due to related parties	—	76,554							76,554			76,554
Guarantor's liability and accrued liability for potential claims	347,989	—		(347,989)					—			—
Bank borrowings — due within one year	—	217,686							217,686			217,686
Unsecured bank overdrafts	26	—		(26)					—			—
	386,016	1,542,090							1,555,072			1,555,072
Liabilities directly associated with assets held for sale	4,135	—							4,135	(4,135)		—
	390,151	1,542,090							1,559,207			1,555,072
Net current (liabilities) assets	(376,299)	690,578							706,693			707,328
Total assets less current liabilities	(376,299)	697,300							713,415			714,050

			Stage (i)							Stage (ii)		
	Audited consolidated statement of financial position of the Group as at 30 April 2013	Audited consolidated statement of financial position of the Target Group as at 30 June 2013	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Unaudited pro forma consolidated statement of financial position of the Enlarged Group	Pro Forma Adjustment	Pro Forma Adjustment	Unaudited pro forma consolidated statements of financial position of the Remaining Group
		Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*		*Note 8a*	*Note 9a*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital and reserves												
Share capital	4,220	503,320	16,880				155,061		658,381			658,381
							100,000					
							(121,100)					
Reserves	(380,519)	(219)	67,520	317,810			(404,811)	(9,796)	(139,165)	(9,365)	9,365	(138,530)
							400,000				(374)	
							(500,000)				1,009	
							370,850					
Equity attributable to owners of the Company	(376,299)	503,101							519,216			519,851
Non-controlling Interests	—	30,621							30,621			30,621
Total equity	(376,299)	533,722							549,837			550,472
Non-current liabilities												
Bank borrowings — due after one year	—	163,578							163,578			163,578
Convertible bonds	—	—				500,000	(500,000)		—			—
	—	163,578							163,578			163,578
	(376,299)	697,300							713,415			714,050

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ENLARGED GROUP AND REMAINING GROUP

			Stage (i)				Stage (ii)		
	Audited consolidated statement of comprehensive income of the Group for the year ended 30 April 2013	Audited consolidated statement of comprehensive income of the Target Group for the year ended 31 December 2012	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group	Pro Forma Adjustment	Pro Forma Adjustment	Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group
		Note 1	*Note 3*	*Note 6*	*Note 7*		*Note 8b*	*Note 9b*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operation									
Turnover	—	497,688				497,688			497,688
Cost of sales	—	(305,554)				(305,554)			(305,554)
Gross profit	—	192,134				192,134			192,134
Waiver of amount due to ultimate holding company	—	—				—	(5,995)	5,995	—
Wavier of amount due to fellow subsidiaries	—	—				—	(172)	172	—
Impairment of amount due from fellow subsidiaries	—	—				—	129	(129)	—
Other income	67	2,577				2,644			2,644
Gain on settlement of certain liabilities pursuant to schemes	—	—	317,810			317,810			317,810
Selling and distribution expenses	—	(26,321)				(26,321)			(26,321)
Administrative expenses	(14,267)	(34,484)			(9,796)	(58,547)			(58,547)
Operating (loss) profit	(14,200)	133,906				427,720			427,720
Finance costs	—	—				—			—
(Loss) profit before taxation	(14,200)	133,906				427,720			427,720
Taxation	—	(92,263)				(92,263)			(92,263)
(Loss) profit for the year from continuing operation	(14,200)	41,643				335,457			335,457
Discontinued operations									
Profit for the year from discontinued operation	57,418	—		327,474		384,892	4,417	2,630	391,939
Profit for the year	43,218	41,643				720,349			727,396
Other comprehensive income:									
Exchange difference on translating foreign operations	158	—				158	(152)		6
Total comprehensive income for the year attributable to equity shareholders of the Company	43,376	41,643				720,507			727,402

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP AND REMAINING GROUP

			Stage (i)							Stage (ii)		
	Audited consolidated statement of cash flows of the Group for the year ended 30 April 2013	Audited consolidated statement of cash flows of the Target Group for the year ended 31 December 2012	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Unaudited pro forma consolidated statement of cash flows of the Enlarged Group	Pro Forma Adjustment	Pro Forma Adjustment	Unaudited pro forma consolidated statement of cash flows of the Remaining Group
		Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*		*Note 8c*	*Note 9c*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Operating activities												
Profit before taxation												
— Continuing operation	(14,200)	133,906		317,810				(9,796)	427,720			427,720
— Discontinued operations	57,485	—					327,474		384,959	(1,688)	8,668	391,939
Adjustment for:												
Depreciation	996	1,120							2,116	(996)		1,120
Bad debts written off	—	—							—	(347)		(347)
Government grants	—	(125)							(125)			(125)
Interest income	(3)	(2,248)							(2,251)	3		(2,248)
Gain on bargain purchase	—	—					(327,474)		(327,474)			(327,474)
Impairment of amounts due from fellow subsidiaries of the Disposed Group	—	—							—	(129)	129	—
Waiver of amount due to ultimate holding company	—	—								5,995	(5,995)	—
Wavier of amount due to fellow subsidiaries	—	—								172	(172)	—
Gain on disposal of subsidiaries	(61,850)	—							(61,850)		(2,630)	(64,480)
Gain on settlement of certain liabilities pursuant to schemes	—	—		(317,810)					(317,810)			(317,810)
Plant and equipment written off	1,052	—							1,052	(1,052)		—
Impairment of inventories	81	—							81	(81)		—

			Stage (i)							Stage (ii)		
	Audited consolidated statement of cash flows of the Group for the year ended 30 April 2013	Audited consolidated statement of cash flows of the Target Group for the year ended 31 December 2012	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Unaudited pro forma consolidated statement of cash flows of the Enlarged Group	Pro Forma Adjustment	Pro Forma Adjustment	Unaudited pro forma consolidated statement of cash flows of the Remaining Group
		Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*		*Note 8c*	*Note 9c*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Operating cash flows before movements in working capital	(16,439)	132,653							106,418			108,295
Decrease in inventories	991	—							991	(991)		—
Decrease (increase) in trade receivables, deposits and other receivables	1,577	(555)							1,022	(228)		794
Decrease in properties held for sale	—	305,554							305,554			305,554
Increase in properties under developments	—	(356,997)							(356,997)			(356,997)
Decrease in held for trading investment	—	3,242							3,242			3,242
Increase in trade and other payables	10,924	80,819							91,743	343	(996)	93,042
											1,952	
Cash (used in) generated from operations	(2,947)	164,716							151,973			153,930
Hong Kong Profits Tax paid	(209)	—							(209)	100		(109)
PRC income tax paid	(67)	(47,859)							(47,926)	67		(47,859)
Interest paid	—	(24,366)							(24,366)			(24,366)
Net cash (used in) from operating activities	(3,223)	92,491							79,472			81,596

			Stage (i)							Stage (ii)		
	Audited consolidated statement of cash flows of the Group for the year ended 30 April 2013	Audited consolidated statement of cash flows of the Target Group for the year ended 31 December 2012	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Unaudited pro forma consolidated statement of cash flows of the Enlarged Group	Pro Forma Adjustment	Pro Forma Adjustment	Unaudited pro forma consolidated statement of cash flows of the Remaining Group
		Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*		*Note 8c*	*Note 9c*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Investing activities												
Cash paid to acquisition of the Target Group	—	—					(500,000)		(500,000)			(500,000)
Net proceeds from disposal of subsidiaries	—	—							—		10,000	10,000
Cash outflow arising from reorganisation	—	(498,760)							(498,760)			(498,760)
Advance to fellow subsidiaries	—	—							—	(996)	996	—
Advance from ultimate holding company	—	—							—	1,952	(1,952)	—
Purchase of property, plant and equipment	(563)	(1,485)							(2,048)	563		(1,485)
Decrease in pledged deposits	—	72,058							72,058			72,058
Advance to related parties	—	(55,917)							(55,917)			(55,917)
Proceed from disposal of property, plant and equipment	—	79							79			79
Decrease in bank overdraft from disposal of subsidiaries	3,684	—							3,684			3,684
Interest received	3	2,248							2,251	(3)		2,248
Net cash from (used in) investing activities	3,124	(481,777)							(978,653)			(968,093)

			Stage (i)							Stage (ii)		
	Audited consolidated statement of cash flows of the Group for the year ended 30 April 2013	Audited consolidated statement of cash flows of the Target Group for the year ended 31 December 2012	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Pro Forma Adjustment	Unaudited pro forma consolidated statement of cash flows of the Enlarged Group	Pro Forma Adjustment	Pro Forma Adjustment	Unaudited pro forma consolidated statement of cash flows of the Remaining Group
		Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*		*Note 8c*	*Note 9c*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financing activities												
Net advance from (repayment to) a shareholder	3,494	—			(18,224)				(14,730)	(3,494)		(18,224)
Cash paid to schemes	—	—		(37,000)					(37,000)			(37,000)
Issuance of shares under open offer	—	—	84,400						84,400			84,400
Issuance of convertible bonds	—	—				500,000			500,000			500,000
Paid in capital	—	498,760							498,760			498,760
Repayment from related parties	—	170,844							170,844			170,844
Bank borrowings raised	—	174,566							174,566			174,566
Government grant received	—	125							125			125
Repayment of bank borrowings	—	(241,275)							(241,275)			(241,275)
Dividend paid	—	(119,702)							(119,702)			(119,702)
Net cash from financing activities	3,494	483,318							1,015,988			1,012,494
Net increase in cash and cash equivalents	3,395	94,032							116,807			125,997
Effect of foreign exchange rate changes	99	—							99	(93)		6
Cash and cash equivalents at beginning of the year	(2,053)	98,083							96,030	(502)		95,528
Cash and cash equivalents at end of the year	1,441	192,115							212,936			221,531
Analysis of the balances of cash and cash equivalents												
Bank balances and cash	1,467	192,115							212,962	(1,405)	10,000	221,557
Unsecured bank overdrafts	(26)	—							(26)			(26)
	1,441	192,115							212,936			221,531

Notes:

1. The balances have been extracted from the accountants' report of the Target Group as set out in Appendix I to this Circular. The balances extracted from the consolidated statement of financial position of the Target Group were translated to Hong Kong dollars at the exchange rate of RMB1 = HK$1.2583 and the balances extracted from the consolidated statement of comprehensive income and consolidated statement of cash flows of the Target Group were translated to Hong Kong dollars at the exchange rate of RMB1 = HK$1.2469.

2. The adjustment represents the issue of 1,688,000,000 offer shares at the subscription price of HK$0.05 per offer share on the basis of four offer shares for every one existing ordinary share held by the qualifying shareholders (the "**Open Offer**"). The estimated net proceeds of approximately HK$84,400,000 from the Open Offer are calculated based on 1,688,000,000 offer shares, which are expected to be issued at the subscription price of HK$0.05 per offer share. The share capital of approximately HK$16,880,000 represents the par value of 1,688,000,000 offer shares with a par value of HK$0.01 each and the amount of approximately HK$67,520,000 represents the share premium included in reserves arising from the Open Offer (a share premium of HK$0.04 each represents HK$0.05 per share less HK$0.01 at par per share, for 1,688,000,000 offer shares). This adjustment will not have any continuing cash flows effect on the Enlarged Group and the Remaining Group. Details of the Open Offer are set out in the "Letter from the Board" of the Circular.

3. The directors of the Company propose to settle all amounts due to certain creditors of the Company (the "**Scheme Creditors**") by way of the schemes of arrangement to be made between the Company and the Scheme Creditors under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (the "**Hong Kong Scheme**") and the Companies Law (2007 Revision) of the Cayman Islands (the "**Cayman Scheme**", together with the Hong Kong Scheme, hereinafter collectively referred to as the "**Schemes**") respectively. Pursuant to the Schemes, the following amounts will be fully discharged for a cash payment HK$37,000,000.

	HK$'000
Trade and other payables	6,795
Guarantor's liability and accrued liability for potential claim	347,989
Unsecured bank overdrafts	26
	354,810

The discharge of the indebtedness will give rise to a gain of HK$317,810,000. It is assumed that the discharge has been taken place on the date of completion of the Proposed Transactions (*i.e.* 1 May 2012 or 30 April 2013). This adjustment will not have any continuing income statement effect and cash flows effect on the Enlarged Group and the Remaining Group. Details of the Schemes are set out in the "Letter from the Board" of the Circular.

4. According to Section "Use Of Proceeds From The Open Offer And The Issue Of The Convertible Bonds" as set out in the "Letter from the Board" of the Circular, the shareholder's loan of approximately HK$18,224,000 from Mr. Kan Che Kin, Billy Albert ("**Mr. Kan**") to the Company, which has been used as general working capital of the Group, will be fully repaid upon the completion of the Open Offer. This adjustment will not have any continuing cash flows effect on the Enlarged Group and the Remaining Group.

5. Pursuant to subscription agreement, the convertible bonds (2% interest per annum payable annually) ("**CBs**") with principal amount of approximately HK$420,000,000 and HK$80,000,000 will be issued to Magnolia Wealth International Limited ("**Magnolia Wealth**"), which is a party acting in concert with Fullshare Industry Holding Group Co. Ltd. (the "**Vendor**" and ultimate holding company of the Target Company), and Mr. Kan respectively. The CBs will be matured in five years from the date of issuance and will be convertible on any business day during the period commencing from the issue date of the CBs and expiring on the date which is five business days preceding the maturity date. The conversion price of CBs has been set at HK$0.05 per share. Unless previously converted, redeemed, purchased or cancelled in accordance with its conditions,

the CBs will be redeemed by the Company on the maturity date at its principal amount outstanding in Hong Kong dollars upon the presentation of the original of the certificate for the CBs to the Company. Also, the Company has no right to early redeem the CBs at any time after the date of issuance of the CBs.

For the purpose of preparation of unaudited pro forma consolidated statement of financial position, the CBs are classified as financial liabilities designated at fair value through profit or loss according to Hong Kong Accounting Standard HKAS 39 "Financial Instruments: Recognition and Measurement", on initial recognition. The amount of approximately HK$500,000,000 is recognised in the unaudited pro forma consolidated statement of financial position as non-current liability (the holder of CBs cannot require the Company to settle the CBs before the maturity of the CBs).

At initial recognition, the CBs are measured at fair value and subsequently measured at fair value through profit or loss at the end of reporting period.

6. This pro forma adjustment reflects the Company's acquisition of entire equity interest in the Target Group for a deemed consideration of approximately HK$530,410,000. The deemed consideration is to be settled by cash of HK$500,000,000, new ordinary shares of the Company issued under the Open Offer of HK30,410,000 and 8,400,000,000 ordinary shares upon conversion of the CBs held by Magnolia Wealth of HK$420,000,000, details are set out in note 6(a) and 6(b) below.

6(a). Assuming (i) all of the existing shareholders (except for Mr. Kan) take up their respective entitlements to the offer shares under the Open Offer (608,200,000 ordinary shares to be taken up by Magnolia Wealth) and (ii) all CBs held by Magnolia Wealth and Mr. Kan will be converted upon completion of the Proposed Transactions (8,400,000,000 ordinary shares to be issued to Magnolia Wealth), Magnolia Wealth and Mr. Kan would hold 74.39% and 14.47% equity interest in the Company (as enlarged by the issue of 1,688,000,000 offer shares and 10,000,000,000 conversion shares) respectively. In accordance with HKFRS 3, the Proposed Acquisition is deemed as reverse acquisition and accounted for using the reverse acquisition accounting.

For the purpose of preparing the pro forma consolidated statement of financial position, the gain on bargain purchase for the Proposed Acquisition is calculated as if the Proposed Acquisition had been completed on 30 April 2013. Details are set out in the Section "Change in Shareholding Structure of the Company" in the "Letter from the Board" of the Circular.

Gain on bargain purchase arising from Proposed Acquisition

	HK$'000	*HK$'000*
The cost of the reverse acquisition (HK$450,410,000/74.39%*25.61%)		155,061
Less: Fair value of the identifiable assets and liabilities of the Group as at 30 April 2013 *(Note)*	(376,299)	
Conversion of CBs	500,000	
Gain on settlement of certain liabilities pursuant to schemes	317,810	
Cash proceeds from Open Offer	84,400	525,911
Gain on bargain purchase		370,850

Note: The carrying values of the identifiable assets and liabilities of the Group as at 30 April 2013 have been extracted from the published annual report of the Company as of 30 April 2013, assumed that the carrying values of the identifiable assets and liabilities of the Group are approximate their fair values.

On completion of the above Proposed Acquisition, the fair value of the net identifiable assets and liabilities of the Group will have to be assessed, since the actual fair values of the assets, liabilities and contingent liabilities of the Group on completion date of the Proposed Acquisition would be different from their estimated fair values used in the preparation of the unaudited pro forma consolidated statement of financial position presented above, the actual financial position arising from the Proposed Acquisition might be materially different from the financial position as shown in this note.

The Target Company will apply the purchase method of accounting for the Proposed Acquisition of the Group. The cost of the reverse acquisition is deemed to have been incurred by the Target Company at a value equal to 25.61% equity interests in the Enlarged Group issued to the owners of the Company (*i.e.* 3,101,800,000 ordinary shares of the Company, which represents the number of shares held by all shareholders except Magnolia Wealth, after conversion of CBs and completion of Open Offer, *i.e.* the difference between the total ordinary shares of the Company of 12,110,000,000 ordinary shares and the ordinary shares of the Company held by Magnolia Wealth of 9,008,200,000 ordinary shares), which is measured using the Company's shares in issue at their fair value (*i.e.* HK$0.05 per share, assumed the fair value is equal to the Open Offer price and conversion price of the CBs) at the date of completion of the Proposed Acquisition. For the purpose of preparing the pro forma consolidated statement of financial position, the shares issued to Magnolia Wealth upon completion of open offer and conversion of the CBs for the Proposed Acquisition of HK$450,410,000 (9,008,200,000 ordinary shares at fair value of HK$0.05 each) is deemed to be the fair value of 74.39% equity interests in the Enlarged Group on 31 October 2012. Accordingly the cost of the reverse acquisition, which represents the fair value of 25.61% equity interests in the Enlarged Group on 30 April 2013, is calculated proportionally at HK$155,061,000 as if the Proposed Acquisition had taken place on 30 April 2013.

In accordance with HKFRS 3, the gain on bargain purchase of approximately HK$370,850,000 is recognised immediately in the consolidated statement of comprehensive income as if the Proposed Acquisition had taken place on 30 April 2013.

6(b). For the purpose of preparing the pro forma consolidated statement of comprehensive income and consolidated statement of cash flows, the gain on bargain purchase for the Proposed Acquisition is calculated as if the Proposed Acquisition had been completed on 1 May 2012. Details are set out in the Section "Change in Shareholding Structure of the Company" in the "Letter from the Board" of the Circular.

Gain on bargain purchase arising from Proposed Acquisition

	HK$'000	*HK$'000*
The cost of the reverse acquisition (HK$450,410,000/74.39%*25.61%)		155,061
Less: Fair value of the identifiable assets and liabilities of the Group as at 30 April 2013 *(Note)*	(419,675)	
Conversion of CBs	500,000	
Gain on settlement of certain liabilities pursuant to schemes	317,810	
Cash proceeds from Open Offer	84,400	482,535
Gain on bargain purchase		327,474

Note: The carrying values of the identifiable assets and liabilities of the Group as at 1 May 2012 have been extracted from the published annual report of the Company as of 30 April 2012, assumed that the carrying values of the identifiable assets and liabilities of the Group is approximate their fair values.

In accordance with HKFRS 3, the gain on bargain purchase of approximately HK$327,474,000 is recognised immediately in the consolidated statement of comprehensive income as if the Proposed Acquisition had taken place on 1 April 2012.

This adjustment will not have any continuing income statement effect and cash flows effect on the Enlarged Group.

6(c). Pro forma adjustment for share capital and pre-acquisition reserves of the Company of HK$121,100,000 and HK$404,811,000 respectively in the pro forma consolidated statement of financial position will be eliminated upon consolidation as if the Proposed Transactions had been completed on 30 April 2013.

Details of aforesaid share capital and pre-acquisition reserves of the Company are as below, assumed the Open Offer and the scheme of arrangement had been completed on 30 April 2013:

	Share capital *HK$'000*	**Pre-acquisition reserves** *HK$'000*
Balances as at 30 April 2013	4,220	(380,519)
Cash proceeds from the Open Offer	16,880	67,520
Conversion of CBs	100,000	400,000
Gain on settlement of certain liabilities pursuant to Schemes	—	317,810
	121,100	404,811

Assuming the CBs held by Magnolia Wealth and Mr. Kan of HK$420,000,000 and HK$80,000,000, respectively, will be converted as if the Proposed Transactions had been completed on 30 April 2013, the share capital of HK$100,000,000 represents the par value of 10,000,000,000 shares with a par value of HK$0.01 each arising from conversion of the CBs and the amount of HK$400,000,000 represents the share premium included in reserves arising from the conversion of the CBs (a share premium of HK$0.04 each represents conversion price of the CBs of HK$0.05 less HK$0.01 at par per share, for 10,000,000,000 shares).

6(d). The balance of HK$500,000,000 will be paid at the date of completion and debited to the reverse acquisition reserve as if the Proposed Acquisition had taken place on 30 April 2013. The amount represented the distribution of cash to accounting acquirer's shareholder at the date of completion.

7. The pro forma adjustments represent estimated costs in connection with the Proposed Transactions which are set out below:

   (a) Assuming the Proposed Transactions had been completed on 30 April 2013, estimated costs of HK$9,796,000 in connection with the Proposed Transactions will be paid by cash.

   (b) The adjustment of approximately HK$9,796,000 for the year ended 30 April 2013 represents the estimated costs in connection with the Proposed Transactions. This adjustment will not have any continuing income statement effect and cash flows effect on the Enlarged Group and the Remaining Group.

8. On 5 April 2013, the Company entered into a sale and purchase agreement with Homely Manufacturing Limited (the "**Purchaser**"), a company incorporated in Hong Kong which is wholly and beneficially owned by a director of certain subsidiaries of the Company, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Disposed Group on completion for a consideration of HK$10,000,000. The consideration will be settled by cash upon completion.

8(a). The adjustment reflects the exclusion of the assets and liabilities of the Disposed Group, assuming that the Proposed Disposal had been completed on 30 April 2013. The amount of assets and liabilities of the Disposed Group as at 30 April 2013 were extracted from the Financial Information of the Disposed Group as set out in Appendix III of the Circular.

The assets and liabilities of the Disposed Group classified as held for sale are as follows:

	HK$'000
Assets	
Property, plant and equipment	4,616
Inventories	2,598
Trade receivables, prepayment, deposits and other receivables	4,881
Bank balances and cash	1,405
	13,500
Liabilities	
Trade and other payables	3,311
Taxation payable	824
	4,135
Net assets	9,365

8(b). The adjustment represents the exclusion of the turnover, cost of sales, other income, expenses, impairment and waiver of balances with ultimate holding company and fellow subsidiaries, and exchange difference on translating foreign operations attributable to the Disposed Group from the consolidated statement of comprehensive income of the Group for the year ended 30 April 2013, which was extracted from the Financial Information of the Disposed Group as set out in Appendix III of the Circular, as if the Proposed Disposal had been completed on 1 May 2012. The adjustment will not have the continuing income statement effect on the Enlarged Group and the Remaining Group.

The results related to the Disposed Group are as follows:

	HK$'000
Turnover	(22,545)
Cost of sales	20,826
Other income	(26)
Selling and distribution expenses	951
Administrative expenses	5,144
Taxation	67
	4,417
Exchange difference on translating foreign operations	(152)

Details of impairment of amount due from fellow subsidiaries, waiver of amount due to ultimate holding company and waiver of amount due to fellow subsidiaries of approximately HK$129,000, HK$5,995,000 and HK$172,000 respectively are set out in note 9(b)(ii).

8(c). The adjustment reflects the exclusion of the cash flows of the Disposed Group for the year ended 30 April 2013, which was extracted from the Financial Information of the Disposed Group as set out in Appendix III of the Circular, assuming that the Proposed Disposal had been completed on 1 May 2012. The adjustment will not have continuing cash flow statement effect on the Enlarged Group and the Remaining Group.

9(a). The amount of net assets of the Disposed Group as at 30 April 2013 were extracted from the Financial Information of the Disposed Group as set out in Appendix III of the Circular. The adjustment represents the estimated unaudited loss on disposal, as if the Proposed Disposal had been completed on 30 April 2013, which is calculated as follows:

	HK$'000
Consideration settled by cash	10,000
Less: Net assets value of the Disposed Group#	(9,365)
Exchange reserve released upon the completion of the Proposed Disposal	374
Gain on disposal of subsidiaries	1,009

The final amount of assets and liabilities of the Disposed Group and the loss on the Proposed Disposal may be different from those amounts as presented above. The adjustment will not have continuing income statement effect on the Enlarged Group.

9(b). (i) As at 1 May 2012, the amount of net assets of the Disposed Group as at 1 May 2012 is HK$7,592,000, which was extracted from the Financial Information of the Disposed Group as set out in Appendix III of the Circular, assumed that the calculation basis of the result on disposal of subsidiaries is same as note 9(a) above, the loss on disposal of subsidiaries is approximately HK$2,630,000 (the difference of approximately HK$222,000 is due to exchange reserve released upon completion of Proposed Disposal).

Gain on disposal of subsidiaries

	HK$'000
Consideration received	10,000
Net assets disposal of	(7,592)
Released the exchange reserve upon disposal	222
Gain on disposal of subsidiaries	2,630

(ii) Impairment of amount due from fellow subsidiaries, waiver of amount due to ultimate holding company and wavier of amount due to fellow subsidiaries of approximately HK$129,000, HK$5,995,000 and HK$172,000 respectively will be eliminated on consolidation, as if the Proposed Disposal had taken place on 1 May 2012. The adjustment will not have continuing income statement effect on the Enlarged Group and the Remaining Group.

9(c). (i) The adjustment of approximately HK$10,000,000 represents the cash consideration to be received by the Group from the Purchaser, assuming that the Proposal Disposal had been completed on 1 May 2012. The adjustment will not have continuing cash flow statement effect on the Enlarged Group and the Remaining Group.

(ii) The cash flow effect of "Impairment of amounts due from fellow subsidiaries of the Disposed Group", "Waiver of amount due to ultimate holding company" and "Wavier of amount due to fellow subsidiaries" of approximately HK$129,000, HK$5,995,000 and HK$172,000 respectively will be eliminated on consolidation, as if the Proposed Disposal had taken place on 1 May 2012. The adjustment will not have continuing cash flow statement effect on the Enlarged Group and the Remaining Group.

(iii) The cash flow effect of "advance to fellow subsidiary" of approximately HK$996,000 is reclassified to "Increase in trade and other payable" for the year ended 30 April 2013, as if the Proposed Disposal had taken place on 1 May 2012. The adjustment will not have continuing cash flow statement effect on the Enlarged Group and the Remaining Group.

(iv) The cash flow effect of "Advance from ultimate holding company" of approximately HK$1,952,000 is reclassified to "Increase in trade and other payable" for the year ended 30 April 2013, as if the Proposed Disposal had taken place on 1 May 2012. The adjustment will not have continuing cash flow statement effect on the Enlarged Group and the Remaining Group.

10. The unaudited pro forma net tangible assets of the Remaining Group attributable to the equity holders of the Company and the unaudited pro forma net assets per share of the Remaining Group attributable to the equity holders of the Company would be approximately HK$519,851,000 and HK$0.04 respectively, which is calculated as follows based on figures extracted from the Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group and the Remaining Group as if the Proposed Transactions and Proposed Disposal were completed on 30 April 2013:

	HK$'000
Pro forma net assets of the Remaining Group	550,472
Less: non-controlling interests	(30,621)
Pro forma net tangible assets attributable to the equity holders of the Company	519,851
Divided by: 422,000,000 of the Company's ordinary shares outstanding on 30 April 2013, 11,688,000,000 of the Company's ordinary shares to be issued upon completion of the Proposed Transactions and Proposed Disposal	12,110,000,000
Pro forma net tangible assets attributable to the equity holders of the Company per share (HK$)	0.04

11. No other adjustment has been made to reflect any trading results and other transactions of the Group entered into subsequent to 30 April 2013.

REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP AND THE REMAINING GROUP (SCENARIO II)

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

INDEPENDENT REPORTING ACCOUNTANTS ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF WARDERLY INTERNATIONAL HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Warderly International Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 30 April 2013, the pro forma consolidated statement of comprehensive income and the pro forma consolidated statement of cash flows for the year ended 30 April 2013 and related notes as set out on pages IV-20 to IV-36 of the circular issued by the Company dated 28 October 2013 (the "**Circular**"). The applicable criteria on the basis of which the directors of the Company have compiled the pro forma financial information are described on pages IV-20 to IV-36 of the Circular.

The pro forma financial information has been compiled by the directors of the Company to illustrate the effect of the proposed open offer, the proposed issue of convertible bonds, the debt restructuring, acquisition of the entire equity interests of Nanjing Fullshare Asset Management Limited (the "**Target Company**") and its subsidiaries (hereinafter collectively referred to as the "**Target Group**") (the "**Proposed Acquisition**") (the proposed open offer, the proposed issue of convertible bonds, the debt restructuring, the Proposed Acquisition hereinafter collectively referred to as the "**Proposed Transactions**") and disposal of the entire equity interests of Up Stand Holdings Limited and its subsidiary (the "**Disposed Group**") (the "**Proposed Disposal**") on the Group's financial position as at 30 April 2013 and financial performances and cash flows for the year ended 30 April 2013 as if the Proposed Transactions and Proposed Disposal had taken place at 30 April 2013 and 1 May 2012 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors of the Company from the Group's consolidated financial statements for the year ended 30 April 2013, on which an audit report issued by PKF has been published.

Directors' Responsibility for the Pro Forma Financial Information

The directors of the Company are responsible for compiling the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 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 of the Company have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of the Proposed Transactions and Proposed Disposal on unadjusted financial information of the Group as if the Proposed Transactions and Proposed Disposal had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Transactions and Proposed Disposal at 30 April 2013 or 1 May 2012 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

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

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

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

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

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Hon Kei, Anthony
Practising Certificate Number: P05591
Hong Kong

28 October 2013

The following is the text of a letter with the summary of values and valuation certificate received from CBRE Limited, an independent valuer, prepared for the purpose of incorporation in the circular, in connection with their valuation as at 31 July 2013 of all the property interests of the Enlarged Group.

CBRE

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地產代理(公司)牌照號碼
Estate Agent's Licence No: C-004065

28 October 2013

The Board of Directors,
Warderly International Holdings Limited
Unit B, 8th Floor, St. John's Building,
33 Garden Road, Central,
Hong Kong

Dear Sirs,

In accordance with your instructions to us to value the certain property interests (the "**Properties**") held by Warderly International Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**"), and Nanjing Fullshare Asset Management Limited (the "**Target Company**") and its subsidiaries (collectively referred to as the "**Target Group**") (hereinafter together known as the "**Enlarged 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 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 31 July 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 date of valuation 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."

Unless otherwise stated, our valuation is prepared in accordance with the "HKIS Valuation Standards (2012 Edition)" published by The Hong Kong Institute of Surveyors ("**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 values of the property interests.

For the property interests in Group I, which are held by the Target Group for sale in the PRC, all the property interests are valued by the direct comparison method on the assumption that each property can be sold 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, character and locations are analyzed, and carefully weighted against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

For the purpose of our valuation, the property interests for sale included those property interests which the Construction Works Completion Certified Report has been issued by the relevant authority.

For the property interests in Group II, which are held by the Target Group for development in the PRC, all the property interests are valued on the basis that each of these properties will be developed and completed in accordance with the Target Group's latest development schemes shown to us. We have assumed that approvals for such schemes by the relevant authorities have been obtained. In arriving at our opinions we have adopted the direct comparison method by making reference to comparable land sale evidences as available in the relevant markets and have also taken into account of the development costs spent.

For the purpose of our valuation, property interests held for development included those developing and held for future development. The developing property interests included those the Construction Works Commencement Permit has been issued by the relevant authority but the Construction Works Completion Certified Report has not been issued. The contracted purchase prices of those property interests which have been contracted to be sold have also been taken into account. The property interests held for future development included those the State-owned Land Use Rights Grant Contract has been agreed and signed with the State-owned Land Use Rights Certificate has been obtained from the relevant authority.

For the property interests held for development, we reserve the rights to the change of the value opinion if there is a material change of the state of the property interests concerned. The change of the approvals, including the development parameters approved, and any delay on getting the approvals from the relevant authorities are considered the potential risks that may render a material change on the state of the property interests.

For the property interests in Group III, which are contracted to be held by the Target Group in the PRC, the Target Group has entered into agreements with the relevant government authority to acquire the property interest, but have not obtained the State-owned Land Use Rights Certificate and/or the land premium has not been settled yet as at the date of valuation. Therefore we have attributed no commercial value to these property interests.

For the property interests in Group IV and V, which are rented and occupied by the Target Group in the PRC and rented and occupied by the Group in the PRC and Hong Kong, we have attributed no commercial value to these property interests due to the nature of short-term leases and/or prohibition against sub-letting or assignment and/or lack of substantial profit rent.

In the course of our valuation for the property interests in the PRC, we have relied on the legal opinion provided by the Group's PRC legal advisor, King & Wood Mallesons. We have been provided with extracts from title documents relating to such property interests. We have not, however, searched the original documents to verify ownership or existence of any amendment which does 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 Enlarged Group, in particular, but not limited to, the sales records, planning approvals, statutory notices, easements, tenancies and floor areas. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificates 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 Enlarged Group, which is material to the valuation. We were also advised by the Enlarged Group that no material facts have been omitted from the information provided to us.

Our valuation does not make any allowance for contamination or pollution of the land, if any, which may have occurred as a result of past usage. However, should it be established subsequently that contamination exists at the Property or on any neighbouring land, we reserve the right to adjust the values reported herein.

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 nor any tests were made on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects.

The site inspections were carried out between 5 January to 7 January 2013 by Ms. Demi Huang, Ms. Alice Lai, Mr. Alex Jin and Ms. Lucy Jin, whereas Ms. Demi Huang is China Real Estate Appraiser.

No allowance has been made in our valuation neither for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoing of an onerous nature which could affect their values.

Unless otherwise stated, all monetary amounts are stated in Renminbi ("**RMB**").

We enclose herewith our summary of values and valuation certificate.

Yours faithfully,
For and on behalf of
CBRE Limited

Leo M Y Lo
MHKIS MRICS RPS (GP)
Senior Director
Valuation & Advisory Services

Note: Mr. Leo M Y Lo is a member of Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice). He has over 9 years' valuation experience in the PRC and Hong Kong.

SUMMARY OF VALUES

	Property Interests	Capital Value in existing state as at 31 July 2013 *(RMB)*	Interests attributable to the Enlarged Group	Capital Value attributable to the Enlarged Group as at 31 July 2013 *(RMB)*
Group I — Property interests held by the Target Group for sale in the PRC				
1.	Various residential units, retail units, storage spaces and car parking spaces in the completed groups of Xicheng Yipin Development, Intersection of Xihuan Road and Qingnian Road, Yandu District, Yancheng City, Jiangsu Province, the PRC	83,000,000	100%	83,000,000
2.	Various residential units in the completed groups of TongJingYueCheng, East of Dajiang Road, Yudong Street, Ba'nan District, Chongqing City, the PRC	218,000,000	90%	196,200,000
			Group I Sub-total:	**279,200,000**
Group II — Property interests held by the Target Group for development in the PRC				
3.	The developing groups of Xicheng Yipin Development, Intersection of Xihuan Road and Qingnian Road, Yandu District, Yancheng City, Jiangsu Province, the PRC	377,000,000	100%	377,000,000

	Property Interests	Capital Value in existing state as at 31 July 2013 *(RMB)*	Interests attributable to the Enlarged Group	Capital Value attributable to the Enlarged Group as at 31 July 2013 *(RMB)*
4.	The developing groups of Xicheng Fudi Development, North of Daqing Road and west of Kaichuang Road, Yandu District, Yancheng City, Jiangsu Province, the PRC	424,000,000	100%	424,000,000
5.	The developing groups of Shuxiangyuan Development, Plot 18-7/02, C Zone, Yuzhong Zu Tuan, Yuzhong District, Chongqing City, the PRC	222,000,000	90%	199,800,000
6.	The developing groups of TongJingYueCheng, East of Dajiang Road, Yudong Street, Ba'nan District, Chongqing City, the PRC	215,000,000	90%	193,500,000
7.	A parcel of land located at south of Jiuzonggou, East of Kaichuang Road, Yandu District, Yancheng City, Jiangsu Province, the PRC	149,000,000	100%	149,000,000
			Group II Sub-total:	**1,343,300,000**

	Property Interests	Capital Value in existing state as at 31 July 2013 *(RMB)*	Interests attributable to the Enlarged Group	Capital Value attributable to the Enlarged Group as at 31 July 2013 *(RMB)*
Group III — Property interests contracted to be held by the Target Group in the PRC				
8.	A parcel of reserved land for Xicheng Fudi Development, North of Daqing Road and west of Kaichuang Road, Yandu District, Yancheng City, Jiangsu Province, the PRC	No commercial value	100%	No commercial value
			Group III Sub-total:	**No commercial value**
Group IV — Property interests rented and occupied by the Target Group in the PRC				
9.	Various leased properties in the PRC	No commercial value	100%	No commercial value
			Group IV Sub-total:	**No commercial value**

	Property Interests	Capital Value in existing state as at 31 July 2013 *(RMB)*	Interests attributable to the Enlarged Group	Capital Value attributable to the Enlarged Group as at 31 July 2013 *(RMB)*
Group V — Property interests rented and occupied by the Group in the PRC and Hong Kong				
10.	An industrial property unit located at 2/F, Hong Li Gao Electric Appliances Co., Ltd, Zhenxing Road, Cunwei Industrial Park, Hengli Town, Dongguan City, Guangdong Province, the PRC	No commercial value	100%	No commercial value
11.	Unit B, 8th Floor, St. John's Building, No. 33 Garden Road, Central, Hong Kong	No commercial value	100%	No commercial value
			Group V Sub-total:	**No commercial value**
			Grand total:	**1,622,500,000**

VALUATION CERTIFICATE

Group I — Property interests held by the Target Group for sale in the PRC

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 July 2013 *(RMB)*
1.	Various residential units, retail units, storage spaces and car parking spaces in the completed groups of Xicheng Yipin Development, Intersection of Xihuan Road and Qingnian Road, Yandu District, Yancheng City, Jiangsu Province, the PRC	The property comprises various residential units with an aggregate gross floor area of approximately 6,158 sq.m., various retail units with an aggregate gross floor area of approximately 3,383 sq.m., storage spaces with an aggregate gross floor area of approximately 1,042 sq.m., and 150 car parking spaces. Xicheng Yipin is a large-scale residential development with some retail components, of which portions are completed and portions are under construction. It occupies a site with an aggregate area of approximately 165,604 sq.m. (the "**Site**"). The property was completed in 2009–2011 for phases. The land use rights of the property are held under various State-owned Land Use Rights Certificates with terms expiring on 7 August 2077 and 24 April 2077 for residential use, 7 August 2047 and 24 April 2047 for commercial use.	The property is currently vacant.	83,000,000 (100% interests attributable to the Target Group: RMB83,000,000)

Notes:

(a) Pursuant to the following State-owned Land Use Rights Grant Contract and its supplemental contract, the land use rights of the Site, with an aggregate site area of approximately 165,604 sq.m., have been contracted to be granted to Jiangsu Province Fullshare Property Development Limited (江蘇省豐盛房地產開發有限公司), which is a wholly owned subsidiary of the Target Company, at an aggregate consideration of RMB180,917,240.

State-owned Land Use Rights Grant Contract Number	Use	Site Area *(sq.m.)*	Date of Contract
Yan Shi Guo Rang (He) Zi (2006) No. 21	Residential and Commercial	165,604	25 April 2007

(b) Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of the Site, with an aggregate site area of approximately 165,604 sq.m., have been granted to Jiangsu Province Fullshare Property Development Limited (江蘇省豐盛房地產開發有限公司), which is a wholly owned subsidiary of the Target Company.

State-owned Land Use Rights Certificate Number	Use	Site Area (sq.m.)	Date of Expiry
Yandu Guo Yong (2009) No. 012000053	Residential and Commercial	113,341	Residential: 7 August 2077 Commercial: 7 August 2047
Yandu Guo Yong (2009) No. 012000871	Residential and Commercial	46,663	Residential: 7 August 2077 Commercial: 7 August 2047
Yandu Guo Yong (2010) No. 012000110	Residential and Commercial	5,600	Residential: 24 April 2077 Commercial: 24 April 2047

(c) Pursuant to the "Reply on the XiChengYiPinHuaYuan underground civil defence construction project" (Yan Fang Ban Gong 2009 no. 15) issued by the Yancheng City Civil Defence Office on 14 April 2009, the Target Group is required to construct various civil defence projects with an aggregate area of approximately 20,730 sq.m.. Mutual agreement was made that the Target Group will construct various civil defence projects with an aggregate area of approximately 18,363 sq.m. within the XiChengYiPinHuaYuan project.

(d) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

i. The Land Use Rights Grant Contract and supplemental agreements are legal, valid and binding on both parties.

ii. The Target Group has paid the land premium in respect of the Site in full. The Target Group has obtained the relevant State-owned Land Use Rights Certificates of the Site and has acquired the land use rights to the Site. Pursuant to various State-owned Land Use Rights Certificates, during the terms of the land use rights, the Target Group is fully entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the Site save.

iii. The Target Group has obtained from the PRC Government all requisite approvals in respect of the construction. As confirmed by the Target Group, there is no legal risk that the Target Group will be subject to repeal of the approvals. The Target Group is fully entitled to development and construction of the property.

iv. The Target Group has obtained the requisite pre-sale permit of portion of the property and has the right to pre-sell the same.

(e) A summary of major certificate/approvals is shown as follows:

(i)	State-owned Land Use Rights Grant Contract	Yes
(ii)	Stated-owned Land Use Rights Certificate	Yes
(iii)	Construction Land Use Planning Permit	Yes
(iv)	Construction Works Planning Permit	Yes
(v)	Construction Works Commencement Permit	Yes
(vi)	Construction Works Completion Certified Report	Yes

(f) Based on the prevailing rules and regulations at the Latest Practicable Date, the potential tax liabilities which would arise on the disposal of properties located in the PRC mainly include PRC business tax (5% of gross selling price for properties), PRC land appreciation tax (30% to 60% of the net taxable gain on the sale of property), PRC corporate income tax (25% of the taxable income of the corporate) and stamp duty (0.05% on the contract value for the transfer of property). The precise tax implication will be subject to the prevailing rules and regulations at the time of disposal. As advised by the Target Group, the properties were intended for sale. Therefore, the likelihood of the relevant tax liabilities being crystallized is high.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 July 2013 *(RMB)*
2.	Various residential units of TongJingYueCheng, East of Dajiang Road, Yudong Street, Ba'nan District, Chongqing City, the PRC	The property comprises various residential units with an aggregate gross floor area of approximately 34,950 sq.m. TongJingYueCheng is a large-scale residential development, of which portions are completed and portions are under construction. It occupies a site with an aggregate area of approximately 51,172 sq.m. (the "**Site**"). The property was completed in 2013. The land use rights of the property are held under a State-owned Land Use Rights Certificate with a term expiring on 4 February 2060 for residential use and 4 February 2050 for commercial use.	The property is currently vacant.	218,000,000 (90% interests attributable to the Target Group: RMB196,200,000)

Notes:

(a) Pursuant to the following State-owned Land Use Rights Grant Contract, the land use rights of the Site, with an aggregate site area of approximately 51,172 sq.m., have been contracted to be granted to Chongqing Tongjing Changhao Property Limited (重慶同景昌浩置業有限公司), which is an indirectly 90% owned subsidiary of the Target Company, at an aggregate consideration of RMB87,500,000.

State-owned Land Use Rights Grant Contract Number	Use	Site Area *(sq.m.)*	Date of Contract
Yu Di (2010) He Zi (Ba Nan) No.25	Residential and Commercial	51,172	5 February 2010

(b) Pursuant to the following Realty Title Certificate, the land use rights of the Site, with an aggregate site area of approximately 51,172 sq.m., have been granted to Chongqing Tongjing Changhao Property Limited (重慶同景昌浩置業有限公司), which is an indirectly 90% owned subsidiary of the Target Company.

Realty Title Certificate Number	Use	Site Area *(sq.m.)*	Date of Expiry
202D Fang Di Zheng 2010 Zi Di No.00109	Residential and Commercial	51,172	Residential: 4 February 2060 Commercial: 4 February 2050

(c) Pursuant to the following Construction Works Completion Certified Report inter alia, the following salient conditions:

Construction Works Completion Certified Report Number	Project Name	Construction Scale (sq.m.)
Jian Jun Bei Zi Ba Nan 2013 19	Block 2, 3,4,5 of TongJingYueCheng	75,697.94
Jian Jun Bei Zi Ba Nan 2013 31	Block 7 of TongJingYueCheng	18,911.07
Total		**94,609.01**

(d) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

i. The Land Use Rights Grant Contract is legal, valid and binding on both parties.

ii. The Target Group has paid the land premium in respect of the Site in full. The Target Group has obtained the relevant Realty Title Certificates of the Site and has acquired the land use rights to the Site. Pursuant to various Realty Title Certificates, during the terms of the land use rights, the Target Group is fully entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the Site save.

iii. The Target Group has obtained from the PRC Government all requisite approvals in respect of the construction. As confirmed by the Target Group, there is no legal risk that the Target Group will be subject to repeal of the approvals. The Target Group is fully entitled to development and construction of the property.

iv. The Target Group has obtained the requisite pre-sale permit of portion of the property and has the right to pre-sell the same.

(e) As advised by the Target Group, a portion of the residential units of the property with a gross floor area of approximately 16,646 sq.m. have been contracted to be sold for the total purchase price of RMB 99,200,000. In arriving at our opinion on the capital value of the property, we have taken into account of the purchase price of these portions.

(f) Pursuant to the "Notification of Chongqing City Underground Civil Defence Construction" (2010 Yu Jie Jian Bei An (Ba'nan) no.15–2), various underground civil defence projects with an aggregate area of 7,011.71sq.m. will be constructed within the property.

(g) A summary of major certificate/approvals is shown as follows:

(i)	State-owned Land Use Rights Grant Contract	Yes
(ii)	Stated-owned Land Use Rights Certificate	Yes
(iii)	Construction Land Use Planning Permit	Yes
(iv)	Construction Works Planning Permit	Yes
(v)	Construction Works Commencement Permit	Yes
(vi)	Pre-sale Permit	Yes
(vii)	Construction Works Completion Certified Report	Yes

(h) Based on the prevailing rules and regulations at the Latest Practicable Date, the potential tax liabilities which would arise on the disposal of properties located in the PRC mainly include PRC business tax (5% of gross selling price for properties), PRC land appreciation tax (30% to 60% of the net taxable gain on the sale of property), PRC corporate income tax (25% of the taxable income of the corporate) and stamp duty (0.05% on the contract value for the transfer of property). The precise tax implication will be subject to the prevailing rules and regulations at the time of disposal. As advised by the Target Group, the properties were intended for sale. Therefore, the likelihood of the relevant tax liabilities being crystallized is high.

VALUATION CERTIFICATE

Group II — Property interests held by the Target Group for development in the PRC

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 July 2013 *(RMB)*
3.	The developing groups of Xicheng Yipin Development, Intersection of Xihuan Road and Qingnian Road, Yandu District, Yancheng City, Jiangsu Province, the PRC	Upon completion, the property will comprise various residential units with an aggregate gross floor area of approximately 84,688 sq.m., various retail units with an aggregate gross floor area of approximately 7,799 sq.m., and storage spaces with an aggregate gross floor area of approximately 4,389 sq.m.. Xicheng Yipin is a large-scale residential development with some retail components, of which portions are completed and portions are under construction. It occupies a site with an aggregate area of approximately 165,604 sq.m. (the "**Site**"). As advised by the Target Group, the estimated outstanding construction cost to completion for the property as at the date of valuation is approximately RMB71,300,000 (excluding marketing, finance, and other indirect costs), and the incurred construction cost as at the date of valuation is approximately RMB214,000,000 (excluding marketing, finance, and other indirect costs). As advised by the Target Group, the property will be completed in 2013. The land use rights of the property are held under various State-owned Land Use Rights Certificates with terms expiring on 7 August 2077 and 24 April 2077 for residential use, 7 August 2047 and 24 April 2047 for commercial use.	The property is currently under construction.	377,000,000 (100% interests attributable to the Target Group: RMB377,000,000)

Notes:

(a) Pursuant to the following State-owned Land Use Rights Grant Contract and its supplemental contract, the land use rights of the Site, with an aggregate site area of approximately 165,604 sq.m., have been contracted to be granted to Jiangsu Province Fullshare Property Development Limited (江蘇省豐盛房地產開發有限公司), which is a wholly owned subsidiary of the Target Company, at an aggregate consideration of RMB180,917,240.

State-owned Land Use Rights Grant Contract Number	**Use**	**Site Area** *(sq.m.)*	**Date of Contract**
Yan Shi Guo Rang (He) Zi (2006) No. 21	Residential and Commercial	165,604	25 April 2007

(b) Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of the Site, with an aggregate site area of approximately 165,604 sq.m., have been granted to Jiangsu Province Fullshare Property Development Limited (江蘇省豐盛房地產開發有限公司), which is a wholly owned subsidiary of the Target Company.

State-owned Land Use Rights Certificate Number	**Use**	**Site Area** *(sq.m.)*	**Date of Expiry**
Yandu Guo Yong (2009) No. 012000053	Residential and Commercial	113,341	Residential: 7 August 2077 Commercial: 7 August 2047
Yandu Guo Yong (2009) No. 012000871	Residential and Commercial	46,663	Residential: 7 August 2077 Commercial: 7 August 2047
Yandu Guo Yong (2010) No. 012000110	Residential and Commercial	5,600	Residential: 24 April 2077 Commercial: 24 April 2047

(c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

i. The Land Use Rights Grant Contract and supplemental agreements are legal, valid and binding on both parties.

ii. The Target Group has paid the land premium in respect of the Site in full. The Target Group has obtained the relevant State-owned Land Use Rights Certificates of the Site and has acquired the land use rights to the Site. Pursuant to various State-owned Land Use Rights Certificates, during the terms of the land use rights, the Target Group is fully entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the Site save.

iii. The Target Group has obtained from the PRC Government all requisite approvals in respect of the construction. As confirmed by the Target Group, there is no legal risk that the Target Group will be subject to repeal of the approvals. The Target Group is fully entitled to development and construction of the property.

iv. The Target Group has obtained the requisite pre-sale permit of portion of the property and has the right to pre-sell the same.

v. The Site is still under construction, pursuant to the supplementary Land Use Rights Grant Contract, the agreed completion date is 30 December 2011 which has already passed. But since it is due to the government's issue, the risk of payment of related penalty is very low.

(d) We are of the opinion that the Gross Development Value of the property, assuming it were just completed as at the date of valuation, was approximately RMB2,259,000,000.

(e) As advised by the Target Group, portions of the residential and retail units of the property with a gross floor area of approximately 83,601 sq.m. and 3,902 sq.m. respectively have been contracted to be sold for an aggregate purchase price of RMB471,186,851. In arriving at our opinion on the capital value of the property, we have taken into account of the purchase price of these portions.

(f) Pursuant to the "Reply on the XiChengYiPinHuaYuan underground civil defence construction project" (Yan Fang Ban Gong 2009 no. 15) issued by the Yancheng City Civil Defence Office on 14 April 2009, the Target Group is required to construct various civil defence projects with an aggregate area of approximately 20,730 sq.m.. Mutual agreement was made that the Target Group will construct various civil defence projects with an aggregate area of approximately 18,363 sq.m. within the XiChengYiPinHuaYuan project.

(g) A summary of major certificate/approvals is shown as follows:

(i)	State-owned Land Use Rights Grant Contract	Yes
(ii)	Stated-owned Land Use Rights Certificate	Yes
(iii)	Construction Land Use Planning Permit	Yes
(iv)	Construction Works Planning Permit	Yes
(v)	Construction Works Commencement Permit	Yes
(vi)	Pre-sale Permit	Part
(vii)	Construction Works Completion Certified Report	N/A

(h) Based on the prevailing rules and regulations at the Latest Practicable Date, the potential tax liabilities which would arise on the disposal of properties located in the PRC mainly include PRC business tax (5% of gross selling price for properties), PRC land appreciation tax (30% to 60% of the net taxable gain on the sale of property), PRC corporate income tax (25% of the taxable income of the corporate) and stamp duty (0.05% on the contract value for the transfer of property). The precise tax implication will be subject to the prevailing rules and regulations at the time of disposal. As advised by the Target Group, the properties were under construction and intended for future sale. Therefore, the likelihood of the relevant tax liabilities being crystallized is high.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 July 2013 *(RMB)*
4.	The developing groups of Xicheng Fudi Development, North of Daqing Road and west of Kaichuang Road, Yandu District, Yancheng City, Jiangsu Province, the PRC	As advised by the Target Group, upon completion, the property, together with property no. 7 which has been contracted to be held by the Target Group, will be developed into Xicheng FuDi comprising various residential units with an aggregate gross floor area of approximately 334,556 sq.m. (68,594 sq.m. of which will be price-fixed), various retail units with an aggregate gross floor area of approximately 6,029 sq.m., storage spaces with an aggregate gross floor area of approximately 23,150 sq.m. and car parking spaces with an aggregate gross floor area of approximately 51,314 sq.m.. The property occupies a site with an aggregate area of approximately 122,820 sq.m.. As advised by the Target Group, the estimated outstanding construction cost to completion for the property as at the date of valuation is approximately RMB1,153,000,000 (excluding marketing, finance, and other indirect costs), and the incurred construction cost as at the date of valuation is approximately RMB67,000,000 (excluding marketing, finance, and other indirect costs). As advised by the Target Group, the property will be completed in 2014. The land use rights of the property are held under various State-owned Land Use Rights Certificates with terms expiring on 13 December 2081 for residential use and 13 December 2051 for commercial use.	The property is currently under construction.	424,000,000 (100% interests attributable to the Target Group: RMB424,000,000)

Notes:

(a) Pursuant to the following State-owned Land Use Rights Grant Contracts, the land use rights of the site, where the property located therein, with an aggregate site area of approximately 139,205 sq.m., have been contracted to be granted to Jiangsu Province Fullshare Property Development Limited (江蘇省豐盛房地產開發有限公司), which is a wholly owned subsidiary of the Target Company, at an aggregate consideration of RMB395,097,095.

State-owned Land Use Rights Grant Contract Number	Use	Site Area *(sq.m.)*	Date of Contract
No. 3209012011CR0019	Residential and Commercial	74,385	17 January 2011
No. 3209012011CR0020	Residential and Commercial	64,820	17 January 2011

(b) Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of the property, with an aggregate site area of approximately 122,820 sq.m., have been granted to Jiangsu Province Fullshare Property Development Limited (江蘇省豐盛房地產開發有限公司), which is a wholly owned subsidiary of the Target Company.

State-owned Land Use Rights Certificate Number	Use	Site Area *(sq.m.)*	Date of Expiry
Yandu Guo Yong (2013) No. 012000337	Residential and Commercial	64,820	Residential: 13 December 2081 Commercial: 13 December 2051
Yandu Guo Yong (2011) No. 012001801	Residential and Commercial	58,000	Residential: 13 December 2081 Commercial: 13 December 2051

(c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

i. The Land Use Rights Grant Contract is legal, valid and binding on both parties.

ii. The Target Group has paid the land premium in full. The Target Group has obtained the relevant State-owned Land Use Rights Certificates of the delivered portion of the Site and has acquired the land use rights to such portion. Pursuant to various State-owned Land Use Rights Certificates, during the terms of the land use rights, the Target Group is fully entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the delivered portion of the Site.

iii. The Target Group has obtained from the PRC Government partial requisite approvals in respect of the construction. As confirmed by the Target Group, there is no legal risk that the Target Group will be subject to repeal of the approvals. The Target Group is fully entitled to the approved portion of development and construction of the property.

iv. The following portions of the property and the Site are subject to mortgages. The Target Group is entitled to occupy, use and lease of such portions. The transfer of such portions shall be subject to the prior consent from the mortgagee and the transferee shall be informed of such activity:

Corresponding State-owned Land Use Rights Certificate Number	Encumbrance No.	Date of Instruments	Creditor
Yan Du Guo Yong (2011) No. 012001801 (Site Area: 58,000 sq.m.) Yan Du Guo Yong (2011) No. 012001742 (Site Area: 59,021 sq.m.)	No. D150229820D2012073001	28 August 2012	Bank of China Yancheng Chengzhong Sub-branch (中國銀行股份有限公司鹽城城中支行)

(d) We are of the opinion that the Gross Development Value of the property, assuming it were just completed as at the date of valuation, was approximately RMB2,259,000,000.

(e) As advised by the Target Group, portions of the residential units of the property with a gross floor area of approximately 14,153 sq.m. have been contracted to be sold for the total purchase price of RMB76,485,489. In arriving at our opinion on the capital value of the property, we have taken into account of a purchase price of these portions.

(f) Pursuant to the "Reply on the XiChengZhongYang underground civil defence construction project" (Yan Fang ban Gong 2012 no. 37) issued by the Yancheng city civil defence office on 14 May 2012, the Target Group is required to construct various civil defence projects with an aggregate area of approximately 17,400 sq.m.. The project is used as car parking spaces at peacetime.

(g) A summary of major certificate/approvals is shown as follows:

(i)	State-owned Land Use Rights Grant Contract	Yes
(ii)	Stated-owned Land Use Rights Certificate	Yes
(iii)	Construction Land Use planning Permit	Yes
(iv)	Construction Works Planning Permit	Part
(v)	Construction Works Commencement Permit	Part
(vi)	Pre-sale Permit	Part
(vii)	Construction Works Completion Certified Report	N/A

(h) Based on the prevailing rules and regulations at the Latest Practicable Date, the potential tax liabilities which would arise on the disposal of properties located in the PRC mainly include PRC business tax (5% of gross selling price for properties), PRC land appreciation tax (30% to 60% of the net taxable gain on the sale of property), PRC corporate income tax (25% of the taxable income of the corporate) and stamp duty (0.05% on the contract value for the transfer of property). The precise tax implication will be subject to the prevailing rules and regulations at the time of disposal. As advised by the Target Group, the properties were under construction and intended for future sale. Therefore, the likelihood of the relevant tax liabilities being crystallized is high.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 July 2013 *(RMB)*
5.	The developing groups of Shuxiangyuan Development, Plot 18-7/02, C Zone, Yuzhong Zu Tuan, Yuzhong District, Chongqing City, the PRC	As advised by the Target Group, upon completion, the property will comprise various residential units with an aggregate gross floor area of approximately 45,800.04 sq.m. and 98 underground car parking spaces. The property occupies a site with an aggregate area of approximately 11,804.2 sq.m. (the "**Site**"). As advised by the Target Group, the estimated outstanding construction cost to completion for the property as at the date of valuation is approximately RMB76,200,000 (excluding marketing, finance, and other indirect costs), and the incurred construction cost as at the date of valuation is approximately RMB167,500,000 (excluding marketing, finance, and other indirect costs). As advised by the Target Group, the property will be completed in approximately 2013. The land use rights of the property are held under a State-owned Land Use Rights Certificate with a term expiring on 6 May 2060 for residential use.	The property is currently under construction.	222,000,000 (90% interests attributable to the Target Group: RMB199,800,000)

Notes:

(a) Pursuant to the following State-owned Land Use Rights Grant Contract, the land use rights of the Site, with an aggregate site area of approximately 11,804.2 sq.m., have been contracted to be granted to the Target Group at an aggregate consideration of RMB87,500,000.

State-owned Land Use Rights Grant Contract Number	Use	Site Area *(sq.m.)*	Date of Contract
Yu Di (2010) He Zi (Zhong Qu) No. 64	Residential	11,804.2	1 April 2010

(b) Pursuant to the following Realty Title Certificate, the land use rights of the Site, with an aggregate site area of approximately 11,804.2 sq.m., have been granted to the Target Group.

Realty Title Certificate Number	Use	Site Area *(sq.m.)*	Date of Expiry
101D Fang Di Zheng 2010 Zi Di No. 00028	Residential	11,804.2	6 May 2060

(c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

i. The Land Use Rights Grant Contract is legal, valid and binding on both parties.

ii. The Target Group has paid the land premium in respect of the Site in full. The Target Group has obtained the relevant Realty Title Certificates of the Site and has acquired the land use rights to the Site. Pursuant to various Realty Title Certificates, during the terms of the land use rights, the Target Group is fully entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the Site save.

iii. The Target Group has obtained from the PRC Government all requisite approvals in respect of the construction. As confirmed by the Target Group, there is no legal risk that the Target Group will be subject to repeal of the approvals. The Target Group is fully entitled to development and construction of the property.

iv. The Target Group has obtained the requisite pre-sale permit of portion of the property and has the right to pre-sell the same.

(d) We are of the opinion that the Gross Development Value of the property, assuming it were just completed as at the date of valuation, was approximately RMB370,000,000.

(e) As advised by the Target Group, portions of the residential units of the property with a gross floor area of approximately 38,523.97 sq.m. have been contracted to be sold for the total purchase price of RMB298,300,000. In arriving at our opinion on the capital value of the property, we have taken into account of the purchase price of these portions.

(f) Pursuant to the "Notification of Chongqing City Underground Civil Defence Construction" (2010 Yu Jie Jian Bei An (Yuzhong) no. 11-2), various underground civil defence projects with an aggregate area of 2,332.1 sq.m. will be constructed within the property.

(g) A summary of major certificate/approvals is shown as follows:

(i)	State-owned Land Use Rights Grant Contract	Yes
(ii)	Stated-owned Land Use Rights Certificate	Yes
(iii)	Construction Land Use planning Permit	Yes
(iv)	Construction Works Planning Permit	Yes
(v)	Construction Works Commencement Permit	Yes
(vi)	Pre-sale Permit	Yes
(vii)	Construction Works Completion Certified Report	No

(h) Based on the prevailing rules and regulations at the Latest Practicable Date, the potential tax liabilities which would arise on the disposal of properties located in the PRC mainly include PRC business tax (5% of gross selling price for properties), PRC land appreciation tax (30% to 60% of the net taxable gain on the sale of property), PRC corporate income tax (25% of the taxable income of the corporate) and stamp duty (0.05% on the contract value for the transfer of property). The precise tax implication will be subject to the prevailing rules and regulations at the time of disposal. As advised by the Target Group, the properties were under construction and intended for future sale. Therefore, the likelihood of the relevant tax liabilities being crystallized is high.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 July 2013 *(RMB)*
6.	The developing groups of TongJingYueCheng, East of Dajiang Road, Yudong Street, Ba'nan District, Chongqing City, the PRC	As advised by the Target Group, upon completion, the property will comprise various residential units with an aggregate gross floor area of approximately 85,908 sq.m., various retail units with an aggregate gross floor area of approximately 1,400 sq.m., and 683 underground car parking spaces. The property occupies a site with an aggregate area of approximately 51,172 sq.m. (the "**Site**"). As advised by the Target Group, the estimated outstanding construction cost to completion for the property as at the date of valuation is approximately RMB231,700,000 (excluding marketing, finance, and other indirect costs), and the incurred construction cost as at the date of valuation is approximately RMB474,500,000 (excluding marketing, finance, and other indirect costs). As advised by the Target Group, the property will be completed in about 2015. The land use rights of the property are held under a State-owned Land Use Rights Certificate with a term expiring on 4 February 2060 for residential use and 4 February 2050 for commercial use.	The property is currently under construction.	215,000,000 (90% interests attributable to the Target Group: RMB193,500,000)

Notes:

(a) Pursuant to the following State-owned Land Use Rights Grant Contract, the land use rights of the Site, with an aggregate site area of approximately 51,172 sq.m., have been contracted to be granted to Chongqing Tongjing Changhao Property Limited (重慶同景昌浩置業有限公司), which is an indirectly 90% owned subsidiary of the Target Company, at an aggregate consideration of RMB87,500,000.

State-owned Land Use Rights Grant Contract Number	Use	Site Area *(sq.m.)*	Date of Contract
Yu Di (2010) He Zi (Ba Nan) No. 25	Residential and Commercial	51,172	5 February 2010

(b) Pursuant to the following Realty Title Certificate, the land use rights of the Site, with an aggregate site area of approximately 51,172 sq.m., have been granted to Chongqing Tongjing Changhao Property Limited (重慶同景昌浩置業有限公司), which is an indirectly 90% owned subsidiary of the Target Company.

Realty Title Certificate Number	Use	Site Area (sq.m.)	Date of Expiry
202D Fang Di Zheng 2010 Zi Di No. 00109	Residential and Commercial	51,172	Residential: 4 February 2060 Commercial: 4 February 2050

(c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

i. The Land Use Rights Grant Contract is legal, valid and binding on both parties.

ii. The Target Group has paid the land premium in respect of the Site in full. The Target Group has obtained the relevant Realty Title Certificates of the Site and has acquired the land use rights to the Site. Pursuant to various Realty Title Certificates, during the terms of the land use rights, the Target Group is fully entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the Site save.

iii. The Target Group has obtained from the PRC Government all requisite approvals in respect of the construction. As confirmed by the Target Group, there is no legal risk that the Target Group will be subject to repeal of the approvals. The Target Group is fully entitled to development and construction of the property.

iv. The Target Group has obtained the requisite pre-sale permit of portion of the property and has the right to pre-sell the same.

v. The following portions of the property and the Site are subject to mortgages. The Target Group is entitled to occupy, use and lease of such portions. The transfer of such portions shall be subject to the prior consent from the mortgagee and the transferee shall be informed of such activity:

Corresponding Realty Title Certificate Number	Encumbrance No.	Date of Instruments	Creditor
Residential construction works of TongJingYueCheng (Planning GFA: 3,389.44 sq.m.)	Gong Dan Di Zi No. 99112011295474, Gong Jie Dai Zi No. 99112011295474-1, (2011) Di Ya No. 09281100013, 201109281100013-12	20 September 2011, 20 September 2011, 28 September 2011, 7 January 2013	China Minsheng Banking Corp., Ltd. Chongqing Branch (中國民生銀行股份有限公司重慶分行)
Residential construction works of TongJingYueCheng (Planning GFA: 8,805.97 sq.m.)	Gong Dan Di Zi No. 99112012296402, (2012) Di Ya No. 05301100064, 201205301100064-8	14 May 2012, 6 June 2012, 23 January 2013	China Minsheng Banking Corp., Ltd. Chongqing Branch (中國民生銀行股份有限公司重慶分行)
Residential construction works of TongJingYueCheng (Planning GFA: 15,966.81 sq.m.)	(2012) Di Ya No. 11011100147, 11011100147-4	29 October 2012, 7 January 2013	China Minsheng Banking Corp., Ltd. Chongqing Branch (中國民生銀行股份有限公司重慶分行)

(d) We are of the opinion that the Gross Development Value of the property, assuming it were just completed as at the date of valuation, was approximately RMB656,700,000.

(e) Pursuant to the "Notification of Chongqing City Underground Civil Defence Construction" (2010 Yu Jie Jian Bei An (Ba'nan) no. 15-2), various underground civil defence projects with an aggregate area of 7,011.71 sq.m. will be constructed within the property.

(f) A summary of major certificate/approvals is shown as follows:

(i)	State-owned Land Use Rights Grant Contract	Yes
(ii)	Stated-owned Land Use Rights Certificate	Yes
(iii)	Construction Land Use planning Permit	Yes
(iv)	Construction Works Planning Permit	Yes
(v)	Construction Works Commencement Permit	Yes
(vi)	Pre-sale Permit	Part
(vii)	Construction Works Completion Certified Report	No

(g) Based on the prevailing rules and regulations at the Latest Practicable Date, the potential tax liabilities which would arise on the disposal of properties located in the PRC mainly include PRC business tax (5% of gross selling price for properties), PRC land appreciation tax (30% to 60% of the net taxable gain on the sale of property), PRC corporate income tax (25% of the taxable income of the corporate) and stamp duty (0.05% on the contract value for the transfer of property). The precise tax implication will be subject to the prevailing rules and regulations at the time of disposal. As advised by the Target Group, the properties were under construction and intended for future sale. Therefore, the likelihood of the relevant tax liabilities being crystallized is high.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 July 2013 *(RMB)*
7.	A parcel of land located at south of Jiuzonggou, East of Kaichuang Road, Yandu District, Yancheng City, Jiangsu Province, the PRC	As advised by the Target Group, upon completion, the property will be developed into a residential development comprising various residential units (about 20% of which are required to be price-fixed), various retail units, storages and car parking spaces with an aggregate gross floor area of approximately 274,608 sq.m.. The property occupies a site with an aggregate area of approximately 89,123 sq.m.. As advised by the Target Group, the property will be completed in approximately 2017. The land use rights of the property are held under a State-owned Land Use Rights Certificate with terms expiring on 7 October 2081 for residential use and 7 October 2051 for commercial use.	The property is currently vacant.	149,000,000 (100% interests attributable to the Target Group: RMB149,000,000)

Notes:

(a) Pursuant to the following State-owned Land Use Rights Grant Contract, the land use rights of the property, with an aggregate site area of approximately 89,123 sq.m., have been contracted to be granted to Jiangsu Province Fullshare Property Development Limited (江蘇省豐盛房地產開發有限公司), which is a wholly owned subsidiary of the Target Company, at an aggregate consideration of RMB133,684,500.

State-owned Land Use Rights Grant Contract Number	Use	Site Area *(sq.m.)*	Date of Contract
No. 3209012011CR0259	Residential and Commercial	89,123	31 October 2010

(b) Pursuant to the following State-owned Land Use Rights Certificate, the land use rights of the property, with an aggregate site area of approximately 89,123 sq.m., have been granted to Jiangsu Province Fullshare Property Development Limited (江蘇省豐盛房地產開發有限公司), which is a wholly owned subsidiary of the Target Company.

State-owned Land Use Rights Certificate Number	Use	Site Area *(sq.m.)*	Date of Expiry
Yandu Guo Yong (2011) No. 022007015	Residential and Commercial	89,123	Residential: 7 October 2081 Commercial: 7 October 2051

(c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

i. The Land Use Rights Grant Contract and is legal, valid and binding on both parties.

ii. The Target Group has paid the land premium in respect of the Site in full. The Target Group has obtained the relevant State-owned Land Use Rights Certificates of the Site and has acquired the land use rights to the Site. Pursuant to various State-owned Land Use Rights Certificates, during the terms of the land use rights, the Target Group is fully entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the Site save.

iii. Given the Site has not been developed, pursuant to the Land Use Rights Grant Contract, the agreed commencement date has passed, overdue less than one year, so the Site will not be regarded as idle land. There is no legal risk that the Target Group will be subject to forfeiture of the Site. The Target Group only has obligation of paying related penalty, 1% of the land grant consideration per day, if overdue. Since the government has confirmed the above situation, and has approved the delaying commencement request by the Target Group, the risk of payment of related penalty and forfeiture of the Site and land deposit imposed by the local government authority is very low at the current stage.

iv. The following portions of the property and the Site are subject to mortgages. The Target Group is entitled to occupy, use and lease of such portions. The transfer of such portions shall be subject to the prior consent from the mortgagee and the transferee shall be informed of such activity:

Corresponding State-owned Land Use Rights Certificate Number	**Encumbrance No.**	**Date of Instruments**	**Creditor**
Yan Du Guo Yong 2011 No. 022007015 (Site Area: 89,123 sq.m.)	2011 Ning Yin Zui Di Zi No. 0590	22 December 2011	China Citic Bank Nanjing Branch (中信銀行股份有限公司南京分行)

(d) A summary of major certificate/approvals is shown as follows:

(i)	State-owned Land Use Rights Grant Contract	Yes
(ii)	Stated-owned Land Use Rights Certificate	Yes
(iii)	Construction Land Use planning Permit	N/A
(iv)	Construction Works Planning Permit	N/A
(v)	Construction Works Commencement Permit	N/A
(vi)	Construction Works Completion Certified Report	N/A

(e) Based on the prevailing rules and regulations at the Latest Practicable Date, the potential tax liabilities which would arise on the disposal of properties located in the PRC mainly include PRC business tax (5% of gross selling price for properties), PRC land appreciation tax (30% to 60% of the net taxable gain on the sale of property), PRC corporate income tax (25% of the taxable income of the corporate) and stamp duty (0.05% on the contract value for the transfer of property). The precise tax implication will be subject to the prevailing rules and regulations at the time of disposal. As advised by the Target Group, the property was a vacant land and intended for future sale. Therefore, the likelihood of the relevant tax liabilities being crystallized is remote.

VALUATION CERTIFICATE

Group III — Property interests contracted to be held by the Target Group in the PRC

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 July 2013 *(RMB)*
8.	A parcel of reserved land for Xicheng FuDi Development, North of Daqing Road and west of Kaichuang Road, Yandu District, Yancheng City, Jiangsu Province, the PRC	As advised by the Target Group, upon completion, the property, together with property no. 3 which is held by the Target Group, will be developed into Xicheng Zhongyang comprising various residential units with an aggregate gross floor area of approximately 334,556 sq.m. (68,594 sq.m. of which will be price-fixed), various retail units with an aggregate gross floor area of approximately 6,029 sq.m., storages with an aggregate gross floor area of approximately 23,150 sq.m. and car parking spaces with an aggregate gross floor area of approximately 51,314 sq.m.. As advised by the Target Group, the property will be completed in approximately 2017. The property occupies a site with an aggregate area of approximately 16,385 sq.m..	The property is currently vacant.	No Commercial Value

Notes:

(a) Pursuant to the following State-owned Land Use Rights Grant Contracts, the land use rights of the site, where the property located therein, with an aggregate site area of approximately 139,205 sq.m., have been contracted to be granted to Jiangsu Province Fullshare Property Development Limited (江蘇省豐盛房地產開發有限公司), which is a wholly owned subsidiary of the Target Company, at an aggregate consideration of RMB395,097,095.

State-owned Land Use Rights Grant Contract Number	Use	Site Area *(sq.m.)*	Date of Contract
No. 3209012011CR0019	Residential and Commercial	74,385	17 January 2011
No. 3209012011CR0020	Residential and Commercial	64,820	17 January 2011

(b) As advised by the Target Group, the Target Group has not yet obtained any State-owned Land Use Rights Certificate of the property as at 31 July 2013.

(c) In our valuation, we have ascribed no commercial value to the property. Had the Target Group paid all the land premium and obtained the appropriate State-owned Land Use Rights Certificate of the property, the capital value of the property at its existing state as at 31 July 2013 was in the sum of RMB57,000,000.

(d) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

i. The Land Use Rights Grant Contract is legal, valid and binding on both parties.

ii. The Target Group has paid the land premium in full. The Target Group has obtained the relevant State-owned Land Use Rights Certificates of the delivered portion of the Site and has acquired the land use rights to such portion. Pursuant to various State-owned Land Use Rights Certificates, during the terms of the land use rights, the Target Group is fully entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the delivered portion of the Site.

iii. The Target Group has obtained from the PRC Government partial requisite approvals in respect of the construction. As confirmed by the Target Group, there is no legal risk that the Target Group will be subject to repeal of the approvals. The Target Group is fully entitled to the approved portion of development and construction of the property.

(e) Pursuant to the "Reply on the XiChengZhongYang underground civil defence construction project"(Yan Fang ban Gong 2012 no. 37) issued by the Yancheng city civil defence office on 14 May 2012, the Target Group is required to construct various civil defence projects with an aggregate area of approximately 17,400 sq.m.. The project is used as car parking spaces at peacetime.

(f) A summary of major certificate/approvals is shown as follows:

(i)	State-owned Land Use Rights Grant Contract	Yes
(ii)	Stated-owned Land Use Rights Certificate	N/A
(iii)	Construction Land Use planning Permit	N/A
(iv)	Construction Works Planning Permit	N/A
(v)	Construction Works Commencement Permit	N/A
(vi)	Construction Works Completion Certified Report	N/A

(g) Based on the prevailing rules and regulations at the Latest Practicable Date, the potential tax liabilities which would arise on the disposal of properties located in the PRC mainly include PRC business tax (5% of gross selling price for properties), PRC land appreciation tax (30% to 60% of the net taxable gain on the sale of property), PRC corporate income tax (25% of the taxable income of the corporate) and stamp duty (0.05% on the contract value for the transfer of property). The precise tax implication will be subject to the prevailing rules and regulations at the time of disposal. As advised by the Target Group, the property was a vacant land and intended for future sale. Therefore, the likelihood of the relevant tax liabilities being crystallized is remote.

VALUATION CERTIFICATE

Group IV — Property interests rented and occupied by the Target Group in the PRC

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 March 2013 *(RMB)*
9.	Various leased properties in the PRC	As advised by the Target Group, the property comprises 8 premises in the PRC.	The property is currently rented by the Target Group as office and quarter.	No commercial value

Notes:

(a) 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 *(sq.m.)*	Lease term from	Lease term to	Annual Rent *(RMB)*	Use
1	Unit 209, 210 & 211, Block 8, No. 119 Ruanjian Avenue, Yuhuatai District, Nanjing City the PRC	Nanjing Fullshare Dazu Technology Co., Ltd.	Nanjing Fullshare Asset Management Limited	478.93	1 January 2013	31 December 2015	786,642	Office
2	Unit 19#601, Heng Tai Guan Cheng, No. 8 Kaiyuan Road, Yandu District, Yancheng City, Jiangsu Province, the PRC	Peng Xulong	Jiangsu Fullshare Real Estate Development Co., Ltd.	175.9	29 February 2012	28 February 2014	42,100	Quarter
3	Unit 27#3-1502, Yue Hu Hua Cheng, Yandu District, Yancheng City, Jiangsu Province, the PRC	Chen Xianyong	Jiangsu Fullshare Real Estate Development Co., Ltd.	85.89	10 August 2011	9 August 2013	25,000	Quarter
4	Unit 13#616, Yi Yun Xiang Xi, Yandu District, Yancheng City, Jiangsu Province, the PRC	Diao Chunkang	Jiangsu Fullshare Real Estate Development Co., Ltd.	62.07	1 November 2012	31 October 2013	13,800	Quarter
5	Unit 307&308, Zhujian Tower, Yandu District, Yancheng City, Jiangsu Province, the PRC	Bureau of Housing and Urban, Yandu District, Yandu City	Jiangsu Fullshare Real Estate Development Co., Ltd.	350	12 April 2013	11 October 2013	14,000	Office

No.	Property Address	Landlord	Tenant	Leased area (sq.m.)	Lease term from	Lease term to	Annual Rent (RMB)	Use
6	Unit 2&3, 20/F, Block A, Wanda Plaza, No. 8 Jiangnan Avenue, Nan'an District, Chongqing City, the PRC	Zhang Derong, Lan Hong	Chongqing Tong Jing Chang Hao Realty Co., Ltd.	424	7 February 2011	6 February 2016	228,960	Office
7	Unit 1, 5&6, 20/F, Block A, Wanda Plaza, No. 8 Jiangnan Avenue, Nan'an District, Chongqing City, the PRC	Chen Ying, Bao Yongmei	Chongqing Tong Jing Chang Hao Realty Co., Ltd.	672.52	7 February 2011	6 February 2016	363,160.8	Office
8	Unit 13-6, No. 9 Nancheng Avenue, Nan'an District, Chongqing City, the PRC	Wang Dingcheng	Chongqing Tong Jing Chang Hao Realty Co., Ltd.	92.3	12 March 2013	11 March 2014	12,000	Quarter

(b) We have been provided with a legal opinion on the properties prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

i. 7 tenancy agreements (No. 2 to No. 8 in the above table) have been registered in the relevant authorise. The remaining 1 tenancy agreement (No. 1 in the above table) has been registered in the relevant authorities. Under the applicable PRC laws, such non-registration shall not affect the validity of the tenancy agreement.

ii. The realty title certificates of all leased properties have been provided. The tenancy agreements are legal, valid and legally enforceable on both parties. The tenants are entitled to occupy or use relevant leased properties in accordance with the tenancy agreements and applicable PRC laws.

VALUATION CERTIFICATE

Group V — Property interests rented and occupied by the Group in the PRC and Hong Kong

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 July 2013 *(RMB)*
10.	An industrial property unit and various quarter units located at Buildings of Hong Li Gao Electric Appliances Co., Ltd, Zhenxing Road, Cunwei Industrial Park, Hengli Town, Dongguan City, Guangdong Province, the PRC	The property comprises one premise with a gross floor area of approximately 2,150 sq.m. on the 2nd floor of an industrial building, and various units with a gross floor area of approximately 365 sq.m. on the 2nd floor of a dormitory building. The two buildings were completed in about 2000. The property has an aggregate gross floor area of approximately 2,515 sq.m..	The space with a gross floor area of approximately 2,150 sq.m. is currently rented by the Group used as factory and office, the units with a gross floor area of approximately 365 sq.m. are currently rented by the Group used as quarters. The monthly rental is RMB15,000 with a term on monthly basis.	No commercial value

Notes:

(a) Pursuant to the Tenancy Agreement, the property is leased to Dongguan Up Stand Electrical Manufacturing Co., Ltd (東莞堅東電器製造有限公司), wholly owned subsidiary of the Group, from Dongguan Hong Li Gao Electric Appliances Co., Ltd (東莞市鴻利高電器有限公司).

(b) We were advised the owners of the properties are independent third parties from the Group.

(c) We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

i. As the building ownership certificate of the property and the sublease approvals from the owner are still yet to be provided, the validity of the tenancy agreement cannot be verified.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 July 2013 *(RMB)*
11.	Unit B, 8th Floor, St. John's Building, No. 33 Garden Road, Central, Hong Kong Undivided share of and in Inland Lot No. 7977	The property comprises an office unit on the 8th floor of St. John's Building, a 21-storey office building, with a net lettable area of approximately 1,700 sq.ft. The property was completed in 1993. The Inland Lot No. 7977 is held under Conditions of Exchange No. 8507 for a term of 75 years commencing from 18 August 1964. The Government Rent payable for the lot is HK$478 per annum.	The property is currently occupied by the Group as office. The monthly rental is HK$81,600 inclusive of management fee with a term of 3 years expiring on 18 June 2015.	No commercial value

Notes:

(a) The registered owner of the property is St John's Building Limited as per the memorial dated 11 November 1991 registered vide memorial no. UB5068474.

(b) We were advised that the registered owner is an independent 3rd party to the Group.

(c) The property falls within an area zoned as "Commercial" as per the approved Central District Outline Zoning Plan No. S/H4/13.

I. OVERVIEW OF REGULATIONS GOVERNING THE REAL ESTATE MARKET IN THE PRC

(I) Establishment of a real estate development enterprise

Pursuant to the Law of Administration of Urban Real Estate in the People's Republic of China (《中華人民共和國城市房地產管理法》) (the "**Urban Real Estate Law**") promulgated by the Standing Committee of the National People's Congress (the "**NPC**") on 5 July 1994, which became effective on 1 January 1995 and was last amended on 30 August 2007, a property developer is defined as an enterprise which engages in the development and sale of real estate for the purpose of making profits. Pursuant to 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 and became effective on 20 July 1998 and was last amended on 8 January 2011, an enterprise which is to engage in development of real estate shall satisfy the following requirements: (1) its registered capital shall be no less than RMB1 million; and (2) have at least four full-time professional real estate/construction technicians and at least two full-time accounting officers, each of whom shall hold the relevant qualification certificate. Under the Development Regulations, the local government of a province, autonomous region and/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 property developer.

Pursuant to the Development Regulations, application for registration has to be submitted to the department of administration for industry and commerce for the establishment of a real estate development enterprise. The property developer must file for record with the real estate development authority in the location of the registration authority, within 30 days of the receipt of its Business License.

Under the Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries (《關於調整部份行業固定資產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 property projects and affordable housing projects has been reduced to 20%, while that for other property projects has been reduced to 30%.

(II) Foreign-invested real estate development enterprises

Pursuant to the Foreign Investment Industrial Guidance Catalogue (2004 Revision) (《外商投資產業指導目錄》(二零零四年修訂)) (the "**2004 Catalogue**") jointly promulgated by the Ministry of Commerce of the PRC (the "**MOFCOM**") and the National Development and Reform Commission (the "**NDRC**") on 30 November 2004 and enforced on 1 January 2005, the development and construction of ordinary residential units falls within the category of "encouraged industry", whereas the development of a whole land lot which shall be operated only by Sino-foreign joint venture or Sino-foreign co-operative joint venture, and the construction and operation of upscale hotels, villas, premium office buildings, international conference centres and large theme parks falls within the category of "restricted industry", while other types of real estate development fall within the category of "permitted industry".

Pursuant to the Foreign Investment Industrial Guidance Catalogue (2007 Revision) (the "**2007 Catalogue**") (《外商投資產業指導目錄》(二零零七年修訂)) jointly promulgated by MOFCOM and NDRC on 31 October 2007 and became effective on 1 December 2007, which repealed the 2004 Catalogue upon its enactment, the development and construction of ordinary residential properties has been removed from the encouraged category to the permitted category; the restricted category has been adjusted as the following: (i) the development of large scale of land lots which shall be operated only by Sino-foreign joint ventures or Sino-foreign co-operative ventures; (ii) the construction and operation of upscale hotels, villas, premium office buildings and international conference centers; (iii) the secondary real estate market and housing agents or brokerages. The construction and operation of large scale theme park has been moved from the Real Estate industry to the Culture, Sports and Entertainment Industries which is still in the restricted category. It means that the enterprise investing in such projects will not be regarded as a real estate development company. The construction and operation of golf courts has been removed from the restricted category to the prohibited category.

Pursuant to the new Foreign Investment Industrial Guidance Catalogue (2011 Revision) (the "**2011 Catalogue**") (《外商投資產業指導目錄》(二零一一年修訂)) jointly promulgated by MOFCOM and NDRC on 24 December 2011 and became effective on 30 January 2012, which repealed the 2007 Catalogue upon its enactment, the construction and operation of villa has been moved from the restricted category to the prohibited category.

On 11 July 2006, the PRC Ministry of Housing and Urban-Rural Development (the "**MOHURD**"), MOFCOM, NDRC, the People's Bank of China (the "**PBOC**"), the State Administration of Industry and Commerce (the "**SAIC**") and the State Administration of Foreign Exchange (the "**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》) (Jian zhu fang [2006] No.171) (the "**Circular 171**"). According to the Circular 171, the admittance and administration of the foreign capital in the real estate market must comply with the following requirements:

(1) Foreign institutions or individuals purchasing real estate in the PRC not for their own use shall follow the principle of commercial existence and apply for establishment of foreign investment enterprises under the regulations of foreign investment in real estate. The foreign institutions and individuals can only carry out property development and business operation within the approved business scope after obtaining the Approval Certificates for a Foreign-invested Enterprise and business licenses from the relevant authorities and upon completion of the relevant registrations.

(2) If the total investment of a foreign-invested real estate enterprise exceeds or equals to USD10 million, the registered capital must be no less than 50% of the total investment. If the total investment is less than USD10 million, the amount of the registered capital shall follow the existing regulations.

(3) For the establishment of a foreign-invested real estate enterprise, the commerce authorities and the department of administration of industry and commerce are in charge of granting approval for establishment and effecting registration of the foreign-invested real estate development enterprise and issuing the Approval Certificate for a Foreign Investment Enterprise and the Business License which are only effective for one year. After settlement of the land premiums, the enterprises should apply for the grant of State-owned Land Use Rights Certificate by presenting the above-mentioned certificate and license. With the land use rights certificate, the enterprises will receive an official Approval Certificate for a Foreign Investment Enterprise from the commerce authorities, and shall replace the Approval Certificate for Foreign Investment Enterprise with the Business License which has the same operation term in the department of administration of industry and commerce, and then it shall apply for tax registration with the tax authorities.

(4) Transfers of projects of or shares in foreign-invested real estate enterprises, and the acquisitions of domestic real estate enterprises by foreign investors should follow strictly the relevant laws, regulations and policies to obtain the approvals. The investor should submit: (i) the guarantee letters for the performance of the state-owned land use right grant contract, the Planning Permit for Construction Land and Construction Work Planning Permit; (ii) Certificate of Land Use Right; (iii) the certification on alteration of archival files issued by construction authorities; and (iv) the certification on the payment of tax issued by the relevant tax authorities.

(5) While merging and acquiring domestic real estate enterprises by way of share transfer or other means, or the purchase of shares from the Chinese party in a Sino-foreign joint venture, the foreign investors shall properly resettle the employees, settle the bank loans and pay all the consideration at a time with its internal fund. The foreign investors with unfavorable record shall not be allowed to conduct any of the aforesaid activities.

On 23 May 2007, MOFCOM and SAFE jointly issued the Notice Concerning Further Strengthening and Regulating the Examination, Approval and Supervision of Direct Foreign Investment in Real Estate (《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》) (Shang Zi Han [2007] No. 50) (the "**Notice 50**"). The Notice 50 provides stricter controlling measures, among others, as follows:

(1) Foreign investment in the real estate industry in the PRC relating to upscale properties should be strictly controlled.

(2) When the application is filed for the establishment of a foreign invested real estate enterprise, the state-owned land use right and the ownership of the property should be obtained first, or the pre-granting/purchase agreement has already been concluded with the land administration authority, land developer/owner of the property. If the above requirements have not been satisfied, the approval authority shall not approve the application.

(3) Acquisition of or investment in domestic real estate enterprises by way of return investment (including the same actual controlling person) shall be strictly controlled. Overseas investors may not avoid approval for foreign investment in property by way of changing the actual controlling person of the domestic real estate enterprise. Once the foreign exchange authority has found the foreign-invested property enterprise established by way of deliberately avoiding approval and false representation, it shall take action against the enterprise's remittance of capital outside PRC and income derived from the capital without approval, and the enterprise shall bear the liability for cheated purchase and evasion of foreign exchange.

(4) Both Chinese and non-Chinese parties in a foreign-invested real estate enterprises are prohibited from guaranteeing a fixed return or the same effect to the other party in any way.

(5) If foreign-invested enterprises engage in real estate development or operations or if foreign-invested real estate enterprises engage in new property project development and/or operations, they must apply to the relevant examination and approval authorities for their expansion of scope of business or scale of operation in accordance with the laws and regulations related to foreign investments.

(6) Local examination and approval authorities must report to MOFCOM for record their approvals of establishment of foreign-invested real estate enterprises.

(7) Local SAFE administrative authorities and designated foreign exchange banks shall not conduct foreign exchange purchase and settlement process for any foreign-invested real estate enterprises who fail to satisfy MOFCOM for filing requirement or annual review procedure. With regard to the foreign invested real estate enterprises examined and approved by local authority hereof against the law, MOFCOM shall investigate and rectify it, and the authority of foreign exchange administration shall not handle such procedures as foreign exchange registration hereto.

On 10 July 2007, SAFE promulgated Notice of the list of first batch of foreign-invested property projects that have been filed with MOFCOM (《國家外匯管理局綜合司關於下發第一批通過商務部備案的外商投資房地產項目名單的通知》) (Hui Zong Fa [2007] No.130) (the "**Notice 130**"), which imposes certain restrictions on foreign exchange and foreign debts registration of the foreign-invested real restate enterprises which are incorporated after 1 June 2007, the details are as following:

(1) For a foreign-invested real estate enterprise (both newly established and through capital increase, same below) which has obtained the approval certificate from the competent commercial department and filed with MOFCOM on or after 1 June 2007 (same below), the SAFE and its branches will not conduct the foreign debt registration and foreign debts settlement approval process.

(2) For a foreign-invested real estate enterprise which has obtained the approval certificate from the local competent commercial department but failed to file with MOFCOM on or after 1 June 2007, the SAFE and its branches will not conduct foreign exchange registration (or change of registration) and the settlement and sales process for capital projects.

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《商務部關於做好外商投資房地產業備案工作的通知》) (Shang Zi Han [2008] No.23) (the "**Notice 23**"). According to the Notice 23, 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 in each quarter. If the foreign invested real estate enterprises fail to meet the current regulations after spot-checking, MOFCOM may inform the foreign exchange administration to cancel the foreign exchange registration and cancel the statistics of foreign capital of such enterprises.

On 20 December 2008, the State Council General Affairs Office issued Several Opinions on Promoting the Sound Development of the Real Estate 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》) (Guo Ban Fa (2008) No.131) (the "**Opinions 131**") in order to speed up the development of social security housing, encourage purchases of properties for self-use, and direct property developers to actively cope with the changing market.

According to the Opinions 131, the following measures will be adopted to facilitate the development of property developers:

(1) increasing credit financing support to ordinary residential property developments of low to medium level prices or of small to medium sizes, particularly those under construction;

(2) providing financial support and other related services to property developers with good credit standing for their merger and acquisition activities;

(3) developing pilot program of housing accumulation fund and providing various funding channels;

(4) supporting bond issuance by property developers with good credit and financial positions; and

(5) eliminating urban real estate tax, and unifying the real estate taxes applicable to domestic and foreign-funded enterprises and individuals, who will all be subject to the PRC Tentative Regulations on Real Estate Tax (《中華人民共和國房產稅暫行條例》).

Pursuant to the "Several Opinions of the State Council for Further Improving the Utilisation of Foreign Investment" (《國務院關於進一步做好利用外資工作的若干意見》) (Guo Fa [2010] No.9) 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》)(Fa Gai Wai Zi [2010] No.914)issued by the NDRC on 4 May 2010, foreign-invested projects with an aggregate 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 "Guidelines to Foreign Investments Catalog" (《外商投資目錄》), may be examined and approved by the competent authorities of NDRC at the provincial level. Pursuant to the "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》)(Shang Zi Fa [2010] No.209)promulgated by MOFCOM on 10 June 2010, the establishment and change of registration of foreign-invested enterprises with an aggregate investment not exceeding US$300 million within the encouraged or permitted category, and with an aggregate 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 25 July 2000, the MOFCOM and SAIC jointly promulgated the Tentative Provisions for Investment in the PRC by Enterprises with Foreign Investment (《關於外商投資企業境內投資的暫行規定》) (the "**Tentative Provisions**"), which came to force on 1 September 2000. The Tentative Provisions provides that: (i) Any foreign investment enterprise that intends to invest and establish a company in the fields of the encouraged category or the permitted category shall apply to the company registration authority at the place where the invested company is to be located; (ii) Any foreign investment enterprise that intends to invest and establish a company in the fields of the restricted category shall apply to the competent authority for foreign trade and economy at the provincial level of the place where the invested company is to be located. Upon completion of the Acquisition, the Target Company would become a foreign-invested enterprise, and its subsidiary would become a reinvested enterprise of the above-mentioned foreign investment enterprise.

On 22 November 2010, the General Office of MOFCOM issued the Circular on Strengthening the Administration of the Examination, Approval and Record Filing of Foreign Investment in the Real Estate (《關於加強外商投資房地產業審批備案管理的通知》) (Shang Ban Zi Han [2010] No.1542), pursuant to which the competent commerce departments at central, provincial and local level shall carry out their examination and approval work strictly in accordance with various laws and regulations on the investment in and establishment of foreign-invested investment companies, and shall not approve investment companies involved in the business of developing and operating real property.

(III) Qualifications of a property developer

1. Classifications and assessment of a real estate development enterprises' qualification

Under the Development Regulations, a property developer must file for record its establishment to the real estate development authority in the location of the registration authority within 30 days after receiving its Business License. The real estate development authority shall assess the qualification of the property developer based on its assets, professional personnel and development and operation records. A real estate development enterprise shall only engage in real estate development projects in compliance with its approved qualification.

Under the Provisions on Administration of Qualifications of Property Developers (《房地產開發企業資質管理規定》) (the "**Provisions on Administration of Qualifications**") enacted by the MOHURD and came to force on 29 March 2000, a property developer shall apply for registration of its qualifications according to the Provisions on Administration of Qualifications. An enterprise may not engage in the development and operation of property without a qualification classification certificate for real estate development.

In accordance with the Provisions on Administration of Qualifications, qualifications of real estate development enterprises are classified into four classes: class 1, class 2, class 3 and class 4. Different classes of qualification should be examined and approved by the corresponding authorities. The class 1 qualification shall be subject to preliminary examination by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government and final approval by the construction authority under the State Council. Procedures for assessing real estate development enterprises of class 2 or lower qualifications shall be formulated by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government. A property developer which passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification assessment authority. After a newly established property developer reports its establishment to the real estate development authority, the latter shall issue a provisional qualification certificate to make the property developer eligible within 30 days of receipt of the report. The provisional qualification certificate shall be effective for one year from the date of its issuance. The real estate development authority can extend the validity period for not more than two years after considering the actual business situation of the enterprise. The property developer shall apply for qualification classification by the real estate development authority within one month before the expiry of the provisional qualification certificate.

In accordance with the Rules of Jiangsu Province on the Implementation of the Provisions on the Administration of Qualifications of Real Estate Development Enterprises (《江蘇省實施＜房地產開發企業資質管理規定＞細則》), which came to force on 6 August 2001, a property developer must apply to the local property development authorities within 30 days after receiving its Business License. The local property development authorities must issue a provisional qualification certificate to the eligible developers. The provisional qualification certificate will be effective for one year from the date of its issuance. The validity period of the provisional qualification certificate may not be extended if there is no project development within 1 year from the date of its issuance. The qualification grades of real estate development enterprises are divided into four levels, namely Class 1, Class 2, Class 3, and Class 4. Class 1 qualification shall be examined by the competent provincial administrative authority for construction initially and then submitted to the competent administrative department for construction under the State Council for examination and approval. Class 2, Class 3 and Class 4 qualifications shall be examined by the competent municipal authority for real estate development initially and then submitted to the competent provincial administrative authority for construction for examination and approval.

According to the Administrative Regulations of Chongqing Municipality on Urban Real Estate Development and Operation (《重慶市城池房地產開發經營管理條例》), which came to force on 1 July 2000, a property developer must apply to the local property development authorities within 30 days after receiving its Business License. The local property development authorities must issue a qualification certificate to the eligible developers within 30 days after receiving application fillings. The certificate grades of real estate development enterprises shall be examined and approved at different levels. Class 1 qualification shall be examined by the competent municipal administrative authority for construction first and then submitted to MOHURD for approval and certification. Class 2 and Class 3 qualifications shall be approved and certificated by the competent municipal administrative authority for construction. Class 4 qualification shall be approved and certificated by the competent local administrative authority for construction at the county level, and then filed to the municipal competent administrative authority for construction for the record.

2. Business scope of a property developer

Under the Provisions on Administration of Qualifications, a property developer of any qualification classification may only engage in the development and operation of real estate within its approved scope of business and may not engage in business which falls outside its approved scope. A class 1 property developer may undertake a real estate development project anywhere in the country without any limit on the scale of property project. A property developer of class 2 or lower may undertake a project with a GFA not exceeding 250,000 sq.m.. The scope of tasks permitted to be undertaken by all classes of property developers shall be determined by the construction authority under the government of the relevant province, autonomous region or municipality.

In accordance to the Rules of Jiangsu Province on the Implementation of the Provisions on the Administration of Qualifications of Real Estate Development Enterprises (《江蘇省實施＜房地產開發企業資質管理規定＞細則》), there is no limitation on construction scale of a construction project undertaken by the real estate development enterprise of Class 1 qualification and such enterprise may contract for any real estate development project throughout the country. A real estate development enterprise of Class 2 qualification may contract for a real estate development project whose GFA is not larger than 250,000 sq.m.. throughout the province. And there is no limitation on the maximum building height in storeys. A real estate development enterprise of Class 3 may contract for a real estate development project throughout the provincial city. The GFA of the project may not be larger than 150,000 sq.m.. and may not exceed 16 storeys. A real estate development enterprise of Class 4 may contract for a real estate development project in towns located outside the planned urban area. The GFA of the project may not be larger than 50,000 sq.m.. and the construction floors thereof may not exceeding 7. The real estate development enterprise obtaining a provisional qualification certificate may develop property projects in accordance with the corresponding standard specified by the provisional qualification certificate. The real estate development enterprises of all classes shall perform real estate development within the business scope specified, and shall not undertake a project beyond the grade thereof.

According to the Administrative Regulations of Chongqing Municipality on Urban Real Estate Development and Operation (《重慶市城市房地產開發經營管理條例》), the real estate development enterprise with a certain grade of qualification shall develop real estate projects in accordance with the follows: the GFA of a project undertaken by the real estate development enterprise of Class 1 qualification is not subject to any limitation; the GFA of a project undertaken by the real estate development enterprise of Class 2 qualification may not be larger than 250,000 sq.m.; the GFA of a project undertaken by the real estate development enterprise of Class 3 qualification may not be larger than 100,000 sq.m.; the GFA of a project undertaken by the real estate development enterprise of Class 4 qualification may not be larger than 20,000 sq.m..

3. *Annual qualification review of property developer*

Pursuant to Provisions on Administration of Qualifications, the qualification of a property developer 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 property developer's qualification. Procedures for annual review of developers of class 2 or lower qualifications shall be formulated by the construction authority under the government of the relevant province, autonomous region or municipality.

In accordance with the Administrative Measures of Jiangsu Province on the Annual Inspection of the Qualifications of Real Estate Development Enterprises (《江蘇省城市房地產開發企業資質年檢管理辦法》), the competent administrative authority for construction under government of Jiangsu Province shall focus on the review of annual qualification inspections of real estate development enterprises of Class 1 and Class 2, and then verify or report their qualification grades. The competent department for real estate development under the municipal government shall submit the examination results and the summary thereof of the annual inspections conducted within the region of municipal administration to the provincial competent administrative authority for construction for local government approval; the annual inspection documents of real estate development enterprises of Class 2 qualification or above shall be examined by the competent authority for real estate development under the municipal government and the competent administrative department for real estate development of the local government at the county level shall take charge of the annual inspection of the qualifications of real estate development enterprises of Class 3 qualification or below within the corresponding region of administration.

In accordance with the Administrative Measures of Chongqing Municipality on the Qualifications of Real Estate Development Enterprises (《重慶市房地產開發企業資質管理規定》), the annual inspection of real estate development enterprise of Class I qualification shall be performed by competent authorities of construction of the State Council or the organs entrusted thereby. The measures on the annual inspection of real estate development enterprises of Class II or lower qualification shall be formulated by the competent authorities of construction of the people's governments of the provinces, autonomous regions and municipalities.

(IV) Development of a property project

1. Land for real estate development

In April 1988, the Constitution of the PRC was amended by the National Municipals Congress to allow for the transfer of land use rights for value. In December 1988, the Land Administration Law of the PRC was amended to permit the transfer of land use rights for value.

Under the "Provisional Regulations on the Granting and Transfer of Right to Use State-owned Land in Urban Areas of the People's Republic of China" (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) (the "**Provisional Regulations on the Grant and Transfer**") promulgated and enforced by the State Council on 19 May 1990, a system of granting and transferring of the right to use state-owned land is adopted. A land user shall pay a premium to the State as consideration for the grant of state-owned land use rights within certain terms, and the land user may transfer, lease, mortgage or otherwise commercially use the state-owned land use right within the term of validity. Under the Provisional Regulations on the Grant and Transfer and the Urban Real Estate law, the land administration authority under the local government of the relevant city or county shall enter into a contract with the land user for the grant of state-owned land use right. The land user shall pay the premium as stipulated in the contract. After paying off the premium, the land user shall register with the land administration authority and obtain a State-owned Land Use Rights Certificate so to acquire the state-owned land use right. The Development Regulations provides that the state-owned land use rights for a state-owned land used for real estate development shall be obtained by way of a grant, except for those which may be obtained by way of allocation pursuant to the applicable PRC laws or the stipulations of the State Council.

Under the Regulations on the Granting of State-Owned Land Use Right through Public Tender, Auction and Listing-for-Sale (《招標拍賣掛牌出讓國有土地使用權規定》) enacted by the Ministry of Land and Resources (the "**MLR**") on 9 May 2002 and enforced on 1 July 2002, land for commercial use, tourism, entertainment and commodity property development shall be granted by way of public tender, auction or listing for bidding. In cases where there are two or more applicants for one parcel of land, the state-owned land use right shall be granted by way of public tender, auction and listing for bidding. The procedures are as follows:

(1) The land authority under the government of the city and county (the "**grantor**") shall make an announcement at least 20 days prior to the date of the proposed public tender, auction and listing for bidding. The announcement should include basic particulars of the land parcel, qualification requirement of the bidder and auction applicants, methods and criteria on confirming the winning tender or winning bidder, and other conditions such as the deposit of the auction or bid.

(2) The grantor shall conduct a qualification verification of the bidding applicants and auction applicants, inform the applicants who satisfy the requirements set out in the announcement and invite them to attend the competitive public tender, auction or listing for bidding.

(3) After determining the winning tender or the winning bidder by the competitive public tender, auction or listing for bidding, the grantor and the winning tender or winning bidder shall then sign a letter of confirmation. The grantor should return the bidding or tender deposits to the unsuccessful applicants.

(4) The grantor and the winning tender or winning bidder shall enter into a contract for the grant of state-owned land use right according to the time and venue set out in the letter of confirmation. The deposit of the bid paid by the winning tender or winning bidder will be used to set off part of the premium payable for the grant of state-owned land use rights.

(5) The winning tender or winning bidder should apply for the land registration after paying off the premium of the state-owned land use rights in accordance with the applicable regulations. The government at the city, county or above level should issue the Land Use Right Certificate for state-owned land.

On 11 June 2003, the MLR promulgated the Regulation on Grant of State-owned Land Use Rights by Agreement (《協議出讓國有土地使用權規定》). According to such regulation, if there is only one intended user on a piece of land, the land use rights (excluding land use rights used for business purposes, such as commerce, 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 on the grant of state-owned land use right addressing the specific location, boundary, purpose of use, area, term of grant, conditions of use, conditions for planning and design, time of supply 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. The local land bureau and the entity which is interested in the land use will negotiate and enter into the grant contract based on such plan. If two or more entities are interested in the land use rights proposed to be granted, the land use rights shall be granted by way of public tender, auction or listing for bidding.

According to the Notice on Relevant Issues Concerning the Strengthening of Examination and Approval of Land Use for Construction Projects in Urban Areas (《關於加強城市建設用地審查報批工作有關問題的通知》) (the "**Land Use Approval Notice**") enacted by the MLR on 4 September 2003, commencing from the date of promulgation of the Land Use Approval Notice, land use for luxurious commodity properties shall be stringently controlled, and applications for land use for building villas shall be restricted.

In order to stop illegal occupation and abusive use of land, prevent overheating in investment in fixed assets in some areas, and implement strict protection of cultivated land, the General Office of the State Council issued the Urgent Notice on Further Governing and Rectifying Land Market and Strengthening Administration of Land (《國務院辦公廳關於深入開展土地市場治理整頓嚴格土地管理的緊急通知》) on 29 April 2004 (the "**Urgent Notice 2004**"). The Urgent Notice 2004 addresses issues including: (i) further regulating and rectifying land market; (ii) strictly administering the granting of approvals of construction land; (iii) protecting basic agricultural land; (iv) strictly implementing the general strategy and annual plan for land use, and the balance system for occupying and compensating cultivated land; and (v) actively promoting the reform of the administration system of land and resources. Also, according to the Urgent Notice 2004, the rectification of the land market will take approximately half a year from the issuance of the Urgent Notice 2004. Approvals for converting agricultural land to non-agricultural construction land will be suspended throughout the PRC during this period, except for certain major public infrastructure projects which shall be approved by the State Council.

On 30 May 2006, the MLR issued the Urgent Notice of Further Strengthening the Administration of the Land (《關於當前進一步從嚴土地管理的緊急通知》) (the "**Urgent Notice 2006**"). The Urgent Notice 2006 expressly prescribed that land for real estate development must be granted by way of public tender, auction and listing for bidding. The restrictions on land supply for developing villas should be strictly enforced and all supply of land for such purpose and handling of related land use procedures shall be suspended from the date of the Urgent Notice 2006. Under the Urgent Notice 2006, the land authority should strictly follow the Standard Form of State-owned Land Use Right Granting Contract (國有土地使用權出讓合同示範文本) and the Standard Form of Supplementary Agreement to the State-owned Land Use Right Granting Contract (Provisional) (國有土地使用權出讓合同補充協議示範文本(試行)) jointly issued by the MLR and SAIC. The documents of the land granting should specify the requirement of planning, construction and land use such as the restriction of the layout and size, plot ratio and the starting and completion time limit. All of these requirements should be agreed in the Land Use Right Granting Contract.

On 8 September 2007, the MLR promulgated the Notice on Strengthening the Administration of Idle Land (《關於加大閒置土地處置力度的通知》) (Guo Tu Zi Dian Fa [2007] No.36) (the "**Notice 36**") providing that the state-owned land use right shall be granted with vacant possession. It means that the state-owned land use right can only be transferred after paying off the consideration of early stage development including acquiring the title ownership, reclamation and clearance. The Notice 36 also prescribes that the State-owned Land Use Rights Certificate shall not be issued before the land grant premium has been paid in full, nor be issued separately according to the ratio of payment of land grant premium.

On 28 September 2007, the MLR promulgated the Regulation on Public Tender, Auction and Listing-for-Sale for the Granting of State-Owned Construction Land (《招標拍賣掛牌出讓國建設用地使用權規定》) (the "**Regulation**") which came into effect on 1 November 2007. The Regulation specifies that the grantee of state-owned construction land use rights shall fully pay up the premium for the grant of state-owned land use right in accordance with the state-owned land granting contract before it could proceed with the relevant procedures for the registration of the state-owned land use right and apply for a State-owned Construction Land Use Rights Certificate. No grantee could be granted with a State-owned Construction Land Use Rights Certificate for the land in proportion to the partial premium paid.

On 27 February 2007, the MLR and the Ministry of Finance (the "**MOF**") jointly promulgated the Provisional Measures of Administration of the Finance for Land Reserve (《土地儲備資金財務管理暫行辦法》) for the purpose of perfecting the land reserve system, strengthening land regulation and control, regulating the operation of the land market, reinforcing land administration and standardizing land reserve administrative behaviors.

On 19 November 2007, the MLR, the MOF and the PBOC jointly promulgated the Measures of the Administration of Land Reserve (《土地儲備管理辦法》) ("**Land Reserve Measures**"). As defined in the Reserved Land Measures, land reserve refers to the land reserved for implementing early stage development works for future supply by administrative land departments under county or city governments. The purpose of reserving such land is to control the property market and regulate the allocation of land resources.

Under the Land Reserve Measures, the above-mentioned departments should draft plans for the implementation of such projects, and strictly conform to the plans. Relevant governmental approval must be obtained before the implementation of such plans.

On 30 December 2007, the Notice of the General Office of the State Council on Strictly Enforcement of Regulations and Policies Regarding to 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知》) was issued to introduce a series of measures to impose stricter administration and management of rural collective construction land.

On 3 January 2008, the State Council issued the Notice on Promoting Economisation and Intensive Use of Land (《國務院關於促進節約集約用地的通知》) (Guo Fa [2008] No.3) (the "**Notice 3**"), in order to better protect arable land. According to the Notice 3, relevant government agencies are required to formulate large-scale "scientific infrastructure" programs, tighten land use approval in both rural and urban areas and step up land market monitoring. The Notice 3 prescribed that, if land approved for development remains unused for more than two years, it should be reclaimed by the government according to laws and regulations. If the land remains idle for more than one year and less than two years, land developers should pay a 20 percent land idling fee. More than 70 percent of the land used for construction of urban housing should be designated for low-rent housing, economically affordable housing, low-income housing and small-to-medium-size units of less than 90 sq.m. (the "70/90" rule). The Notice 3 also stipulates that lending and financing services shall not be provided for illegally used land. Moreover, financial institutions shall restrict the provision of loans and/or approval for financing for property projects which have commenced for one year from the commencement date as specified in the land use right granting contract but with less than 1/3 of the development being completed, or with less than 1/4 of the total investment being made.

In August 2009, the Ministry of Land and Resources issued a Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (《關於嚴格建設用地管理促進批而未用土地利用的通知》) to reiterate then applicable rules on idle land management.

On 18 November 2009, the MOF, the MLR, PBOC, the Ministry of Supervision and the National Audit Office of the PRC jointly issued the Notice on Further Strengthening the Management of Revenue and Expenditure from Land Use Rights Granting (《關於進一步加強土地出讓收支管理的通知》)(Cai Zong [2009] No.74) (the "**Notice 74**"), pursuant to which a minimum down payment of 50% of the land premium shall be paid for acquisition of land from the PRC Government. The Notice 74 also states that the instalment period stipulated in the relevant land grant contracts may not exceed one year in general, provided that, for special projects, upon collective approval by the relevant government authorities, the instalment period stipulated in the relevant land grant contracts may be extended to two years. Developers will not be permitted to buy new land if they fail to pay off such land premium in time. The new rules also forbid local governments from giving discounts to developers or allowing developers to delay payments except as stipulated by the State Council.

On 8 March 2010, the MLR promulgated the Notice on Issues Regarding Further Increasing Supply and Strengthening Control of Lands for Real Estate Development (《關於加強房地產用地供應和監管有關問題的通知》) (Guo Tu Zi Fa [2010] No.34) (the "**Notice 34**"). According to the Notice 34, at least 70% of total land supply must be reserved for economically affordable housing, redevelopment of shanty towns and small-to-medium-size residential units for self-use while land supply for large residential units will be strictly controlled and no land shall be provided for villa projects. The Notice 34 also requires that the price at which the land use rights may be granted must not less than 70% of the standard land premium of the applicable category of land and the bid deposit paid by the property developer must not less than 20% of the minimum grant price. The land use rights grant contract must be executed within 10 working days after the land transaction is confirmed. The minimum down payment will be 50% of the land premium and must be paid within one month after the execution of the land use rights grant contract. The remainder of the payment must be paid in accordance with the contract within one year. If the land grant contract is not executed in accordance with the requirement above, the land will not be handed over and the deposit will not be returned. If no land use rights grant premium is paid after the execution of the land grant contract, the land must be withdrawn.

On 21 September 2010, the MLR and MOHURD jointly promulgated the Notice on Further Strengthening the Control and Regulation of Land and Construction Project 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》)(Guo Tu Zi Fa [2010] No.151) (the "**Notice 151**"), pursuant to which standard average floor area and structure proportion of ordinary residential property developments of small to medium sizes shall be expressly specified. The Notice 151 also strictly limits the development and construction of low-density and large-size residential projects, and stipulated that plot ratio of residential projects shall be more than one.

On 19 July 2012, the MLR and MOHURD jointly promulgated the Urgent Notice on Further Strengthening the Administration of Land for Real Estate Development and Consolidating the Achievement on the Control and Regulation of Real Estate Market (《關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知》)(Guo Tu Zi Dian Fa [2012] No.87)(the "**Notice 87**"). The Notice 87 provides that competent administrative authorities of real estate development enterprises all over the country shall stick to controlling and regulating the real estate market and consolidating the achievement thereof, and be ready to prevent the rebound in property price. Where the real estate land's pre-bid reaches the top total price, or the unit price thereof reaches the ultimate, or the premium rate thereof exceeds 50%, which includes the land for commercial service use, the residence and the commercial-residential complex, the authority shall modify the transferring plan of land use right. The transfer of real estate land shall not exceed the limitation of area, shall not be in the form of bundle transfer, or in the form of "unclean in the ownership of subject land". The plot ratio of residential property may not be less than one. It shall be stipulated both in the allocation decision and in the land use rights grant contract that all kinds of residential property construction projects shall be launched within a year since the delivery date of land use right and be completed within three years since the launch date. The land bid bond shall not be less than 20% of the transfer price.

The land use rights grant contract shall be concluded in 10 days since the land use right transfer; Thereafter 50% of the transfer price shall be paid as the first payment in one month, and the rest shall be paid in time as the contract provides, but shall not exceed one year thereafter.

2. Resettlement

Pursuant to the Administration Rules of Demolition and Removal of Housing in Urban Areas (《城市房屋拆遷管理條例》) promulgated by the State Council on 13 June 2001, the party responsible for resettlement should apply for a resettlement permit and provide monetary compensation or alternative residence for the residents to be resettled. The real estate administration authority shall issue a resettlement notice after granting the resettlement permit, which shall contain the parties in-charge, the properties affected by and the period of the resettlement. The resettling party will then enter into written agreements with the relevant residents specifying, among other things, the compensation to be provided to the residents, which will be determined on the basis of, inter alia, the property's location, permitted use and GFA. If the resettling party and the residents fail to reach agreement, either party may apply to the relevant authority for a ruling. A ruling will be given within 30 days of the application, following which either party may initiate proceedings in the People's court within three months of the ruling if they contest the ruling. These administrative rules were replaced 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》) (Order of the State Council No.590) (the "**Expropriation and Compensation Regulation**") promulgated by the State Council on 21 January 2011.

In order to prevent illegal demolition and removal, and overheating investment in certain areas, the General Office of the State Council issued the Notice on Controlling the Scale of Demolition and Removal and Strengthening Administration of Demolition and Removal (《關於控制城鎮房屋拆遷規模嚴格拆遷管理的通知》) (Guo Ban Fa [2004] No.46)(the "**Notice 46**") on 6 June 2004. The Notice 46 addresses issues including, but not limited to, the following: (i) the area of demolition and removal shall be strictly controlled to ensure that the total area of demolition and removal is less than that of the previous year; (ii) stringent procedures of demolition and removal will be implemented so that the process is carried out in an open, fair and just manner; (iii) the supervision and administration of the compensation costs incurred for the demolition and removal shall be strengthened to ensure the completion of the relocation; and (iv) more strict punishment shall be imposed on illegal actions in relation to demolition and removal.

On 21 January 2011, the State Council promulgated 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》) (Order of the State Council No.590) (the "**Expropriation and Compensation Regulation**"). The Expropriation and Compensation Regulation stipulates that compensation shall be paid before the resettlement. The entity responsible for expropriation shall enter into a compensation agreement with the affected residents. Such compensation agreement shall contain the method, amount and payment period of compensation, the location and size of housing where the residents are to be resettled, costs of removal, temporary settlement subsidy or temporary housing, loss caused by production or business suspension, relocation period, method and period of transition and other relevant matters. After entering into the agreement, either party may initiate proceedings according to the relevant law if another party fails to fulfill their obligations prescribed in the compensation agreement. If the entity responsible for expropriation and the affected residents fail to reach an agreement within the specified period according to the expropriation and compensation proposal, or if the title ownership of the housing to be expropriate is uncertain, the entity responsible for expropriation may report to the government of the relevant city or county which make the decision of expropriation, to determine the compensation in accordance with the compensation proposal pursuant to the Expropriation and Compensation Regulation, and a relevant announcement shall be made within the area of the buildings to be expropriated. The entity responsible for expropriation shall file the expropriation and compensation for record, and post an announcement regarding the compensation payable to each housing unit within the area of the buildings being expropriated.

3. Development of a property project

(1) Commencement of property project and idle land

Under the Urban Real Estate Law, the land users who have obtained the state-owned land use right through a granting for the purpose of real estate developing must develop the land in accordance with the terms of use and within the period of commencement prescribed in the contract for the grant of state-owned land use rights. According to the Measures on Disposal of Idle Land (《閒置土地處置辦法》) enacted by the MLR on 28 April 1999 and revised and enforced on 1 July 2012, a land can be defined as idle land under any of the following circumstances:

- the land user has failed to commence the construction within one year after the commencement date of construction as set out in the land use rights grant contract or the date of allotment decision; and
- the development and construction of the land has been commenced but the area so developed is less than one-third of the total area to be developed and constructed or the invested amount is less than 25% of the total amount of investment, and the development and construction have been continuously suspended for at least one year without an approval.

The land administration authority of the government at municipality or county level shall, after a piece of land being determined as idle land, negotiate with the concerned land user to propose a disposal of the idle land, including but not limited to the extension of the time period for development and construction (provided that the extension shall be no longer than one year), changing the use of the land and arranging for temporary use. The government may also replace the idle land with another idle land with the same value or other construction land to the land user for development and construction. The land user may also sign a reclaiming agreement with the government to return such state-owned land use right to the government.

After the proposal of disposal of the idle land being agreed by the land administration authority and the land user, the proposal shall be submitted to the government at the same level for approval. In the event a land plot is made to lie idle due to reasons other than reasons attributable to government or force majeure, the land user may face an idle land fee up to 20% of land grant premium of land allocation cost if the land has remained idle for more than one year but less than two years. Further, the government has the right to confiscate the land use right without compensation if the land has remained idle for more than two years.

(2) Planning of property project

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》) enacted by the Standing Committee of the NPC on 28 October 2007 and came into force as of 1 January 2008, which repealed the City Planning Law of the People's Republic of China (《中華人民共和國城市規劃法》) enacted by the Standing Committee of the NPC on 26 December 1989 and enforced on 1 April 1990, and the Administrative Measures for Planning of Granting and Transfer of Right to Use State-owned Land (《國有土地使用權出讓轉讓規劃管理辦法》) enacted by the MOHURD on 4 December 1992 and enforced on 1 January 1993 and the Notice of the MOHURD on Strengthening the Planning Administration of Granting and Transferring Right to Use State-owned Land (《建設部關於加強國有土地使用權出讓規劃管理工作的通知》) enacted and enforced by the MOHURD on 26 December 2002, after signing a contract for the granting of state-owned land use right, a property developer shall apply for a Planning Permit for Construction Land (《建設用地規劃許可證》) from the urban and rural planning authority under the government at city or county level by submitting the grant contract and the relevant documents of approval, assessment and record for the proposed property project. The grant contract without any provisions relating to land planning will be invalidated. In cases where the construction site of buildings, roads, pipelines or other types is located in a planning zone of a city or county, the construction enterprises or individuals shall apply for a Planning Permit for Construction Works (建設工程規劃許可證) from the city/county planning authority or the government at village level designated by the provincial governments.

Under the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》), the governments above the county level are entitled to withdraw the relevant approval documents when any permit for access to or use of the land is granted to the property developer before obtaining the land planning permit, and the land so occupied shall be returned immediately and the compensation shall be paid when damages to parties concerned have resulted. This law also emphasises the preservation of natural resources and historical and cultural estates, and the maintenance of local and national characteristics and tradition.

(3) Construction of property project

After obtaining the Permit for Construction Work Planning, a property developer shall apply for a Construction Permit (《施工許可證》) from the construction authority under the local government above the county level according to the Measures for the Administration of Construction Permits for Construction Projects (《建築工程施工許可管理辦法》) enacted by the MOHURD on 15 October 1999 and revised and enforced on 4 July 2001. However, property projects of which the investment amount is less than RMB300,000 or the construction area is less than 300 sq.m. are not required to obtain a Construction Permit. For a property project which shall be applied for a Construction Permit as required by the aforesaid regulations, the property developer shall not start to construct without a Construction Permit.

Construction Safety

On 1 November 1997, the Construction Law of the PRC (Order of Chairman No.91) (《中華人民共和國建築法》) was promulgated by the 28th session of the Standing Committee of the Eighth NPC, which became effective as of 1 March 1998 and amended in April 2011. A summary of the important provisions in respect of construction and production safety management in the Construction Law is set forth below:

- Safety and prevention shall be the first priority of the production safety management of a construction project. A system of production safety must be established. Construction project design shall conform to the construction safety procedures and technical standards formulated in accordance with state provisions to ensure a safe working environment.

- A building construction enterprise shall work out corresponding safety technical measures according to the characteristics of each construction project when developing its construction plans. For specialty-intensive items of the project, special-purpose designs for safe construction shall be compiled and safety technical measures shall be taken. The building construction enterprise shall take measures to ensure the maintenance of safety and precautions against danger and fire prevention at the construction site. A building construction enterprise shall implement protection measures if the construction site may cause possible damage to its adjoining buildings, structures or special operational environment.

- A construction unit shall, pursuant to the relevant state provisions, complete the formalities of application for approval in case of any of the following circumstances:

  (i) need to temporarily occupy sites beyond the approved scope of planning;

(ii) possibility of damaging public facilities such as roads, pipes, electric cables and infrastructures for postal service and telecommunications;

(iii) need to temporarily suspend the water supply, electricity supply or road traffic;

(iv) need to conduct explosion operations; and

(iv) other circumstances requiring going through the formalities of application for approval as prescribed by laws and regulations. The competent department of construction administration shall be responsible for the administration of construction safety in production under the guidance and supervision of the competent department of labour in construction safety in production in accordance with law.

- The building construction enterprise shall be responsible for the construction site safety. The general contracting unit shall be responsible for the construction site safety of the project under general contract for construction. Subcontracting units shall be responsible to the general contracting unit and subordinate themselves to the management of the general contracting unit for construction site safety in production.

- In the event of an accident in the process of construction, the building construction enterprise shall take emergency measures to reduce injuries and casualties of personnel and losses caused by the accident, and submit a report in time to the relevant authorities pursuant to applicable state provisions.

On 24 November 2003, the State Council promulgated the Administrative Regulations on Safety in Construction Projects (《建設工程安全生產管理條例》), which set up sound regulations and rules to curb illegal operations, and clarify the obligations of each participant for construction safety. In addition, the regulations impose stricter legal punishment for illegal operation.

(4) Completion of property project

According to the Development Regulation, the Regulation on the Quality Management of Construction Projects (《建設工程質量管理條例》) enacted and enforced by the State Council on 30 January 2000, the Administrative Measures for Acceptance Examination and Filing Upon Completion of Buildings and Municipal Infrastructure Construction (《房屋建築工程和市政基礎設施工程竣工驗收備案管理辦法》) enacted and enforced by the MOHURD in April 2000 and was amended in 2009 and the Provisional Regulations on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure Construction (《房屋建設工程和市政基礎設施工程竣工驗收暫行規定》) enacted and enforced by the MOHURD on 30 June 2000, after completion of a project, a property developer shall file with the real estate development authority under the government on or above the county level within 15 days after passing the acceptance examination and, upon which a Construction Works Completion Acceptance Certificate (工程竣工驗收備案表) will be issued. For a housing project or other complex building project, an acceptance examination shall be conducted upon completion of the whole project or, where such project is developed in phases, separate acceptance examinations may be carried out for each completed phase.

(5) Quality Warranties

According to the Development Regulation, the Regulation on the Quality Management of Construction Projects (《建設工程質量管理條例》), a system of quality warranties shall be adopted for construction projects. When a construction contracting entity submits a report on the completion-based check and acceptance of a project to the project owner, it shall give the project owner a quality warranty, which shall specify the scope of, time limit and responsibilities for the quality warranties of the project. The MOHURD issued the Warranty of the Quality of Building Construction Projects Procedures (《房屋建築工程品質保修辦法》) on 26 June 2000, further provided the minimum term of quality warranties under normal conditions and stipulated certain warranties obligations shall be performed by the construction contractors.

(6) Environmental Protection

The laws and regulations governing the environmental requirements for real estate development in the PRC include the Environmental Protection Law (《中華人民共和國環境保護法》), the Prevention and Control of Noise Pollution Law (《中華人民共和國環境噪聲污染防治法》), the Environmental Impact Assessment Law (《中華人民共和國環境影響評價法》) and the Administrative Regulations on Environmental Protection for Development Projects (《建設項目環境保護管理條例》). Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact study report, an environmental impact analysis table or an environmental impact registration form must be submitted by the property developer before the relevant authorities grant approval for the commencement of construction of the real estate development. In addition, upon completion of the real estate development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers.

(7) Civil Defense Law

According to the PRC Law on Civil Air Defense (the "Civil Defense Law") (《中華人民共和國人民防空法》) promulgated by the NPC in October 1996, as amended in August 2009, civil defense is an integral part of national defense. The Civil Defense Law encourages the public to invest in the construction of civil defense property. Investors in civil defense property projects are permitted to use (including lease), manage the civil defense properties in time of peace and profit therefrom. For new buildings in urban area for civil use, basements that can be used for air defense in time of war shall be constructed. A party that, in violation of the relevant regulations of the State, fails to construct such basement shall be given a disciplinary warning and be ordered to build it within a time limit, and may also be fined not more than RMB100,000.

(V) Property transactions

1. Transfer of property

According to the Urban Real Estate Law and the Administrative Regulations on Transfer of Urban Property (《城市房地產轉讓管理規定》) enacted by the MOHURD on 7 August 1995 and revised on 15 August 2001, a property owner may sell, give or otherwise legally transfer a property to another person or legal entity. When transferring a property, the ownership of the property and the state-owned land use rights attached to the site on which the property is situated are transferred simultaneously. The parties to a transfer shall enter into a property transfer contract in writing and register the transfer with the local competent property administration where the property is situated within 90 days of the execution of the transfer contract.

Where the state-owned land use rights were originally obtained by granting, the property may only be transferred on the condition that: (1) the granting price has been paid in full for the grant of the state-owned land use rights as provided by the grant contract and the State-owned Land Use Rights Certificate has been obtained; (2) if investment and development is to be carried out according to the grant contract and is a project in which buildings are being developed, development representing more than 25% of the total investment has been completed; where the development involves a large scale of land lots, conditions for using land for industrial or other construction purposes have been satisfied; where the construction of buildings has been completed, the Building Ownership Certificate has been obtained.

If the state-owned land use rights were originally obtained by granting, the term of the state-owned land use rights after transfer of the property shall be the remaining portion of the original term specified by the state-owned land use rights grant contract after deducting the time that has been used by the former land users. In the event that the transferee intends to change the use of the land as stated in the original grant contract, consent shall first be obtained from the original grantee and the planning administration authority under the local Government of the relevant city or county and an agreement to amend the state-owned land use right granting contract or a new state-owned land use right grant contract shall be signed in order to, inter alia, adjust the state-owned land use right granting price accordingly.

If the land use rights were originally obtained by allocation, transfer of the property shall be subject to the approval of the government vested with the necessary approval power as required under the regulations of the State Council. If the government vested with the necessary approval power approves such transfer, the transferee shall complete the formalities for transfer of the state-owned land use rights, unless the relevant statutes require no transfer formalities, and pay the transfer price according to the relevant statutes.

2. Sale of commodity properties

Under the Regulatory Measures on the Sale of Commodity properties (《商品房銷售管理辦法》) enacted by the MOHURD on 4 April 2001 and enforced on 1 June 2001, the sale of commodity properties includes pre-sales (商品房預售) and sale (商品房銷售).

(1) Permit of pre-sale of commodity properties

According to the Development Regulations and the Administrative Measures Governing the Pre-sale of Commodity properties in Urban Cities (《城市商品房預售管理辦法》) (the "**Pre-sale Measures**") enacted by the MOHURD on 15 November 1994 and revised on 15 August 2001 and 20 July 2004, respectively, the pre-sale of commodity properties shall be subject to a permit system, under which a property developer intending to sell a commodity building before its completion shall make the necessary pre-sale registration with the real estate development authority of the relevant city or county to obtain a permit of pre-sale of commodity properties. A commodity building may only be sold before completion provided that: (i) the land premium has been paid in full for the granting of the relevant state-owned land use rights and a Land Use Rights Certificate has been issued; (ii) the Planning Permit for Construction Works and Permit for Commencement of Construction Works have been obtained; (iii) the funds invested in the development of the commodity properties put to pre-sale represent 25% or more of the total investment in the project and the development schedule and the completion and delivery dates have been ascertained; and (iv) the pre-sale has been registered and a Permit for Pre-sale of Commodity Properties has been obtained. The administrative departments of construction or the administrative departments of land and building at the provincial level may further set up their implementation rules in accordance with the Pre-sale Measures.

In accordance with the Administrative Rules of Chongqing Municipality on the Trade of Urban Real Estate(《重慶市城鎮房地產交易管理條例》), which was promulgated by the Standing Committee of Chongqing Municipal People's Congress, subsequently revised in 2011 and enforced in 1 January 2012, the pre-sale of commodity property shall meet the following conditions:

(i) The Business License and qualification certificate of the development enterprise have been obtained;

(ii) The transfer of land use right has been contracted or the approval of land use right has been obtained, and the land use right certificate has been obtained;

(iii) Construction project planning license and construction license have been obtained;

(iv) Main building has been capped where the number of the subject housing floors is 8 or below, or the housing area completed has already exceeded 1/2 of the ratified planning housing size where the number of the subject housing floors is 9 or above;

(v) The agreements on the regulation of the income from pre-sale of commodity property with the regulating bank and the engineering supervision institution have been reached;

(vi) Temporary administrative regulations have been enacted. Property services contract has been concluded and recorded with the local competent administrative authority for real estate;

(vii) The plan on pre-sale of commodity property has been made. It shall state the location, size, completion date and delivery date, price of the commodity property to be pre-sold, along with who and how to bear the quality responsibility thereof;

(viii) Where involving the expropriation of houses, a related certificate from the authority in charge of housing expropriation has been obtained;

(ix) Where mortgage is established upon the land use right, a written certification permitting the pre-sale issued by the mortgagee shall be obtained;

(x) Where the parties of a co-operative property project jointly apply for pre-sale permit, the land use right has been jointly entitled by the parties and a contract for co-operative real estate development has been concluded;

(xi) Other requirements provided by laws and regulations.

(2) Regulations of pre-sale proceeds of commodity properties

According to the Pre-sale Measures, the proceeds obtained by a property developer from the pre-sale of commodity properties must be used for the construction of the relevant projects. The specific measures for the supervision on proceeds from the pre-sale of commodity properties shall be formulated by the property administration authorities.

In accordance with the Administrative Provisions of Chongqing Municipality on Urban Real Estate Transactions (《重慶市城鎮房地產交易管理條例》), the pre-seller shall choose one bank among the banks making mortgage loans related to the project as supervisory bank for the pre-sale income, and set up a supervisory account of the pre-sale income. Only one supervisory account of the pre-sale income can be set up with one pre-sale permit. The pre-seller, the pre-sale income supervisory bank and the project construction supervision institution are jointly in charge of the supervision of the income from pre-sale. The above-mentioned three parties shall reach an agreement on the supervision of pre-sale income. The standard agreement on the supervision of pre-sale income shall be formulated by the competent municipal administrative authority for real estate. The pre-sale income shall be used for subsequent construction of the project, and it may not be used for other purposes before the completion acceptance examination. When using the pre-sale income, the pre-seller shall apply to the pre-sale income supervisory bank, with the certificate regarding the using plan of pre-sale income in line with the project actual progress issued by the project construction supervision institution. The pre-sale income supervisory bank shall not directly transfer the funds to the pre-seller without the above-mentioned certificate issued by the project construction supervision institution.

(3) Conditions of sale of commodity properties

Under the Regulations on the Sale of Commodity Properties (《商品房銷售管理辦法》), commodity properties may be put to sale only when the following preconditions have been satisfied:

(a) the property developer offering to sell the completion properties shall have an enterprise legal person Business License and a qualification certificate of a property developer; (b) the property developer has obtained a State-owned Land Use Rights Certificate or other approval documents of land use; (c) the property developer has obtained the Planning Permit for Construction Works and the Construction Permit; (d) the commodity properties have been completed and passed the inspection upon completion; (e) the relocation of the original residents has been well settled; (f) the ancillary infrastructure facilities for supplying water, electricity, heating, gas and communication have been made ready for use, and other ancillary essential facilities and public facilities have been made ready for use, or the schedule of construction and delivery date have been specified; (g) the property management plan has been formulated.

Before the sale of a commodity building, a property developer shall submit the Property Development Project Manual and other documents showing that the preconditions for sale have been fulfilled to the real estate development authority for making a record.

(4) Regulations on sale of commodity properties

According to the Development Regulations and the Pre-sale Measures, for the pre-sale of a commodity building, the property developer shall sign a contract on the pre-sale of the commodity property with the purchaser. The developer shall, within 30 days upon signing the contract, apply for registration and record of contract for the pre-sold commodity building to the relevant administrative departments governing the property and land administration department of the city or country governments. Property administration authority shall take the initiative to apply network information technology to implement online registration of pre-sale contracts.

Pursuant to the Opinion on Further Stabilizing Property Prices (《關於做好穩定住房價格工作意見的通知》) promulgated on 30 April 2005 by the General Office of the State Council, sale of commodity properties shall comply with various regulations:

- Transfer of uncompleted commodity property by any pre-sale buyer is forbidden.

Before completion and delivery of a pre-sold commodity property, and before the buyer obtains the individual Building Ownership Certificate, the property administration authority shall not handle any transfer of commodity property. If there is discrepancy in the name of the applicant for property ownership and the name of the buyer in the pre-sale contract, the property ownership registration administration shall not accept the application of property ownership:

- Purchasers are required to purchase properties in their real names. Any pre-sale contract of commodity properties must be filed through online channels immediately after its execution.

On 6 July 2006, the MOHURD, NDRC, and the SAIC jointly enacted the Notice on Reorganising and Regulating Order in the Property Transactions (《進一步整頓規範房地產市場交易秩序的通知》), the details of which are as follows:

- The developer should start to sell the commodity properties within 10 days after receiving the Permit for Pre-sale of Commodity Properties. Without this permit, the pre-sale of commodity properties, as well as subscription (including reservation, registration and number-selecting) and acceptance of any kind of pre-sale payments, is forbidden;

- The property administration authority should speed up the establishment of a real time online registration system for sale and pre-sale contracts of commodity properties and a publication system for property transaction information. The location and basic condition, the schedule of the sale and the title status of the commodity property should be fully and truly published in the online registration system and at the point of sale in a timely manner. Transfer of the uncompleted commodity property by any pre-sale buyer is forbidden;

- Without the Permit for Pre-sale of Commodity Properties, no advertisement of the pre-sale of commodity properties can be published;

- Property developer with a record of serious irregularity or which do not satisfy the requirements of pre-sale of commodity properties is not allowed to take part in sale activities;

- The property administration authority should strictly enforce the regulations of the pre- sale contract registration and records and require buyers to use real names when purchasing properties.

Pursuant to the Circular of Relevant Issues on Further Strengthening the Supervision on Real Estate Market and Improving the Commodity Property Pre-sale System (《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》) (Jian Fang [2010] No.53) (the "**Circular 53**") promulgated by the MOHURD on 13 April 2010, property developer shall not conduct any pre-sale of property or receive any deposit, advance payment or other payment of similar nature from any purchasers until such developer obtains the approval for pre-sale. In addition, the Circular 53 provides that the local government shall formulate regulations on sale of completed commodity properties in accordance with local conditions, and encourage property developers to sell commodity properties that have been completed.

Pursuant to the Administrative Provisions of Chongqing Municipality on Urban Real Estate Transactions (《重慶市城鎮房地產交易管理條例》), where involving sale of commodity property, the real estate development enterprise shall, within 30 days of conclusion of the transaction contract, apply for the property ownership transfer and obtain the registration acceptance notice (the "**Registration Acceptance Notice**") issued by the competent administrative authority for real estate on behalf of purchaser; where involving pre-sale of commodity property, the real estate development enterprise shall, within 60 days of delivery of the pre-sold property, apply for the property ownership transfer and obtain the Registration Acceptance Notice issued by the competent administrative authority for real estate on behalf of purchaser.

Pursuant to the Notice on the Implementation Measure of Yancheng People's Government on the Price Filing System on Urban Commodity Property Issued by the Yancheng People's Government (《鹽城市人民政府關於對市區商品住房實行價格備案制度的實施辦法的通知》) (Yan Zheng Ban Fa [2010] No.37) promulgated on 22 April 2010 and the Notice on the Implementation Measure of Yancheng People's Government on the Yancheng Urban Commodity Property Price Supervision Issued by the Yancheng People's Government (《鹽城市人民政府關於印發鹽城市市區商品住房價格監管實施辦法的通知》) (Yan Zheng Fa [2011] No.126) promulgated on 5 June 2011, The urban area of Yancheng has implemented a price filing system on commodity properties except economically affordable housings, commodity properties at low-to-medium prices, policity commodity properties and individual villas and non-residential commodity properties. Real estate development enterprises shall, based on costing and combined with market conditions, reasonably determine the average sale price within the scope of the current pricing level of commodity property as collected and calculated by the commodity price department at city level.

Real estate development enterprise shall file commodity property price with the commodity price department prior to the commencement of commodity property sales, and the real estate development enterprise cannot obtain the Permit for Pre-sale/Sale of Commodity Properties from the property administration authority until it completes such filing. Real estate development enterprises shall determine the actual sale price of each union of the property, implement the policy "one price for one unit" ("一套一標"), and publish the filed prices all at once.

3. Mortgages of property

Under the Urban Real Estate Law and the Security Law of the People's Republic of China (《中華人民共和國擔保法》) enacted by the NPC on 30 June 1995 and enforced on 1 October 1995, Urban Real Estate Law and the Measures on the Administration of Mortgage of Properties in Urban Areas (《城市房地產抵押管理辦法》) enacted by the MOHURD in May 1997 and revised on 15 August 2001, mortgage refers to the act of a debtor, or a third party, who, without transferring the occupancy of the properties, charge those properties as security in favor of the creditor. When the debtor fails to pay his debt, the creditor has a right to obtain compensation in accordance with the stipulations of this law, by converting the properties into money or seek preferential payments from the proceeds from the auction or sale of the concerned properties. The secured debt shall not exceed the value of the properties mortgaged. After being mortgaged, the balance of value of the properties that exceeded the secured debt can be mortgaged for a second time, but the total sum of secured debt shall not exceed the value of the balance. When a mortgage is created on the ownership of a building on state-owned land legally obtained, a mortgage shall be simultaneously created on the state-owned land use right of the land on which the building is erected. When the state-owned land use rights acquired through means of granting is mortgaged, the buildings on the land shall also be mortgaged at the same time. The state-owned land use rights of town and village enterprises cannot be mortgaged individually. When the buildings of the town and village enterprises are mortgaged, the state-owned land use rights occupied by the buildings shall also be mortgaged at the same time. The mortgager and the mortgagee shall sign a mortgage contract in writing. Within 30 days after a property mortgage contract has been signed, the parties to the mortgage shall register the mortgage with the property administration authority at the location where the property is situated. A property mortgage contract shall become effective on the date of registration of the mortgage. If a mortgage is created on the property in respect of which a Building Ownership Certificate has been obtained legally, the registration authority shall make a record under the "third party rights" item on the original Building Ownership Certificate and then issue a Certificate of Third Party Rights to Property to the mortgagee. If a mortgage is created on the commodity building put to pre-sale or under construction, the registration authority shall record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved shall re-register the mortgage of the real property after issuance of the certificates evidencing the ownership of the property.

The Law of the People's Republic of China on Property Rights (《中華人民共和國物權法》) (the "**New Property Law**"), has been adopted at the fifth session of the Tenth NPC on 16 March 2007 and came into effect as of 1 October 2007, provides that the mortgage registration of buildings and other objects fixed to land, the right to use construction land, and a building under construction shall be gone through, such mortgage right shall be established as of the date of registration. The buildings newly constructed on the land after the mortgage of the right to use construction land may not belong to the mortgaged properties. Such newly constructed buildings can be disposed of together with the disposal of the aforesaid right to use construction land so as to realise the mortgage right. However, the mortgagee has no right to seek preferred payments from the money generated from the disposal of these newly constructed buildings.

The MLR issued the Administrative Measures on Land Registration (《土地登記辦法》) (the "**Measures on Land Registration**") on 30 December 2007, which took effect on 1 February 2008.

According to the Measures on Land Registration, land registration refers to the registration of land-use rights of relevant land for public review. The Measures on Land Registration stipulate that the administrative department of land and resources must conclude land registrations within 20 days after receiving an application. If the case is complex, a 10-day extension can be approved by the principal of land and resources administrative department.

On 9 April 2008, the MLR released the Circular on Implementing the Land Registration Measures and Further Strengthening Land Registration Work (《關於貫徹實施＜土地登記辦法＞進一步加強土地登記工作的通知》) (Guo Tu Zi Fa [2008] No.70) (the "**Circular 70**"), which calls for stringent land registration according to relevant laws, cessation of illegal registration, and prohibition of legalizing illegal land through land registration.

The Circular 70 states that the registrations will not be granted to cases involving unresolved land disputes, as well as cases where the full contract price has not been paid or where the use of land has been changed illegally. In addition, the Circular 70 stipulates that personnel without a Land Registration Qualification Certificate must not be engaged in land ownership investigation and examination. Any person responsible for incorrect registration or incomplete registrations shall assume the liability.

On 15 February 2008, the MOC released the Procedures for Property Registration (《房屋登記辦法》) (the "**Procedures**"). The Procedures took effect on 1 July 2008. The Measures on Administration of Urban Houses Registration and the Decisions by the MOC to Revise Measures on Administration of Urban Houses Registration were revoked on the same day. The Procedures stipulate that in property registrations, the owner of the title to the property shall be the same as the owner of the right to use the land on which the property is erected. The Procedures specifically regulate the pre-registration, registration of mortgage rights for construction work in process, registration for maximum mortgage amount, registration of rectification, registration for objection and registration for easement, so as to streamline the procedures of property registrations.

4. Lease of Properties

Under the Urban Real Estate Law and the Regulations on Leases of Commodity properties (《商品房屋租賃管理辦法》) enacted by the MOHURD on 1 December 2010 and enforced on 1 February 2011, the parties to a lease of a property shall enter into a lease contract in writing. A registration system is adopted for leases of properties. The lessor and lessee and file with the property administration authority under the local government of the city or county in which the building is situated for any newly signed leases, revisions or termination of leases.

5. New Property Law

The New Property Law which took effect as of 1 October 2007 applies to and regulates the civil relationships generated from the attribution and utilisation of all immovable and movable properties. The New Property Law contains 247 clauses categorised in five sections, which provides detailed rules regarding the following kinds of major property rights:

- the right of ownership, which refers to the right to possess, use, benefit from, and dispose of the immovable or movable properties owned by the owner according to the laws;

- the right of usufruct, which refers to the right to possess, use, and benefit from the immovable or movable properties owned by someone else to the extent prescribed by the laws; and

- security rights, which refers to the right of priority to be repaid with respect to the secured property in accordance with laws when the debtor fails to perform its outstanding debt or under the circumstances of realisation of security rights as agreed by parties concerned.

A summary of the important new regulations under the New Property Law is set forth below:

- The New Property Law adheres to the principle that the rights of the state, companies, social organisations, individual, or any other property right holders shall be equal under the protection of law. In particular, the New Property Law emphasises that the legal properties of private individuals shall be protected by laws and any entity or individual shall be prohibited from encroachment, cheating, dividing privately, intercepting or destroying such properties.

- Article 149 of the New Property Law clearly states that "the term of the land use rights for residential construction purpose shall be renewed automatically upon its expiration." The "automatic renewal" requirement in the New Property Law embodies the principle that the state will protect the citizen's legal private property. However, the renewal of land use rights for non-residential construction purposes under the New Property Law is still uncertain. The New

Property Law only regulates that "the renewal of the term of land use rights for non-residential construction purposes upon expiration shall be handled in accordance with laws."

- There are various clauses in the New Property Law aiming to strengthen the protection on the rights of the property owners: (i) Article 89 of the New Property Law requests that "the construction of a building shall not violate the relevant provisions of the state on project construction, nor obstruct the air circulation, sunlight or daylight of any neighboring building." This clause protects property owners' right to enjoy sunlight and prevents property developers from illegal constructions; (ii) Article 81 of the New Property Law grants property owners the right to manage the building and its ancillary facilities by themselves and to replace the property management company or any other manager so engaged. This clause reinforces the independent rights of property owners to manage their own community.

- The New Property Law enlarges the scope of the allowable mortgaged properties and pledged rights. All properties which are not forbidden to be mortgaged as prescribed by the laws and administrative regulations in effect are allowed to be mortgaged. In particular, the properties which are permitted to be mortgaged include but are not limited to the following:

  (i) any building and other land appurtenances;

  (ii) any construction land use right;

  (iii) the right to contracted management of barren land and other lands as obtained by means of bid invitation, auction or public consultation;

  (iv) any manufacturing equipment, raw materials, semi-finished products and products;

  (v) any building, vessel or aircraft under construction;

  (vi) any tools of transportations.

(VI) Property financing

According to the Notice of the PBOC on Regulating Home Financing Business (《中國人民銀行關於規範住房金融業務的通知》) enacted by the PBOC on 19 June 2001, all banks must comply with the following requirements before granting residential development loans, individual residential mortgage loans and individual commercial property loans:

- Residential development loans from banks shall only be granted to property developers with approved development qualifications and high credit ratings. Such loans shall be offered to residential projects with good market potential. While the borrowing enterprise must have an amount of internal fund of no less than 30% of the total investment required for the project, the project itself must have been issued with a Land Use Rights Certificate, Planning Permit for Construction Land, Planning Permit for Construction Works and Construction Permit.

- In respect of the grant of individual residential mortgage loans, the ratio between the loan amount and actual value of the security (the "**Mortgage Ratio**") shall never exceed 80%. Where an individual applies for a residential purchase loan to buy a pre-sold property, the topping-out of main structure shall be completed for multi-storey buildings or two-thirds of the total investment shall be injected for high-rise buildings.

- In respect of the grant of individual commercial property loans, the Mortgage Ratio under the application for commercial property loans shall not exceed 60% with a maximum loan period of 10 years and the subject commercial properties shall be completed.

The PBOC issued the 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》) on 5 June 2003 to specify the requirements for banks to provide loans for the purposes of real estate development and individual residential mortgage as follows:

- The real estate development loan from commercial banks applied by property developers shall be granted only as real estate development loan and it is strictly forbidden to extend such loans as current capital loan for real estate 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;

- Commercial banks shall not grant loans to property developers to pay off land premium;

- Commercial banks may only provide mortgage loans to individual buyers when the main structure of the subject property has been topped out. When a borrower applies for individual residential loans for his/her first residential unit, the down payment remains to be 20%. In respect of his/her loan application for a second or subsequent (including the second) residential unit(s), the percentage of the first instalment shall be increased.

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 ("**CBRC**") on 30 August 2004, any property developer applying for real estate development loans shall have at least 35% of capital funds required for the development.

According to the Notice of the PBOC on the Adjustment of Commercial Bank Housing Loan Policies and the Deposit Interest Rate of Excess Reserve (《中國人民銀行關於調整商業銀行住房信貸政策和超額準備金存款利率的通知》) enacted by PBOC on 16 March 2005, starting from 17 March 2005, the down payment of individual home loan increased from 20% to 30% in cities and areas where property prices grow too quickly. The commercial banks can independently determine the extent of increase in property prices according to specific situations in different cities or areas.

On 24 May 2006, the State Council forwarded the Opinion of the MOHURD and Other Departments on Adjusting the Housing Supply Structure and Stabilizing Property Prices (《關於調整住房供應結構穩定住房價格的意見》). The regulations provide the following:

- Loan facilities advanced to real estate development will be under stricter control. The commercial banks are not allowed to advance their loan facilities to property developers who do not have the required 35% or more of the total capital for the construction projects. The commercial banks should be prudent in granting loan facilities and/or revolving credit facilities in any form to the property developers 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.

- From 1 June 2006 onward, individual purchasers who apply for mortgage loans shall pay a minimum of 30% of the purchase price as down payment. However, if individual purchasers purchase apartments with a floor area of 90 sq.m. or less for residential purposes, the existing requirement of 20% of the purchase price as down payment remains unchanged.

According to Circular 171, foreign-invested property developers which have not paid up their registered capital fund in full, or failed to obtain the State-owned Land Use Rights Certificate, or fail to satisfy the capital fund requirement of 35% to the total investment of the project, will not be allowed to obtain a loan in or outside the PRC, and foreign exchange administration departments shall not approve any settlement of foreign loans by such developers.

On 10 July 2007, SAFE issued Notice 130indicating that it will no longer conduct foreign debt registration or grant approval of foreign debts settlement for foreign-invested real estate enterprises that obtained approval certificate from and registered with MOFCOM on or after 1 June 2007.

On 27 September 2007, the PBOC and the CBRC jointly issued the Notice on Strengthening the Management 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 on the granting of loans with respect to the second and subsequent purchases of housing by individuals. For those who have used credit loans to purchase a second (inclusive) or more housing, the down payment shall not be less than 40% of the total purchase price, while the interest rate of such loan shall not be lower than 1.1 times the benchmark interest rate of the same grade for the same period as announced by the PBOC. Moreover, the ratio of the down payment and the level of the interest rate of the loan will substantially increase in line with the increase of purchase numbers. The specific range will be determined by commercial banks at their own discretion based on the relevant principles of credit risk management, and in any event, the monthly expense for paying housing loan by the individual purchaser shall not be more than 50% of its monthly income.

On 26 May 2008, the CBRC issued Notice on Further Strengthening Risk Management of Credit Facilities to the Property Market (《中國銀監會關於進一步加強房地產行業授信風險管理的通知》), which required the banks to "carry out strict credit review of property developer and prevent the transfer of risk from property developers". It also stressed to strengthen credit management of property developers pursuant to requirements of the Notice of Strengthening Credit Management on Commercial Properties (《關於加強商業性房地產信貸管理的通知》) (Yin Fa [2007] No.359) and Supplementary Notice of Strengthening Credit Management on Commercial Properties (《關於加強商業性房地產信貸管理的補充通知》) (Yin Fa [2007] No.452).

On 22 October 2008, the PBOC issued the Notice on Extending the Downward Movement of Interest Rates for Loans to Residential Premises of a Commercial Nature for Individuals in Support of First-time Purchase of Ordinary Residential Premises by Residents (《中國人民銀行關於擴大商業性個人住房貸款利率下浮幅度支援居民首次購買普通住房》) to reduce the down payment requirements from 30% to 20%, and to adjust the lower limit of the lending rate for residential properties of a commercial nature for individuals to 70% of the benchmark lending rate starting from 27 October 2008.

On 8 December 2008, the General Office of the State Council issued Certain Opinions on Promoting Economic Development with Financial Policies (《國務院辦公廳關於當前金融促進經濟發展的若干意見》) (Guo Ban Fa [2008] No.126), which decided to "implement and launch measures related to credit policies as well as support first-time home buyers to purchase ordinary housing for personal use or improving residential conditions". It also "launched pilot property entrusted investment fund and expand the financing channels for property developers".

On 20 December 2008, the General Office of the State Council issued Certain Opinions on Promoting Sound Development of the Property Market (《關於促進房地產市場健康發展的若干意見》) (Guo Ban Fa [2008] No.131) to support reasonable financing needs of property developers. Commercial banks are required to increase credit financing support to ordinary residential property developments of low to medium prices and of small to medium sizes, particularly those under construction pursuant to the generally accepted principles of granting credit and regulatory requirements, and providing support and other related financial services to property developers with good credit standing for their merger and acquisition activities.

On 7 January 2010, the State Council issued the Circular on Promoting the Stable 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》) (Guo Ban Fa (2010) No.4) which explicitly requires that the minimum down payment of mortgage loan for additional residential property shall be 40% of the value of the property to be purchased by any member of a family (including the borrower, his or her spouse and dependent children) which has already purchased a residential property by mortgage loan. The interest rate of the mortgage loan for additional residential property shall reflect the associated risk level.

On 29 September 2010, PBOC and CBRC jointly issued the Notice on Issues Relating to Standardizing Different Residential Mortgage Loan Policies (《關於完善差別化住房信貸政策有關問題的通知》) (Yin Fa [2010] No.275) (the "**Notice 275**"), which provides that the minimum down payment for the first-time purchase of residential property will be increased to 30% and all commercial banks shall suspend granting mortgage loans to customers purchasing a third or subsequent residential property. For those who purchase a second residential property by using mortgage loans, the down payment shall not be less than 50% of the total purchase price and the interest rate shall not be less than 1.1 times of the benchmark interest rate. All banks are prohibited from granting loans to real estate companies which have engaged in speculation of idle lands, changed the use and nature of a land, records of delay in development, manipulated the market price or conducted other irregularities. On 26 January 2011, the State Council issued the Notice on Issues Relating to Further Regulating the Control of Property Market (《關於進一步做好房地產市場調控工作有關問題的通知》) (Guo Ban Fa (2011) No.1) (the "**Notice 1**"), pursuant to which the minimum down payment for additional residential property to be purchased by a family by mortgage loan shall not be less than 60% of the value of the property and the interest rate of the mortgage loan shall not be lower than 1.1 times of benchmark interest rate. The branches of PBOC may increase the down payment ratio and interest rates of the loans for additional residential properties in line with the objectives and policies of the local government on new residential properties on the basis of the general credit policies of the PRC.

On 8 March 2011, the CBRC issued the Notice of China Banking Regulatory Commission on the Strengthening of the Financial Services and Risk Management of Property Market (《中國銀監會辦公廳關於做好住房金融服務加強管理的通知》) (Yin Jian Ban Fa (2011) No.55), pursuant to which applications for personal housing loans submitted prior to the issuance of the Notice 1 shall be dealt with by the financial institutions and banks strictly in accordance with the differential housing loan policy under the Guo Fa (2010) No.10, the Notice 275 and local administrative rules on purchase restriction. Down payment ratio and loan interest rate shall be carefully determined to reflect the relevant risk level. Applications for personal housing loans submitted after the issuance of the Notice 1 shall be dealt with by the financial institutions and banks strictly in accordance with the policies of local governments on purchase restriction. The minimum down payment of loan for additional residential property shall not be less than 60% of the value of the property and the interest rate shall not be less than 1.1 times the benchmark rate.

On 26 February 2013, the State Council issued the Notice of the State Council on Keep Regulating on the Control of the Real Estate Market (《國務院辦公廳關於繼續做好房地產市場調控工作的通知》) (Guo Ban Fa (2013) No.17), pursuant to which the local branch of the PBOC is required to raise the down payment rates and loan interest rates for second property loan in cities where property prices rise too quickly.

(VII) Insurance of property project

There are no mandatory provisions in the PRC laws, regulations and government rules which require a property developer to maintain insurance policies for its property projects.

In light of the Construction Law of the PRC (《中華人民共和國建築法》), construction enterprises are required to maintain accident and casualty insurance for workers engaged in dangerous operations and pay insurance premium. In the Guidance of the MOHURD on Strengthening the Insurance of Accidental Injury in Construction Work (《建設部關於加強建築意外傷害保險工作的指導意見》) issued by the MOHURD on 23 May 2003, the MOHURD further emphasises the importance of the insurance of accidental injury in the construction work and provide specific guidance. In addition to the work-related insurance, the construction enterprises shall also maintain personal accident insurance for on-site staff engaging in dangerous operation in accordance with the provisions set out in the Construction Law of the PRC (《中華人民共和國建築法》) and Provisions of Safety Production Management of Construction (Order of State Council No.393) (《建設安全生產管理條例》).

(VIII) Major taxes applicable to property developers

1. Enterprise Income tax

According to the Enterprise Income Tax Law of the PRC 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 NPC on 9 April 1991 and enforced on 1 July 1991 and the Implementation Rules of Enterprise Income Tax Law of the People's Republic of China 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 the PRC shall be 30%, and the rate of local income tax shall be 3%. The above-mentioned law and rules were repealed by the New Enterprise Income Tax Law of the PRC (《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 (《中華人民共和國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 of the PRC on Enterprise Income Tax (《中華人民共和國企業所得稅暫行條例實施細則》) enacted by the MOF 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 NPC on 16 March 2007 and the Implementation Rules of Enterprise Income Tax Law of the PRC (《中華人民共和國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 (the "**SAT**") issued the Notice of the Prepayment of Enterprise Income Tax of the Property Developer (《關於房地產開發企業所得稅預繳問題的通知》) (Guo Shui Han [2008] No.299) (the "**Notice 299**"), requiring property developers to prepay enterprise income tax by quarter (or month) according to the current actual profit. According to the Notice 299, 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 SAT issued the Notice on the Measure Dealing with Income Tax of Property Developer (《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 stipulates 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 SAT promulgated the Notice on the Confirmation of Completion Conditions for Development of Products by Property Developer (《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 as completed when its delivery procedures (including move-in procedures) have commenced or when the property is in fact put in use. Property developers should conduct the settlement of cost in time and calculate the amount of corporate income tax for the current year.

2. *Business Tax*

Pursuant to the Provisional Regulations of the PRC on Business Tax (《中華人民共和國營業稅暫行條例》) enacted by the State Council on 13 December 1993 and enforced on 1 January 1994 and which was later amended and enforced on 1 November 2011 and its Implementation Rules on the Provisional Regulations of the PRC on Business Tax (《中華人民共和國營業稅暫行條例實施細則》) issued by the MOF on 25 December 1993, which was later amended in 2008 and became enforceable on 1 January 2009, the tax rate on the transfer of immovable properties, their superstructures and attachments is 5%.

3. *Land Appreciation Tax*

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》)(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 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》) (the "**Land Appreciation Tax Implementation Rules**") which was enacted and enforced on 27 January 1995, any taxpayer who gains 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 ("**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 MOF and the SAT 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、國家稅務總局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徵免土地增值稅的通知》) which was announced by the MOF and SAT 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 SAT.

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 property developers 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, SAT, the MOC and the MLR had separately and jointly issued several notices to restate the following: after the transfer contact 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.

SAT 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》) (Guo Shui Han [2002] No.615) (the "**Notice 615**") 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 615 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 SAT 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 SAT in respect of Further Strengthening the Administration of the Collection of Land Use Tax and Land Appreciation 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》) (Guo Shui Fa [2004] No.100) (the "**Notice 100**") 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 100 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 the SAT issued the Notice of Certain Issues Regarding Land Appreciation Tax (《關於土地增值稅若干問題的通知》) (Cai Shui [2006] No.21) (the "**Notice 21**"). The Notice 21 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 21 sets out the defined standards for ordinary standard residential properties. Where any developers build ordinary standard residential properties as well as other commercial properties, the value of land appreciation shall be assessed separately. In respect of ordinary standard residential properties for which application for tax exemption has been filed with the tax authority at the locality of the property before the Notice 21 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 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 (稅收徵管法) 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 SAT issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Developer (《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》) (Guo Shui Fa [2006] No.187) (the "**Notice 187**") which came into effect on 1 February 2007. The Notice 187 sets out further provisions concerning the settlement of land appreciation tax by property developers 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, the construction area already transferred makes up to 85% or more of the saleable construction area of the whole project; or if it is below 85%, the remaining saleable construction area has been leased or used for 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 property developer 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 SAT 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》) (Guo Shui Fa [2009] No.91) (the "**Notice 91**"), stipulating 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 91 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 SAT 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 SAT 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 provides 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.

4. Deed tax

Pursuant to the Provisional Regulations of the PRC on Deed Tax (《中華人民共和國契稅暫行條例》) enacted by the State Council on 7 July 1997 and enforced on 1 October 1997, the transferee, whether an entity or individual, of the title to a land site or building in the PRC shall have to pay deed tax. The rate of deed tax is 3% to 5%. The government of provinces, autonomous regions and municipalities may, within the foresaid range, determine and report their effective tax rates to the MOF and the SAT for record.

According to the Reply to the Clarification of Deed Tax Calculation Basis For Transferring State-owned Land Use Right (《關於明確土地國有土地使用權出讓契稅計稅依據的批復》) promulgated by the SAT, 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 "public tender, auction or listing for bidding" shall be calculated based on the price of the deal and the early development cost of land is non-deductible.

According to the Measures of Jiangsu Province on the Implementation of the Provisional Regulations of the PRC on the Deed Tax (《江蘇省實施〈中華人民共和國契稅暫行條例〉辦法》) promulgated on 20 November 1998, subsequently amended and enforced on 20 March 2008 by the People's Government of Jiangsu Province, the effective deed tax rate in Jiangsu Province is 4%.

According to the Implementation Measures of Chongqing Municipality on the Imposition of Deed Tax (《重慶市契稅徵收實施辦法》) promulgated and enforced on 17 June 1998 by Chongqing Municipal People's Government, the deed tax rate in Chongqing Municipality is 3%.

On 22 October 2008, the MOF and SAT issued the Notice on the Adjustments to Taxation on Property Transactions (《財政部國家稅務總局關於調整房地產交易環節稅收政策的通知》) (Cai Shui [2008] No.137) (the "**Notice 137**"). According to the Notice 137, the following policies would be implemented in order to encourage first-time purchases of ordinary residential properties:

- temporarily decrease the property deed tax to 1% for first-time purchases by individuals of ordinary residential properties with a GFA of 90 sq.m. or below;
- temporarily cease to levy the stamp duty on residential properties sold or purchased by individuals; and

- temporarily cease to levy the land appreciation tax on the residential properties sold by individuals.

On 29 September 2010, the MOF, SAT and MOHURD jointly issued the Notice on Adjusting the Taxation Preferential Treatment on Deed Tax and Personal Income Tax Applicable to Property Transaction (《關於調整房地產交易環節契稅個人所得稅優惠政策的通知》) (Cai Shui [2010] No.94) (the "**Notice 94**"). According to the Notice 94, households (including the purchaser, his or her spouse and children under the age of 18) are entitled to a 50% reduction of deed tax for the purchase of the first residential property. If the GFA of the residential property is less than 90 sq.m., the applicable deed tax will be decreased to 1%. No exemption will be granted to any purchaser who purchases another residential property within one year after the disposal of the original property.

On 9 October 2010, the Department of Finance, the Local Taxation Bureau, and the Department of Housing and Urban-Rural Development of Jiangsu Province jointly issued the Notice on Adjusting the Preferential Policies on Deed Tax and Individual Income Tax during Real Estate Transactions within Province (《關於調整我省房地產交易環節契稅個人所得稅優惠政策的通知》) (Su Cai Shui [2010] No.33) (the "**Jiangsu Notice 33**"). Pursuant to Jiangsu Notice 33, where ordinary commodity property with the area of or less than 90 sq.m. purchased by an individual is the sole housing of the family (members of which include the purchaser, his spouse and his minor children, hereafter the same), the deed tax shall be levied at the tax rate of 1%. Where the housing purchased by an individual is not the sole housing of the family, whether it's classified as ordinary housing or not, the deed tax shall be levied at a rate of 3%.

On 6 December 2012, Chongqing Municipal People's Government promulgated the Notice of Chongqing Municipal People's Government General Office on Further Strengthening the Control and Regulation of Real Estate Market (《重慶市人民政府辦公廳關於進一步加強房地產市場調控的通知》) (Yu Ban Fa [2010] No. 357) (the "**Chongqing Notice 357**"). Pursuant to Chongqing Notice 357, where ordinary commodity property with the area of or less than 90 sq.m. purchased by an individual is the sole property of the family, the deed tax shall be levied at the tax rate of 1%. Where ordinary commodity property with the area between 90 and 144 sq.m. purchased by an individual is the sole property of the family, the deed tax shall be levied at the tax rate of 1.5%. Where the purchase of ordinary commodity property by an individual does not satisfy the aforesaid provisions, such preferential policies shall not be enjoyed and the deed tax shall be levied at the rate of 3%.

5. *Urban land use tax*

Pursuant to the Provisional Regulations of the PRC Governing Land Use Tax in Cities and Towns (《中華人民共和國城鎮土地使用稅暫行條例》) enacted by the State Council on 27 September 1988 and 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 Reply on Land Use Tax Exemption of Foreign Investment Enterprises issued by the SAT (《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復》) on 27 March 1997, land use fee instead of land use tax shall be collected from a foreign investment enterprise. However, the Provisional Regulations of the PRC Governing Land Use Tax in Cities and Towns (《中華人民共和國城鎮土地使用稅暫行條例》) 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 SAT 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》) (Guo Shui Han [2007] No.629) (the "**Notice 629**"), which came into force as of the same date. Under this Notice 629, 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 property developers 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.

6. *Property tax*

Under the Provisional Regulations of the PRC on Property Tax (《中華人民共和國房產稅暫行條例》) 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 departments 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.

On January 27, 2011, the Chongqing Municipal People's Government promulgated the Interim Measures of Chongqing Municipality for Levying Property Tax on Some Individual Residential Properties on a Pilot Basis and the Detailed Rules of the Chongqing Municipality for the Implementation Rules of Administration of Levying Property Tax on individual Residential Properties (《重慶市關於開展對部分個人住房徵收房產稅改革試點的暫行辦法》和《重慶市個人住房房產稅徵收管理實施細則》) (collectively, the "Interim Measures and Implementation Rules of Property Tax"), under which a pilot reform of levying property tax on some individual residential properties in some regions is launched. The interim Measures and Implementation Rules of Property Tax provide that the property tax is levied upon specific individuals in the nine major regions in Chongqing municipality, of which, (i) for commodity property and high-end residential properties with a unit price below 3 times that of the average unit price of newly constructed commodity housing in the preceding 2 years, a tax rate of 0.5% is levied; for 3 times (inclusive) to 4 times, a tax rate of 1% is levied; for 4 times (inclusive) and above, a tax rate of 1.2% is levied; and (ii) for individuals with no household registration, business and employment who newly purchased ordinary property in the Chongqing Municipality as a second or additional property, a tax rate of 0.5% is levied.

7. *Stamp duty*

Under the Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花税暫行條例》) enacted by the State Council on 6 August 1988 and enforced on 1 October 1988 and as amended in January 2011, for property rights transfer instruments, including those in respect of property ownership transfer, the rate of stamp duty shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including Realty Title Certificates and Land Use Rights Certificates, stamp duty shall be levied on an item basis of RMB5 per item.

8. *Urban maintenance and construction tax*

Under the Provisional Regulations of the PRC on Urban Maintenance and Construction Tax (《中華人民共和國城市維護建設税暫行條例》) 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税和教育費附加制度的通知》) (Guo Fa [2010] No.35) promulgated by the State Council on 18 October 2010, the Provisional Regulations of the PRC 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.

9. *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税和教育費附加制度的通知》) (Guo Fa [2010] No.35) promulgated by the State Council on 18 October 2010, the Provisional Regulations of the PRC 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.

II. MEASURES ON ADJUSTING THE STRUCTURE OF HOUSING SUPPLY AND STABILIZING HOUSING PRICE

The General Office of the State Council enacted the Notice on Effectively Stabilizing Property Prices (《關於切實穩定住房價格的通知》) on 26 March 2005, requiring measures to be taken to restrain the surging property price and to promote healthy development of the property market. On 9 May 2005, the General Office of the State Council forwarded the Notice of Opinion on Stabilizing Property Prices (《關於做好穩定住房價格工作意見的通知》) issued by departments including the MOC, which provides that:

1. Intensifying planning, tightening control and improving the structure of property supply

Where the residential property price is in excessive growth and supply of ordinary commodity properties with medium or low price and economical houses is insufficient, construction of residential properties should mainly involve projects of ordinary commodity properties with medium or low price and economical houses. The construction of low-density and luxury houses shall be strictly controlled. With respect to construction projects of ordinary commodity properties of medium or low price, before any grant of land, the municipal planning authority shall, according to the level of control required, set out conditions for planning and design such as height of buildings, plot ratio and green space. The property authority shall, in collaboration with other relevant authorities, set forth such controlling requirements as selling price, type and apartment sizes. Such conditions and requirements will be set out as preconditions of land grant to ensure an effective supply of small or medium-sized houses at moderate and low prices. The local government must intensify the supervision of planning permits for real estate development projects. Residential projects that have not commenced within two years must have their plans re-examined, and those that turn out to be not in compliance with the planning permits will be revoked.

2. Intensifying the control over the supply of land and rigorously enforcing the administration of land

Where the price of land for residential use and residential properties grows too fast, the proportion of land for residential use to the total land supply should be appropriately increased, and the land supply for the construction of ordinary commodity properties with medium or low price and economical housing should be emphatically increased. Land supply for villa construction shall continue to be suspended, and land supply for upscale property construction shall be strictly restricted.

3. Adjusting the policies of business tax on residential property transfer and strictly regulating tax collection and administration

Beginning from 1 June 2005, business tax on transfer of a residential property by an individual within two years from purchase will be levied on the basis of the full amount of the sale proceeds. Transfer of an ordinary residential property by an individual two years or more after purchase shall be exempted from business tax. For transfer of a house other than ordinary residential property by an individual two years or more after purchase, the business tax will be levied on the basis of the balance between the proceeds from selling the property and the purchase price.

4. Rectifying and regulating the market order as well as investigating into and punishing illegal sales

Transfer of uncompleted pre-sold commodity property by any buyer is forbidden. Buyer shall purchase property in their real names. A real time online registration system for pre-sale contracts of commodity properties shall be established.

5. Further strengthening the disposal of idle land

An idle land fee will be imposed on land which has not commenced development within one year from the commencement date set out in the land use right grant contract and the relevant land use right will be revoked for the land which is idle for two years or more.

On 24 May 2006, the State Council forwarded the Opinion on Adjusting the Structure of Property Supply and Stabilizing Property Prices (《關於調整住房供應結構穩定住房價格的意見》) (the "**Opinion**") of the MOC and other relevant government authorities. The Opinion provides the following:

(1) Adjusting the structure of property supply

- Developers must focus on providing small to medium sized ordinary commodity properties at low to mid-level prices to cater for the demands of local residents;

- As of 1 June 2006, newly approved and commenced building construction projects must have at least 70% of the total construction work area designated for small apartments with floor areas of 90 sq.m. or below (including economically affordable units). If municipalities directly under the central government, cities listed on state plans and provincial capital cities intend to adjust such prescribed ratio based on special condition, they must obtain special approval from the MOC. Construction projects that have been approved but have not yet obtained a Construction Permit must follow the prescribed ratio.

(2) Further adjustments on tax, loan and land policies

- Starting from 1 June 2006, business tax will be levied on the full amount of the sale proceeds on conveyance of residential properties within a period of five years from the date of purchase. If an individual sells his ordinary standard apartment after five or more years from the date of purchase, business tax will normally be exempted. If an individual sells his non-ordinary apartment after five or more years from the date of purchase, business tax will be levied on the balance between the selling price and the purchase price;

- Commercial banks are not allowed to approve loan facilities to property developers who do not fulfill the capital fund requirement of 35% or more for their construction projects. The commercial banks should be prudent in granting loan facilities and/or revolving credit facilities in any form to the property developers who have a large reserve of idle lands and unsold commodity apartments. Banks shall not accept mortgages of commodity properties remaining unsold for three years or more;

- Starting from 1 June 2006, a minimum of 30% of the purchase price shall be paid by individual purchasers as down payment for mortgage loan. However, if individual purchasers buy apartments of 90 sq.m. or less for residential purposes, the existing requirement of 20% of the purchase price as down payment remains unchanged;

- At least 70% of the total land supply for residential real estate development must be used for developing small-to-medium-sized ordinary housing (including economical housing) and low-cost housing. Based on the restrictions of residential property size ratio and residential property price, land supply will be granted by way of auction to the property developer. Land supply for villa construction shall continue to be suspended, and land supply for low-density and large-area housing property construction shall be strictly restricted;

- The relevant authorities will levy a higher surcharge against those property developers who have not commenced the construction work for more than one year from the commencement date stipulated in the state-owned land use right contract and will order them to set the schedule for commencing the construction work and completion. The relevant authorities will confiscate without compensation the state-owned land use right from those property developers who have not commenced the construction work beyond two years from the commencement date stipulated in the state-owned land use right contract without proper reasons. The relevant authorities will dispose of the idle land of those property developers who have suspended the construction work consecutively for one year without an approval, have invested less than one-fourth of the total proposed investment or have developed less than one-third of the total proposed construction area.

(3) Managing the scope and progress of demolition of urban housing in a reasonable manner

The management and reasonable control of the scope and progress of the demolition of urban housing should be strengthened to halter the excessive growth of housing demands.

(i) Further rectifying and regulating the order of property market

- In order to ensure that the prescribed ratio is followed, the relevant authorities will need to re-examine the approval of those construction projects which have been granted with Construction Planning Permit but have not been commenced. The relevant authorities will ensure that no Construction Planning Permit, Construction Permit or Permit for Pre-sale of Commodity Properties is issued to those construction projects which do not satisfy the controlling requirements, in particular, the prescribed ratio requirement. If the property developers, without an approval, alter the architectural design, the construction items, and exceed the prescribed ratio, the relevant authorities have the power to dispose of the land and confiscate the land in accordance with the law;

- The property administration authority and the administration of industry and commerce will investigate illegal dealings such as contract fraud cases in accordance with the law. The illegal conduct of pre-sale of commodity properties without satisfying all the conditions will be ordered to stop and be imposed a proper administrative penalty in accordance with the law. For those property developers who maliciously manipulate the supply of commodity property, the relevant authorities will impose a proper administrative penalty, which includes revoking the business licenses of serious offenders and will pursue personal liability for those concerned.

(ii) Implementing measures in phrases to relieve the housing demands of low income families

(iii) Improving information disclosure system and property statistics collection system

Establishment of low cost public housing in cities and counties shall be accelerated. Development of economical housing shall be regulated and development of the second-hand property market and property rental market will be promoted.

On 6 July 2006, the MOC promulgated a supplemental Opinion on the Implementation of the Residential Property Size Ratio in Newly Built Residential Buildings (《關於落實新建住房結構比例要求的若干意見》) (Jian Zhu Fang [2006] No.165) (the "**Supplemental Opinion**"). The Supplemental Opinion provides the following:

- As of 1 June 2006, for the newly approved and newly commenced commodity residential projects in different cities including town and counties (from 1 June 2006 and onward), at least 70% of the total construction area must be used for building small apartments (including economically affordable units) with unit floor area of 90 sq.m. or below;

- The relevant authorities in different localities must strictly follow the above said regulations. They shall formulate the planning and design criteria on newly completed commodity properties, implement the ratio requirement and ensure there is no deviation from the regulations without approval. If a property developer has not followed the ratio requirement without proper reasons, the town planning authorities shall not issue the Construction Planning Permit. If the property developer has not followed the requirements of the Construction Planning Permit, the relevant authority censoring the planning documents shall not issue the certification, the construction authority shall not issue the Construction Permit, and the property authority shall not issue the Permit for pre- sale of the commodity properties.

In the case of commodity residential projects that were granted approval before 1 June 2006 but that were not granted a Construction Permit by that date, the relevant local governments shall review and inspect the details of the project plans and ensure that the residential property size ratio complies with the local requirement regarding the percentage of the annual total construction area of the newly developed residential development projects as well as other requirements.

On 30 September 2007, the MLR issued the Notice On Implementation of the Several Opinions of the State Council on Solving Housing Difficulties of Low-Income Household in Urban Cities and Further Strengthening Control on Land Supply (《關於認真貫徹國務院關於解決城市低收入家庭住房困難的若干意見進一步加強土地供應調控的通知》) to tighten the measures on the disposal of idle land. The land resources administrative bureau at the city or county level shall give priority to the construction land of low-renting housing, economically affordable housing and low-to-medium size ordinary commodity properties at low-to-medium prices when drafting the annual land supply plan and the annual supply of such houses shall not be less than 70% of the total amount of annual land supply. The local authorities shall control the land supply and shorten development period, under which development period of a parcel of land shall not be more than three years in principle, in order to ensure the efficiency of land development.

On 29 July 2008, PBOC and CBRC jointly issued Circular on Conservation of Intensive-used Land by Financial Policies (《關於金融促進節約集約用地的通知》), which required financial institutions to tighten the credit financing granted to construction projects, municipal infrastructure and industrial land projects, rural collective construction land projects and commercial property projects. Commercial banks shall not grant loan to property developer for purpose of paying land premium nor to finance any of the following property projects:

- construction project which belong to the prohibited category;
- real estate development project on a rural collective construction land; and
- real estate development project on land which has been idle for two years or more. On 22 December 2009, the MOF and SAT jointly issued the Circular of Adjusting Business Tax on Transfer of Residential Property by Individuals (《關於調整個人住房轉讓營業稅政策的通知》) (Cai Shui [2009] No.157) (the "**Circular 157**"). According to the Circular 157, for any individual who transfers his or her non-ordinary residential property within five years from the date of purchase, a business tax shall be levied based on the total proceeds from the sale. If any individual transfers his or her non-ordinary residential property after five years from the date of purchase or transfers his or her ordinary residential property within five years from the date of purchase, a business tax shall be levied for the difference between the proceeds from the sale and the purchase price of the property. For any individual who transfers his or her ordinary residential after five or more years from the date of purchase, the business tax will be exempted. The Circular 157 has been repealed by the Circular of Adjusting the Policy of Business Tax on Transfer of Residential Property by Individuals (《關於調整個人住房轉讓營業稅政策的通知》) (Cai Shui [2011] No.12) issued by the MOF and SAT.

On 7 January 2010, the State Council issued the Circular on Promoting the Stable 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》) (Guo Ban Fa (2010) No.4) (the "**Circular 4**") to further strengthen and to improve the regulation on property market. In order to manage market expectation and to promote the steady and healthy development of property market, the supply of affordable housing and general commodity apartments will be increased to meet the demand of users and to deter speculating buyers. The increase in housing supply can also facilitate risk management and market regulation. In addition, the Circular 4 explicitly requires that the minimum down payment of mortgage loan for additional residential property shall be 40% of the value of the property to be purchased by any member of a family (including the borrower, his or her spouse and dependent children) which has already purchased a residential property by mortgage loan. The interest rate of the mortgage loan for additional residential property shall reflect the associated risk level.

On 27 January 2010, the MOF and SAT issued the Circular of Adjusting the Policy of Business Tax on Transfer of Residential Property by Individuals (《關於調整個人住房轉讓營業稅政策的通知》) (Cai Shui [2011] No.12) (the "**Circular 12**"). Pursuant to the Circular 12, for any individual who sells his or her residential property within five years from the date of purchase, a business tax shall be levied based on the total proceedings from the sale. If any individual sells his or her non-ordinary residential property after five or more years from the date of purchase, business tax shall be levied at the difference between the proceeds from the sale and the purchase price of the residential property. For any individual who sells his or her ordinary residential properties after five or more years from the date of purchase, the business tax will be exempted.

On 17 April 2010, the State Council issued the Notice on Resolutely Curbing the Soaring of Property Price in Certain Cites (《關於堅決遏制部分城市房價過快上漲的通知》) and adopted a series of new measures to suppress the surge of property price in certain cities of the PRC, which included (among others) the followings:

Increasing the minimum requirement of down payment

- For the purchase of the first residential property with a GFA of 90 sq.m. or above, the down payment shall not be less than 30% of the purchase price of the relevant property;
- For the purchase of a second residential property, the down payment shall not be less than 50% of the relevant purchase price, and the interest rate of mortgage loan shall not be lower than 1.1 times of the benchmark interest rate for loan of one-year period of PBOC; and
- For those who purchase a third or subsequent property by mortgage loan, commercial banks shall significantly increase the ratio of down payment to the total payment and the minimum mortgage interest rate.

Control of bank loan

- In areas where property prices grow too fast, commercial banks may suspend granting mortgage loans to purchaser who is buying the third or subsequent property;
- Commercial banks shall suspend granting loans to those non-local buyers who fail to provide the proofing documents of local tax payment or social insurance premium payment for more than one year;
- Local government may take provisional measures to limit the maximum numbers of properties a household may own;
- Developers which engage in speculation shall be punished;

- Commercial banks shall not grant loans to developers which possess idle lands or manipulate the land reserve or price; and

- CSRC may suspend the review of application for the listing of shares, re-organisation and re-financing of developers which engage in speculations.

Disclosure of property title ownership

- Property developers who have submitted information of the completed property for sale to the local government or have obtained the permit for pre-sale shall make an announcement regarding the property project available for sale to the public in a timely manner, and shall sell the property at the same price as that filed with the local government.

On 29 September 2010, PBOC and CBRC jointly issued the Notice on Issues Relating to Standardizing Different Residential Mortgage Loan Policies (《關於完善差別化住房信貸政策有關問題的通知》), which provides that the minimum down payment for the first purchase of residential property will be increased to 30%, and all commercial banks shall suspend granting mortgage loans to customers purchasing a third or subsequent residential property. For those who purchase a second residential property by using mortgage loans, the down payment shall not be less than 50% of the total purchase price, while the interest rate of such loan shall not be lower than 1.1 times of the benchmark interest rate. All banks are prohibited from granting loans to real estate companies which have engaged in speculation of idle lands, changed the use and nature of a land, records of delay in development, manipulated the market price or conducted other irregularities.

On 2 November 2010, the MOF, MOHURD, CBRC and PBOC jointly promulgated the Circular on Regulations of Policies Concerning Personal Housing Provident Fund Loan (《關於規範住房公積金個人住房貸款政策有關問題的通知》) (Jian Jin (2010) No.179), which provides that only the housing provident fund-paying families whose floor area per capita is less than local average shall have access to personal housing provident fund loan which is used to buy the second house, and the loan shall be used to buy ordinary self-use residential property so as to improve dwelling conditions. Where the personal housing provident fund loan is used to buy the second house, the down-payment proportion shall not be lower than 50%, and the interest rate of such loan shall not be less than 1.1 times of the interest rate of the personal housing provident fund loan for the purchase of the first house. In addition, personal housing provident fund loan for the purchase of a third or more houses by housing provident fund-paying families shall be suspended.

Pursuant to the Notice on Issues Relating to Further Regulating the Control of Property Market (《關於進一步做好房地產市場調控工作有關問題的通知》) (Guo Ban Fa (2011) No.1) issued by the General Office of the State Council on 26 January 2011, greater effort is required for the construction of affordable housing. It is required that 10 million units of affordable housing units and redeveloped units in squatter areas shall be developed in 2011. Local governments shall ensure that not less than 70% of its land supply shall be restricted for the development of affordable housing units, redevelopment of squatter areas and small and medium-sized commodity property units. The quality of new property developers and their sources of funds shall be stringently scrutinised. Entities and individuals participating in bidding for lands are required to disclose and prove the sources of their funding. Change of use of land for affordable housing is prohibited and violation of this restriction will be severely punished. The land use right of land allocated for real estate development but remain undeveloped for more than two years shall be forfeited. If a land remains undeveloped for more than one year, penalty for idling will be imposed. Local governments are required to identify any illegal transfer of land use right and take necessary actions accordingly. No allocation of land shall be made and no real estate development project shall be approved if the investment of a real estate development project (exclusive of land premium) is less than 25% of the value of the project. If any individual transfers his or her residential property within five years from the date of purchase, a unified business tax will be levied on the proceeds from such sale. For those who purchase a second residential property by credit loans, the down payment shall not be less than 60% of the total purchase price, while the interest rate of such loan shall not be lower than 1.1 times of the benchmark interest rate. In any city, local families who already own a residential property, or non-local families who can provide the proofing documents of the payment of local tax or social insurance for certain years may only purchase one residential property (including new commodity apartments and second-hand properties). Local families who already own two or more properties or non-local families who fail to provide the proofing documents of the payment of local tax or social insurance for specified periods may not purchase any property in that city.

On 5 February 2011, the MLR issued the Notice on Implementation Measures on Urban Housing Land Management and Regulation in 2011 (《關於切實做好2011年城市住房用地管理和調控重點工作的通知》) (Guo Tu Zi Fa [2011] No. 2) which requires that 10 million units of affordable housing units shall be developed in 2011. It also requires that not less than 70% of land supply shall be restricted for the development of affordable housing units, redevelopment of squatter areas and small and medium-sized commodity property units and the target total supply of urban housing land shall not be lower than the annual average supply for the preceding two years. The land allocated by local governments for the development of commodity property units shall not exceed a certain area and shall not be allocated together with another plot of land. The plot ratio of a land for residential property development shall not be less than one. No registration of land shall be accepted if the investment of a real estate development project (exclusive of land premium) is less than 25% of the value of the project. Lands sold through auction at prices exceeding 50% of the base prices or the total prices or unit prices hit the record high shall be promptly reported to the provincial offices of the MLR vide the Schedule of Abnormal Land Transactions (房地產用地交易異常情況一覽表) with explanatory notes giving reason for the abnormality. The provincial offices of the MLR shall conduct interviews with the buyers. The interview may also be attended by representatives from the MLR if it thinks necessary.

On 16 March 2011, NDRC promulgated the Regulation on Clear Pricing of Commercial Property (《商品房銷售明碼標價規定》) (Fa Gai Jia Ge [2011] No.12), effective on 1 May 2011. Property developers and intermediary services providers are required to disclose the pricing standards. Intermediary service providers shall comply with the provisions when selling second-hand properties. The price regulation departments of all levels of government are responsible for the implementation of the provisions in transactions of commercial houses and shall supervise and inspect all property transactions accordingly. Selling prices are required to be disclosed for each of the properties being sold. If prices are determined on the basis of building area or floor area, the building area or floor area are also required to be disclosed. For real estate development projects which has obtained pre-approval or filed for sales of completed units, the property developers shall announce the sale of all the units and the prices within a specified time simultaneously. No additional units can be sold and no additional charges shall be incurred other than those publicly disclosed.

On February 20 2013, the State Counsel has confirmed five policy measures to strengthen real estate market regulations at an executive meeting (the "Five Measures"), including:

(1) improving and maintain the stability of house prices;

(2) curbing speculative investments in the property market and implement strict purchase restriction, enforce differentiated property credit policies and expand the range of pilot region for individual housing property tax reform;

(3) increasing ordinary commodity property and accelerate the land supply;

(4) accelerating the planning and construction of affordable housing projects; and

(5) strengthening market supervision and management of pre-sale of commodity property.

On 26 February 2013, the State Council issued the Notice of the State Council on Keep Regulating on the Control of the Real Estate Market (《國務院辦公廳關於繼續做好房地產市場調控工作的通知》) (Guo Ban Fa (2013) No.17) (the "**Notice 17**"). The Notice 17 highlights the following measures to further rein in the property market:

Strengthened Purchase Restrictions

On the basis of the Notice 1, Notice 17 requires cities which have already implemented purchase restrictions to further enforce more stringent property purchase restrictions, including:

- Restricted areas to cover all administrative regions of the city;
- Types of restricted property to include all new residential properties and second hand properties;

- Examination of purchase qualification to take place prior to entering into the property sales contract;

For (i) families without household registrations in possession of one or additional properties, and (ii) families without household registration that are unable to provide evidence that they have paid local tax or social insurance for a fixed number of years, they are suspended from purchasing properties within the this administrative region.

Differentiated Property Credit Policy

For the first property loan, Notice 17 requires banking financial institutions to continue implementing the minimum down payment and loan interest rate. For the second property loan, Notice 17 requires the local branch of the PBOC to raise the minimum down payment and loan interest in cities where the property prices rise too quickly.

Explicit Provision of Individual Income Tax

Notice 17 explicitly states that the individual income tax in a second hand property transaction shall be 20% of the profits generated from the transaction by the property seller.

On March 30 2013, the Chongqing Municipal People's Government promulgated the Notice of the General Office of Chongqing Municipal People's Government on Keep Regulating on the Control of Real Estate Market (Yu Fu Ban Fa [2013] No. 77), which sets out further detailed measures of Chongqing according to the Five Measures. Such notice emphasises mainly on:

(1) Maintaining the stability of house prices. The growing rate of the newly constructed commodity housing price in the nine major regions (including Yuzhong district and Banan district) shall be lower than the actual growing rate of the urban per capita disposable income. The people's government of counties (autonomous counties) outside of the major regions shall set it own target of controlling the housing price.

(2) Enforcing the differentiated property credit policy. The commercial banks shall suspend granting mortgage loans to customers purchasing a third or subsequent residential property. If the housing price of newly constructed commodity housing in the major regions rises too quickly, then the minimum down payment and loan interest for the second property shall be further raised under the guidance of the State's general credit policies.

(3) Implementing the tax provisions. Property tax is levied on individually-owned commodity properties and newly purchased high-end residential properties in the major regions, and individuals with no household registration, business or employment who newly purchased ordinary property as a second (inclusive) or

subsequent property. The sale of individual property shall be subject to an individual income tax of 20% of the profits generated from the sale, provided that the original value of the property can be verified by historical record from tax authority or real estate registration authority.

III. OVERVIEW OF REGULATIONS GOVERNING THE PROPERTY MANAGEMENT BUSINESS IN THE PRC

(A) Foreign-invested property management enterprises

According to the 2011 Catalogue, property management falls within the permitted category for foreign investment. According to the 2011 Catalogue and the relevant requirements set out under the laws and administrative regulations on foreign investment enterprises, a foreign invested property management enterprise can be set up in the form of Sino-foreign joint venture, Sino-foreign cooperative joint venture or wholly foreign owned enterprise. The foreign-invested property management enterprise shall apply for approval from the relevant department of commerce and obtain the foreign investment enterprise approval certificate before registering with the administration of industry and commerce.

(B) Qualifications of property management enterprise

According to the Regulations on Property Management (《物業管理條例》) enacted by the State Council on 8 June 2003 and enforced on 1 September 2003, the state implements a qualification scheme for the administration of 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 MOC on 17 March 2004 and enforced on 1 May 2004, which was later 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 property management bureau under the local government or to the municipalities directly under the Central Government for a grading assessment. The departments of qualification examination and approval will check and issue a property management qualification certificate based on their grading assessment results.

The State Council amended the Regulation on Property Management (the "**Amended Regulations**") on 26 August 2007, which clarifies the relevant issues regarding property management as follows:

1. *Clarification of the Rights and Obligations of the General Meeting of Owners*

The Amended Regulations clarify that the term "owner" means the title-holder of a premises. Owners may elect to form a general meeting of owners to represent and protect their lawful rights and interests, such as information rights and rights of supervision over the use of common facilities and spaces.

2. *Written Property Service Contract between the Owner's Committee and the Property Management Company*

The general meeting of owners may appoint to engage a property service company, and the owner's committee shall execute a written service contract with the property service company on behalf of the owners. Under the Amended Regulations, the title of premises used by the management company belongs to the owners, and the management company may not change the use of these premises without the approval of the owner's congress. The property service company shall assume legal responsibility for any personal injuries or damages to property caused to owners in violation of the service contract according to relevant laws.

3. *The rate of the property service fee shall be determined in a reasonable and transparent manner and shall be appropriate as to the services provided. The service fee shall be agreed in the service contract in accordance with the relevant regulations enacted by the pricing department and construction authorities under the State Council. With respect to any property already completed but not yet sold or delivered to property buyers, the service fees shall be paid by the construction company*

According to the Measures for the Administration on Qualifications of Property Management Enterprises (《物業管理企業資質管理辦法》), 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 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 construction departments of the 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 construction departments of the 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.

Property management enterprises with class 1 qualification may undertake all kinds of property management projects. Property management enterprises with the class 2 qualification may undertake property management business of residential projects of less than 300,000 sq.m. and non-residential projects of less than 80,000 sq.m.. Property management enterprises with class 3 qualification may undertake property management business of residential projects of less than 200,000 sq.m. and non-residential projects less than 50,000 sq.m..

(C) Engagement of property management enterprise

According to the Amended Regulations, the general meeting of owners may appoint or dismiss the property management enterprises if it has obtained the consents from the owners representing no less than 1/2 of all owners and owners owning area representing more than 1/2 of the entire building. The construction company shall engage a property management enterprise to provide property management services in the early stage prior to the appointment of a property management company by the owners or the general meeting of the owners.

(D) Handover of Property

According to Measures for Property Inspection and Handover (《物業承接查驗辦法》) promulgated by MOHURD on 1 January 2011, the construction company shall examine and inspect the common area as well as all common facilities and equipment together with the property service company, which was engaged 15 days prior to the date of delivery. Results of on-site inspection shall be recorded in writing and shall include the time of inspection, name of the project, scope and method of inspection, detected problems, repair and maintenance and conclusion. The inspection record shall be signed and confirmed by relevant personnel of the construction company and property service company taking part in such inspection. The construction company shall designate personnel with relevant professional qualifications to participate in the on-site inspection, to confirm the inspection result and to sign the property inspection and handover agreement with the property service provider. The property inspection and handover agreement serves as the supplementary agreement to and shall have the same effect as the early-stage property service agreement. The construction company shall hand over property including the office for property management services and other common area and facilities to the property service provider within 10 days after the execution of property inspection and handover agreement.

IV. OVERSEAS LISTING

In August 2006, MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the SAIC, the China Securities Regulatory Commission, and SAFE jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**"), as amended on 22 June 2009 and became effective on 8 September 2006. The M&A Rules require, among other things, that offshore special purpose vehicles, formed for overseas listing purposes through acquisitions of PRC domestic companies controlled by PRC companies or individuals, obtain the approval of the China Securities Regulatory Commission prior to publicly listing their securities on an overseas stock exchange. In September 2006, China Securities Regulatory Commission published a notice on its official website specifying documents and materials required to be submitted to it by special purpose vehicles seeking China Securities Regulatory Commission approval of their overseas listings.

V. FOREIGN EXCHANGE CONTROLS

The lawful currency of the PRC is Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange. The SAFE, under the authority of PBOC, is competent authority for the administration of all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to 31 December 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through the Bank of China or other designated banks. Such conversion had to be effected at the official rate prescribed by SAFE on a daily basis. Renminbi could also be converted into foreign currency at swap centers. The exchange rates used by swap centers were largely determined by the demand for, and supply of, the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap center had to obtain the prior approval of SAFE.

On 1 January 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, determined by demand and supply of Renminbi. Pursuant to such system, the PBOC set and published the daily Renminbi-US dollar exchange rate. Such exchange rate is determined with reference to the transaction price for Renminbi-US 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, announced the exchange rates of Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks might, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by the PBOC.

According to the Regulations of the PRC for the Control of Foreign Exchange (《中華人民共和國外匯管理條例》) (the "**Control of Foreign Exchange Regulations**") which was promulgated by the State Council On 29 January 1996 and then amended on 5 August 2008, all international payments and transfers were classified 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 amendments affirm that the State shall not restrict regular international payments and transfers. The enterprises may either repatriate their foreign exchange incomes back or deposit the same abroad, and the conditions and terms for repatriating their foreign exchange incomes back or depositing in overseas countries shall be regulated by the administration of foreign exchange under the State Council depending on the balance of international payments and the needs for foreign exchange control. Where the foreign exchange incomes under capital accounts are to be retained or sold to financial institutions which are engaged in settlement and sale of foreign exchange, approvals of foreign exchange control authorities are required, except as otherwise permitted by the state.

On 20 June 1996, the 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 superseded the Provisional Regulations and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. On the basis of the Settlement Regulations, the PBOC published the Announcement on the Implementation of Foreign Exchange Settlement and Sale Banks by Foreign-invested Enterprises (《外商投資企業實行銀行結售匯工作實施方案》). The Announcement permits foreign-invested enterprises to open, on the basis of their needs, foreign exchange settlement accounts for current account receipts and payments of foreign exchange, and specialised accounts for capital account receipts and payments at designated foreign exchange banks. On 13 April 2006, the PBOC promulgated the Announcement [2006] No.5 (中國人民銀行公告[2006] 第5號). This announcement provides that the system for opening, amending and closing current account-related foreign exchange accounts by enterprises shall be changed from one requiring advance examination and approval to one in which matters shall be handled directly by banks in line with foreign exchange control requirements and commercial practice and reported to the foreign exchange bureau for its records. The limits on current account-related foreign exchange accounts of enterprises shall be increased. On the same day, SAFE issued a Notice on Adjusting the Policies Concerning the Administration of Current Foreign Exchange Accounts (《關於調整經常專案外匯管理政策的通知》) (Hui Fa [2006] No.19) (the "**Notice 19**"). The Notice 19 abolished the advance examination for opening of current account-related foreign exchange accounts and improved the limits on current account-related foreign exchange accounts.

On 25 October 1998, the PBOC and SAFE promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swapping Business (《關於停辦外匯調劑業務的通知》), pursuant to which and with effect from 1 December 1998, all foreign exchange 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 would 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 US dollar. PBOC will announce the closing price of a foreign currency such as the US 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) must 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.

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.

In January and April 2005, SAFE issued two regulations that required PRC residents to register with and receive approvals from SAFE in connection with their offshore investment activities. SAFE also announced that the purpose of these regulations was to achieve the proper balance of foreign exchange and the standardisation of all cross-border flows of funds.

On 21 October 2005, SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (Hui Fa [2005] No.75) (the "**Notice 75**") which became effective as of 1 November 2005. The Notice 75 replaced the two regulations issued by SAFE in January and April 2005 mentioned above. According to the Notice 75, a "special purpose company" refers to an offshore company directly established or indirectly controlled by a domestic resident legal person or domestic resident natural person for the purpose of undertaking equity financing (including convertible bond financing) abroad with the enterprise assets or rights and interests it/he holds inside PRC. Prior to establishing or assuming control of such special purpose company, each PRC resident, whether a natural or legal person, must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch. The Notice 75 applies retroactively. As a result, PRC residents who have established or acquired control of such offshore companies that have made onshore investments in the PRC in the past are required to complete the relevant overseas investment foreign exchange registration procedures by 31 March 2006.

On 1 September 2006, SAFE and MOC 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》) (Hui Fa [2006] No. 47) (the "**Notice 47**"). The Notice 47 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 47 also provides for a foreign exchange working process related to branches of overseas institutions established within the PRC, overseas individuals, Hong Kong, Macao or Taiwan residents and overseas Chinese purchasing or selling commodity properties within the PRC.

On 25 December 2006, PBOC promulgated the Measures for the Administration of Individual Foreign Exchange (《個人外匯管理辦法》). The measures use category administration to classify the individual foreign exchange operations as domestic and overseas by participants in the transaction, and current accounts and capital accounts by the nature of the transaction. The measures set the annual total amount of foreign exchange for settlement of individuals and for purchase of domestic individuals, and provide different procedures for individuals who set foreign exchange over the annual total amount and domestic individuals who purchase foreign exchange over the annual total amount according to current accounts items and capital accounts items.

On 5 January 2007, SAFE promulgated the Detailed Rules for the Implementation of the Measures for the Administration of Individual Foreign Exchange (《個人外匯管理辦法實施細則》). The Detailed Rules provide, amongst others, that (i) the annual total amount of foreign exchange for settlement of individuals and for purchase of domestic individuals is USD50,000; (ii) domestic individuals who engage in external direct investment satisfying the relevant rules shall not only get approval from the foreign exchange bureau, but also complete the overseas investment foreign exchange registration procedures before they can purchase foreign exchange or remit with their own foreign exchange. (iii) domestic individuals can engage in financial investment such as overseas fixed-revenue right-interest, etc. through qualified domestic institutional investors such as banks and fund management companies; (iv) in case domestic individuals engage in such foreign exchange operations as an employee stock ownership plan of an overseas listed company or subscription option program, they can only deal with such options after completing registration with the foreign exchange bureau through their company or domestic agency institutions; and (v) the administration of foreign exchange on, among others, overseas loans, debts and guarantees for domestic individuals will be gradually opened.

On 29 August 2008, SAFE issued the Circular of the General Bureau of SAFE on Relevant Business Operations Issues Concerning Improving the Administration of Payment and Settlement of Foreign Exchange Capital of Foreign-funded Enterprises (《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》) (Hui Zong Fa [2008] No.142) (the "**Circular 142**"). According to the Circular 142, a foreign-funded enterprise shall authorise an accounting firm to conduct capital verification before applying for the settlement of the foreign exchange capital. The settled foreign exchange capital shall be merely used for the business approved by the relevant government authorities and shall not be used for equity investment. It is also prohibited to use the settled foreign exchange capital for purchasing domestic real estate for any purpose other than its own use, unless the enterprise is a foreign-funded real estate enterprise.

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 18 March 2002 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 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 any 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 the 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 associate(s) 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;

(ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director and/or his associate(s) is/are beneficially interested in five (5) per cent. or more of the issued shares or of the voting rights of any class of shares of such company (or any third company through which his interest and/or that of any of his associates is derived); or

(ff) any proposal 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 (or their associate(s)) 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 to the employees 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 or within such other period as the laws of such jurisdiction applicable to the Company. 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 so appointed by the Board shall hold office only until the next 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 on a poll 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 not less than twenty-one (21) clear days notice specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, 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 notice 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 show of hands every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy shall have one vote and 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 instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way. 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. A resolution put to the vote of a meeting shall be decided on a show of hands unless a poll is taken as may from time to time be required under the rules of the Designated Stock Exchange or any other applicable laws, rules or regulations or unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

(a) by the chairman of such meeting; or

(b) by at least three members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(c) by a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or

(d) by a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or

(e) if required by the rules of the Designated Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

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, 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 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, the right to vote individually on a show of hands.

Where 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 the Company's incorporation (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 the Company's incorporation, 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. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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.

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 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 any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear 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 20 per cent. 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 an appointed newspaper or 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.

Except as allowed by the Companies Law and 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 shall not 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 instalments. 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 instalments 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 on every business day 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 in the Cayman Islands 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 2 April 2002.

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 IX. 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. RESPONSIBILITY STATEMENTS

The circular includes particulars given in compliance with the Takeovers Code and the Listing Rules for the purpose of giving information with regard to the Enlarged Group.

The Directors jointly and severally accept full responsibility for the accuracy of the information other than that relating to Nanjing Fullshare Holding, the Target Group, Magnolia Wealth and Mr. Ji contained in the circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed (other than those expressed by Magnolia Wealth and Mr. Ji) in the circular have been arrived at after due and careful consideration and there are no other facts not contained in the circular, the omission of which would make any statement in the circular misleading.

As at the Latest Practicable Date, Mr. Ji is the sole director of Magnolia Wealth, who accepts full responsibility for the accuracy of the information relating to Nanjing Fullshare Holding, the Target Group, Magnolia Wealth and himself contained in the circular and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed (other than those expressed by the Company and the Directors) in the circular have been arrived at after due and careful consideration and there are no other facts not contained in the circular, the omission of which would make any statement contained in the circular misleading.

B. FURTHER INFORMATION ABOUT THE ENLARGED GROUP

1. Incorporation

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 18 March 2002. The Company has established a place of business in Hong Kong at Unit B, 8/F., St. John's Building, 33 Garden Road, Central, Hong Kong and was registered as an overseas company in Hong Kong under Part XI of the Hong Kong Companies Ordinance on 6 June 2002. Li Kai Yien Arthur Albert has been appointed as the authorised representative of the Company for the acceptance of service of process and notices on behalf of the Company at the address of the Company's place of business in Hong Kong.

As the Company was incorporated in Cayman Islands, it operates subject to the Companies Law and its constitution which comprises the Memorandum and Articles. A summary of certain relevant provisions of its constitution and certain relevant aspects of the Companies Law is set out in Appendix VII to the circular.

2. Changes in share capital of members of the Group

There has been no alternation in the share capital of the Group during the two years immediately preceding the date of the circular.

3. Changes in share capital of members of the Target Group

The following are the changes in the share capital of the members of the Target Group that took place during the two years immediately preceding the date of the circular:

(a) On 30 August 2012, the registered capital of the Target Company was increased from RMB5,000,000 to RMB400,000,000 with Nanjing Fullshare Holding contributing RMB395,000,000; and

(b) On 9 August 2012, the registered capital of Jiangsu Fullshare Property was increased to from RMB100,000,000 to RMB400,000,000 by way of capitalisation of a loan in the amount of RMB300,000,000 owed by Jiangsu Fullshare Property to Nanjing Fullshare Holding.

Save as disclosed above, (a) no members of the Target Group had altered their share capital within the two years immediately preceding the date of the circular; and (b) no share or loan capital of any member of the Target Group had been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash.

C. FURTHER INFORMATION RELATING TO THE COMPANY AND THE WHITEWASH WAIVER

1. The Company

As at the Latest Practicable Date:

(a) the Company did not have any interests in any securities, shares, options, warrants, derivatives or convertible securities of Magnolia Wealth;

(b) save as disclosed in the paragraph headed "Disclosure of interests" in this appendix, none of the Directors had any interests in the securities, shares, options, warrants, derivatives or convertible securities of the Company or of Magnolia Wealth;

(c) none of the subsidiaries of the Company, nor pension funds of the Company or of a subsidiary of the Company nor advisers to the Company as specified in class (2) of the definition of "associate" in the Takeovers Code owned or controlled any securities, shares, options, warrants, derivatives or convertible securities of the Company or of Magnolia Wealth;

(d) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company, or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" in the Takeovers Code, owned or controlled any securities, shares, options, warrants, derivatives or convertible securities of the Company or of Magnolia Wealth;

(e) there were no shareholdings in the Company which were managed on a discretionary basis by fund managers connected with the Company; and

(f) none of the Directors or the Company had borrowed or lent any shares, warrants, options, convertible securities or derivatives of the Company or Magnolia Wealth.

2. Sponsor

As at the Latest Practicable Date,

(a) neither the Sponsor, nor any persons controlling, controlled by or under the same control as either of them owned or controlled any securities, shares, options, warrants, derivatives or convertible securities of the Company; and

(b) neither the Sponsor, nor any persons controlling, controlled by or under the same control as either of them had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code (which arrangement includes any indemnity or option arrangement, or any agreement or understanding, formal or informal, by whatever nature, relating to shares or other securities in the Company which may be an inducement to deal or refrain from dealing) with any persons.

3. Others

As at the Latest Practicable Date, none of Somerley Limited, nor any persons controlling, controlled by or under the same control as Somerley Limited, any bank, financial and professional advisers to the Company in relation to the Acquisition, the Open Offer, the issue of Convertible Bonds, the Whitewash Waiver and the Special Deal and any persons controlling, controlled by or under the same control as such banks, financial and professional advisers, owned or controlled any securities, shares, options, warrants, derivatives or convertible securities of the Company.

4. Dealings in securities

None of the Directors or the Company had dealt in any securities, shares, options, warrants, derivatives or convertible securities of Nanjing Fullshare Holding, of Magnolia Wealth and of the Company during the period between 21 February 2012, being the date six months prior to 21 August 2012, which is the date of the Subscription Agreement, and up to and including the Latest Practicable Date.

None of the persons referred to in paragraphs 1(c), (d), (e) and (f) above in this sub-section C had dealt for value in the Shares or any other securities, shares, options, warrants, derivatives or convertible securities of the Company during the period between 21 February 2012, being the date six months prior to 21 August 2012, which is the date of the Subscription Agreement, and up to and including the Latest Practicable Date.

None of Nanjing Fullshare Holding, the Concert Group, the directors of Nanjing Fullshare Holding and the Concert Group nor the Directors had dealt in any Shares or other securities, shares, options, warrants, derivatives or convertible securities of the Company during the period between 21 February 2012, being the date six months prior to 21 August 2012, which is the date of the Subscription Agreement, and up to and including the Latest Practicable Date.

D. FURTHER INFORMATION RELATING TO THE CONCERT GROUP AND THE WHITEWASH WAIVER

1. Principal members of the Concert Group

Set out below are details and the principal members of the Concert Group and their respective directors:

	Address	Directors
Magnolia Wealth	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Mr. Ji
Mr. Ji	Room 4505, Building 2, No. 116 Lushan Road, Jianye District, Nanjing, Jiangsu Province, the PRC	n/a

2. Negative statement

As at the Latest Practicable Date:

(a) save as disclosed in the paragraph headed "Disclosure of interests" in this appendix, none of the Concert Group nor any person acting in concert with them (including respective directors) owned or controlled any shares or convertible securities, warrants, options or derivatives of the Company;

(b) none of the members of the Concert Group or any person acting in concert with any of them had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code (which arrangement includes any indemnity or option arrangement, or any agreement or understanding, formal or informal, by whatever nature, relating to shares or other securities of the Company which may be an inducement to deal or refrain from dealing) with any person;

(c) there was no agreement, arrangement or understanding (including any compensation arrangement) between any member of the Concert Group or any person acting in concert with any of them, and any of the directors, recent directors, shareholders or recent shareholders of the Company having any connection with or dependence upon the proposed Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement and the Whitewash Waiver;

(d) none of the members of the Concert Group borrowed or lent, nor had borrowed or lent, any shares, warrants, options, convertible securities or derivatives of the Company and members of the Concert Group during the period between 21 February 2012, being the date six months prior to 21 August 2012, which is the date of the Subscription Agreement, and up to and including the Latest Practicable Date;

(e) none of the members of the Concert Group nor any person acting in concert with it (including their respective directors) has dealt for value in any shares or convertible securities, warrants, options or derivatives of the Company during the period between 21 February 2012, being the date six months prior to 21 August 2012, which is the date of the Subscription Agreement, and up to and including the Latest Practicable Date;

(f) no person has made an irrevocable commitment to vote for or against the proposed Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bond, the Subscription Agreement, the Whitewash Waiver, the Special Deal, the Disposal and the increase in authorised share capital of the Company;

(g) except for Mr. Kan who shall abstain from voting, none of the Directors have any beneficial shareholdings in the Company or voting rights in the relevant resolutions in the EGM and therefore none of them are eligible to vote for or against the Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement, the Whitewash Waiver, the Special Deal, the Disposal and the increase in authorised share capital of the Company; and

(h) there was no agreement, arrangement or understanding entered into by the Concert Group or any person acting in concert with it for the transfer, charge or pledge of the Shares, the Offer Shares, the Conversion Shares or any other options, warrants and convertible securities to any other persons.

E. DISCLOSURE OF INTERESTS

1. Interests and/or short positions of Directors in the shares, underlying shares or debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and/or short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules (the "**Model Code**") or as required to be disclosed under the Takeovers Code are as follows:

Name of Director	Name of corporation	Capacity	Interests in ordinary Shares	Approximate % of interest in the corporation as at the Latest Practicable Date
Mr. Kan	the Company	Beneficial owner	1,752,050,000 *(Note 1)*	415.18%

Note:

(1) These Shares represent (i) 152,050,000 Shares held by Mr. Kan; and (ii) 1,600,000,000 Shares to be allotted and issued to Mr. Kan upon the exercise in full of the conversion rights attaching to the Convertible Bonds to be subscribed by Mr. Kan pursuant to the Subscription Agreement.

Save for those disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, or required to be disclosed by the Takeovers Code.

2. Interests and/or short positions of substantial shareholders in the shares and underlying shares of the Company

As at the Latest Practicable Date, other persons' interests and short positions in the shares and underlying shares of the Company (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange are set out below:

Name of substantial shareholder	Long/short position	Capacity	Number of Shares interested	Approximate % of the Company's issued share capital
Ji Changqun	Long	Interest of controlled corporation	10,088,000,000 *(Note 1)*	2,390.52%
Magnolia Wealth	Long	Beneficial owner	10,088,000,000 *(Note 1)*	2,390.52%
Kan Kung Chuen Lai	Long	Held by spouse	1,752,050,000 *(Note 2)*	415.18%
New China Management Corp.	Long	Investment manager	43,987,500 *(Note 3)*	10.42%
The Cathay Investment Fund, Limited	Long	Beneficial owner	43,987,500	10.42%
Liu Su Ke	Long	Beneficial owner	30,000,000	7.11%

Notes:

(1) These Shares represent (i) 1,688,000,000 Shares to be allowed and issued to Magnolia Wealth, which is the Underwriter under the Underwriting Agreement; and (ii) 8,400,000,000 Shares to be allotted and issued to Magnolia Wealth upon the exercise in full of the conversion rights attaching to the Convertible Bonds to be subscribed by Magnolia Wealth pursuant to the Subscription Agreement. These Shares are held by Magnolia Wealth which is wholly and beneficially owned by Mr. Ji.

(2) Kan Kung Chuen Lai is the spouse of Mr. Kan. Therefore, she is deemed to be interested in the Shares for which Mr. Kan is interested pursuant to the SFO.

(3) New China Management Corp. is the investment manager of The Cathay Investment Fund, Limited and is deemed to be interested in the same 43,987,500 Shares pursuant to the SFO.

Except as disclosed above, as at the Latest Practicable Date, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

3. Directors' remuneration

The following table summarises the directors' remuneration of the Company for the three years ended 30 April 2010, 2011 and 2012, respectively:

	For the 12 months ended 30 April 2010 *HK$'000*	For the 12 months ended 30 April 2011 *HK$'000*	For the 12 months ended 30 April 2012 *HK$'000*
Executive Directors:			
Fees	30	30	37
Other emoluments:			
— Salaries and other benefits	—	—	—
— Retirement benefit scheme contributions	—	—	—
— Share-based payments	—	—	—
Independent non-executive Directors:	250	150	150
— Fees	—	—	—
— Share-based payments	—	—	—
Total:	280	180	187

Except as disclosed above, no other payments have been paid or are payable, or any benefits in kind granted, in respect of the three years ended 30 April 2012, by the Company or any of its subsidiaries to the Directors.

The aggregate remuneration currently estimated to be payable to the Directors for the year ending 30 April 2013 is approximately HK$190,000.

There was no other arrangement under which a Director waived or agreed to waive any emoluments and no remuneration was paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

4. Employees' remuneration

For the year ended 30 April 2010, the five highest paid individuals in the Group included one Director. For the years ended 30 April 2011 and 2012, the five highest paid individuals in the Group included no Director. The following table summarises the remuneration of the five highest paid individuals in the Group for the three years ended 30 April 2010, 2011 and 2012, respectively:

	For the 12 months ended 30 April 2010 *HK$'000*	**For the 12 months ended 30 April 2011** *HK$'000*	**For the 12 months ended 30 April 2012** *HK$'000*
Salaries and other benefits	663	1,382	1,173
Retirement benefits scheme contributions	14	15	33
Total:	677	1,397	1,206

Except as disclosed above, no other payments have been paid or are payable, or any benefits in kind granted, in respect of the three years ended 30 April 2012, by the Company or any of its subsidiaries to the five highest paid individuals.

The aggregate remuneration currently estimated to be payable to the five highest individuals for the year ending 30 April 2013 is approximately HK$944,000.

No remuneration was paid by the Group to the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

5. Employee retirement benefits

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") for those employees who are eligible to participate in the MPF Scheme in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the employee's relevant income to the MPF Scheme subject to a cap of monthly relevant income of HK$25,000, which contribution is matched by employees.

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement schemes organised by the relevant local government authorities whereby the Group is required to make contributions to the schemes at rates ranging from 18% to 22% of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group has no other obligation for the payment of post-retirement benefits beyond the contributions described above.

6. Arrangements affecting the Directors

(a) Save as disclosed in the paragraph headed "Summary of material contracts" in this appendix, as at the Latest Practicable Date, there was no material contract entered into by the Company or by members of the Concert Group in which any of the Directors had a material personal interest.

(b) None of the existing Directors will be given any benefit as compensation for loss of office or otherwise in connection with the proposed Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement and Whitewash Waiver, and there is no agreement or arrangement between any of the Directors and any other person which is conditional on or dependent upon the outcome of the proposed Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement and Whitewash Waiver or otherwise connected with the proposed Acquisition, the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the issue of the Convertible Bonds, the Subscription Agreement and Whitewash Waiver.

7. Competing interests

Save as disclosed in the section headed "Relationship with Controlling Shareholders" in the circular, none of the existing and proposed Directors and their respective associates was interested in any business apart from the business of the Enlarged Group, which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group.

F. MARKET PRICES

The Takeover Code requires information on the closing prices of the Shares as recorded on the Stock Exchange on (i) the last day on which dealings took place in each of the six months immediately preceding the date of the Subscription Agreement and ending on the Latest Practicable Date; (ii) the Last Trading Date; and (iii) the Latest Practicable Date. Trading in the Shares has been suspended since 14 May 2007 and therefore no closing prices of the Shares were recorded during the period under (i) and for (iii) above. The closing price of the Shares on the Last Trading Date was HK$0.480.

G. DISCLAIMERS

(a) Save as disclosed in the paragraph headed "Disclosure of interests" in this appendix, none of the Directors or chief executive of the Company is aware of any other Director or chief executive of the Company who has any interests or short positions in any shares and underlying shares in, and debentures of, the Company or any associated corporation (within the meaning of the SFO) which will be required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, under section

352 of the SFO, to be entered in the register referred to in that section, or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code;

(b) None of the Directors nor any of the persons whose names are listed in the paragraph headed "Qualifications and consents of experts" in this appendix is interested in the promotion of the Company or in any assets which have within the two years immediately preceding the issue of the circular 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;

(c) None of the Directors nor any of the persons whose names are listed in the paragraph headed "Qualifications and consents of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of the circular which is significant in relation to the business of the Group;

(d) None of the Directors has entered or has proposed to enter into any service agreements with the Company or any members of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);

(e) No cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of the circular to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the introduction or related transaction as mentioned in the circular; and

(f) So far as is known to the Directors, none of the Directors, their respective associates or Shareholders who are interested in 5% or more of the issued share capital of the Company have any interests in the five largest customers or the five largest suppliers of the Group.

H. MATERIAL CHANGE OF THE GROUP SINCE 30 APRIL 2013

As at the Latest Practicable Date, the Directors confirm that there have been no material changes in the financial or trading position of the Group and save as the impact of the restructuring of the Company, in particular, the Disposal, there have been no material changes in the outlook of the Group since 30 April 2013, being the date to which the latest published audited financial statements of the Group were made up. Upon completion of the Acquisition and the Disposal, the Group will discontinue the existing manufacturing business and solely be engaged in property development.

I. SUMMARY OF MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) carried on/intended to be carried on by the Enlarged Group have been entered into by members of the Enlarged Group after the date two years preceding the date of the Subscription Agreement and are or may be material:

(a) the equity transfer agreement dated 23 August 2011 entered into between Jiangsu Fullshare Property and Chongqing Heheng, pursuant to which Chongqing Heheng agreed to sell 90% of equity interest in Chongqing Tongjing to Jiangsu Fullshare Property at a consideration of RMB216,000,000;

(b) the equity transfer agreement dated 10 August 2012 entered into between the Target Company and Nanjing Fullshare Holding, pursuant to which Nanjing Fullshare Holding agreed to sell the entire equity interest in Jiangsu Fullshare Property to the Target Company at a consideration of RMB400,000,000;

(c) the Acquisition Agreement dated 21 August 2012 entered into between Mighty Fame and Nanjing Fullshare Holding in relation to the Acquisition, and the Acquisition Supplemental Agreements dated 27 February 2013, 28 June 2013, 18 August 2013 and 25 October 2013;

(d) the Subscription Agreement dated 21 August 2012 entered into amongst the Company, Magnolia Wealth and Mr. Kan in relation to the subscription of the Convertible Bonds, the Extension Agreements dated 27 February 2013, 28 June 2013 and 25 October 2013 and the Subscription Supplemental Agreement dated 25 October 2013;

(e) the Confirmation Letter dated 21 August 2012 entered into amongst the Company, Mighty Fame, Nanjing Fullshare Holding, Magnolia Wealth, and Mr. Kan in relation to the Acquisition, the Open Offer, the Subscription Agreement and the application for the Whitewash Waiver;

(f) the sale and purchase agreement dated 18 January 2013 entered into between the Company and Mr. Kan in relation to the disposal of Warderly Group Limited, pursuant to which Mr. Kan conditionally agreed to acquire and the Company conditionally agreed to sell the entire issued share capital of Warderly Group Limited at a considerations of HK$1;

(g) the sale and purchase agreement dated 18 January 2013 entered into between the Company and Mr. Kan in relation to the disposal of Rich Honest (Europe) Limited, pursuant to which Mr. Kan conditionally agreed to acquire and the Company conditionally agreed to sell the entire issued share capital of Rich Honest (Europe) Limited at a considerations of HK$1;

(h) the sale and purchase agreement dated 18 January 2013 entered into between the Company and Mr. Kan in relation to the disposal of Olevia Home Appliances Limited, pursuant to which Mr. Kan conditionally agreed to acquire and the Company conditionally agreed to sell the entire issued share capital of Olevia Home Appliances Limited at a considerations of HK$1;

(i) the Disposal Agreement dated 5 April 2013 entered into between the Company and the Purchaser in relation to the Disposal, and the extension letters dated 28 June 2013 and 25 October 2013;

(j) the IT Services Provision Agreement dated 22 September 2013 entered into between the Target Company and Nanjing Fullshare Holding, as referred to in the section headed "Connected Transactions" in the circular;

(k) the Property Leasing Agreement dated 22 September 2013 entered into between the Target Company and Nanjing Fullshare Holding, as referred to in the section headed "Connected Transactions" in the circular;

(l) the Non-competition Undertaking dated 25 October 2013 entered into amongst Mr. Ji, Magnolia Wealth and the Company, as referred to in the section headed "Relationship with Controlling Shareholders" in the circular;

(m) the Underwriting Agreement dated 25 October 2013 entered into between the Company and Magnolia Wealth in relation to the Open Offer; and

(n) the Deed of Indemnity dated 25 October 2013 entered into between Mr. Ji, Magnolia Wealth and the Company, as referred to in the section headed "Connected Transactions" in the circular.

J. LEGAL PROCEEDINGS OF THE GROUP

Save as disclosed below, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

(a) On 7 March 2007, China Construction Bank (Asia) Limited commenced proceedings in the High Court of Hong Kong under HCA 438 of 2007 against Housely Industries and the Company for approximately HK$1,540,000, interest and costs on indemnity basis.

(b) On 3 April 2007, China Construction Bank (Asia) Limited commenced proceedings in the High Court of Hong Kong under HCA 673 of 2007 against Housely Industries and the Company for approximately HK$1,016,000, interest and costs on indemnity basis. On 26 April 2007, the court granted a final and interlocutory judgement against Housely Industries and the Company for approximately HK$1,016,000, interest and costs on indemnity basis. The judgement debt has not been settled as at the Latest Practicable Date and the liabilities have been included in the consolidated statement of financial position as at 30 April 2013.

(c) On 14 April 2007, the Bank of Tokyo-Mitsubishi UFJ, Ltd. commenced proceedings in the High Court of Hong Kong under HCA 733 of 2007 against Housely Industries and the Company for approximately HK$4,985,000, interest and costs. On 7 June 2007, the court granted a judgement against Housely Industries and the Company for the sum of approximately HK$4,985,000, interest and costs in the sum of approximately HK$2,000. The judgment debt has not been settled as at the Latest Practicable Date and the liabilities have been included in the consolidated statement of financial position as at 30 April 2013. The indebtedness claimed was subsequently assigned by the Bank of Tokyo-Mitsubishi UFJ, Ltd. to an independent third party of the Group.

(d) On 20 April 2007, DBS Bank (Hong Kong) Limited commenced proceedings in the High Court of Hong Kong under HCA 797 of 2007 against the Company for approximately HK$5,060,000, interest and costs on indemnity basis. On 18 June 2007, the court granted a judgement against the Company for the sum of approximately HK$5,060,000 and interest. The judgement debt has not been settled as at the Latest Practicable Date and the liabilities have been included in the consolidated statement of financial position as at 30 April 2013. The indebtedness claimed was subsequently assigned by DBS Bank (Hong Kong) Limited to an independent third party of the Group.

(e) On 20 April 2007, DBS Bank (Hong Kong) Limited commenced proceedings in the High Court of Hong Kong under HCA 798 of 2007 against Housely Industries and the Company for approximately HK$5,449,000 approximately US$90,000, interest and costs on indemnity basis. On 18 June 2007, the court granted a judgement against Housely Industries and the Company for the sum of approximately HK$5,449,000, approximately US$90,000, interest and costs on indemnity basis. The judgement debt has not been settled as at the Latest Practicable Date and the liabilities have been included in the consolidated statement of financial position as at 30 April 2013. The indebtedness claimed was subsequently assigned by DBS Bank (Hong Kong) Limited to an independent third party of the Group.

(f) On 1 June 2007, Bank of Communications Co., Ltd. (Hong Kong Branch) commenced proceedings in the High Court of Hong Kong under HCA 1161 of 2007 against Housely Industries, Housely Technology Limited (a wholly-owned subsidiary of the Company), Housely Trading Company Limited (a wholly-owned subsidiary of the Company) and the Company for approximately HK$13,652,000 and approximately US$329,000, interest and costs on indemnity basis. On 16 July 2007, the court granted a judgement against the said companies for approximately HK$13,652,000 and approximately US$329,000, interest and fixed costs in the sum of approximately HK$2,000. The judgement debt has not been settled as at the Latest Practicable Date and the liabilities have been included in the consolidated statement of financial position as at 30 April 2013.

(g) On 23 December 2008, PR Asia Consultants Limited commenced the Civil Action No. 5897 of 2008 in the District Court of Hong Kong against the Company for the sum of approximately HK$818,000, interest, further or other relief and costs. On 22 January 2009, a judgement was granted by the District Court of Hong Kong against the Company for the sum of approximately HK$818,000, interest and costs in the sum of approximately HK$1,000. The judgement debt has not been settled as at the Latest Practicable Date and the liabilities have been included in the consolidated statement of financial position as at 30 April 2013.

(h) On 9 March 2009, Bank of China Limited Macau Branch commenced proceedings in the High Court of Hong Kong under HCA 664 of 2009 against the Company for the sum of approximately HK$13,890,000, interest, further or other relief and costs on indemnity basis. On 7 April 2009, a judgement was granted by the High Court of Hong Kong against the Company for the sum of approximately HK$13,890,000, interest and costs on indemnity basis. The judgement debt has not been settled as at the Latest Practicable Date and the liabilities have been included in the consolidated statement of financial position as at 30 April 2013.

K. QUALIFICATIONS AND CONSENTS OF EXPERTS

CMB International Capital Limited, Asian Capital (Corporate Finance) Limited, Somerley Limited, SHINEWING (HK) CPA Limited, PKF, Conyers Dill & Pearman (Cayman) Limited, King & Wood Mallesons Lawyers and CBRE Limited have each given and have not withdrawn their respective written consents to the issue of the circular with copies of their reports, valuation certificates, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included. The qualifications of the experts who have given opinions in the circular are as follows:

Name	Qualification
CMB International Capital Limited	Licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Asian Capital (Corporate Finance) Limited	Licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
Somerley Limited	Licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
SHINEWING (HK) CPA Limited	Certified public accountants
PKF	Certified public accountants
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
King & Wood Mallesons Lawyers	PRC legal advisers
CBRE Limited	Independent property valuer

L. SERVICE CONTRACTS

None of the existing Directors were appointed for a specific term and none of the existing Directors has entered into a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

As at the Latest Practicable Date, none of the Directors had:

(a) entered into or amended any service contracts (including both continuous and fixed term contracts) with the Company or any of its subsidiaries or any of its associated companies within six months before the date of the Subscription Agreement;

(b) any continuous service contracts with the Company or any of its subsidiaries or associated companies with a notice period of 12 months or more; or

(c) any fixed term service contracts with the Company or any of its subsidiaries or associated companies with more than 12 months to run irrespective of the notice period.

M. TOTAL EXPENSES

The aggregate fees, together with the Stock Exchange listing fee, legal and other professional fees, printing and other expenses relating to the Acquisition, the Open Offer and the issue of the Convertible Bonds, are estimated to be HK$24,971,900 and are payable by the Company.

N. MISCELLANEOUS

Except as disclosed in this appendix to the circular:

(a) within the two years preceding the date of the circular:

  (i) no share or loan capital of the Company or any of its subsidiaries had been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

  (ii) no commissions, discounts, brokerages or other special terms had been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries; and

  (iii) no share or loan capital of the Company or any of it subsidiaries was under option or was agreed conditionally or unconditionally to be put under option.

(b) as at the Latest Practicable Date, none of the persons whose names are listed in the paragraph headed "Qualifications and consents of experts" in this appendix had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(c) there had not been any interruption in the business of the Group which may have had a significant effect on the financial position of the Group in the 12 months preceding the date of the circular;

(d) neither the Company nor any of its subsidiaries had issued or agreed to issue any founder shares, management shares, deferred shares or any debentures;

(e) all necessary arrangements had been made with HKSCC for the Shares to continue to be accepted as eligible securities of CCASS;

(f) the Directors were not aware of any person who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including options in respect of such capital) carrying rights to vote in all circumstances at general meetings of the Company or any of its subsidiaries; and

(g) none of the Company's equity or debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

The English text of the circular shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection on the Company's website at warderly.todayir.com and on the SFC's website at www.sfc.hk. The documents are also available for inspection at the office of the Company at Unit B, 8/F., St. John's Building, 33 Garden Road, Central, Hong Kong during 9:30 a.m. to 5:30 p.m., Monday to Friday (other than public holidays) from the date of the circular up to and including the date of the EGM:

(a) the Memorandum and Articles;

(b) the memorandum and articles of association of Magnolia Wealth;

(c) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in the circular;

(d) the letter of recommendation from the Independent Board Committee to the Independent Shareholders dated 28 October 2013, the text of which is set out in the section headed "Letter from the Independent Board Committee" in the circular;

(e) the letter of advice from Somerley Limited to the Independent Board Committee and the Independent Shareholders dated 28 October 2013, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in the circular;

(f) the annual reports of the Company for each of the three years ended 30 April 2013;

(g) the accountants' report on the Target Group prepared by SHINEWING (HK) CPA Limited, the text of which is set out in Appendix I to the circular;

(h) the accountant's report on the Disposed Group prepared by PKF, the text of which is set out in Appendix III to the circular;

(i) the report from SHINEWING (HK) CPA Limited relating to the unaudited pro forma financial information of the Enlarged Group and the Remaining Group, the text of which is set out in Appendix IV to the circular;

(j) the letter, summary of valuations and valuation certificates relating to the values of property interests of the Enlarged Group prepared by CBRE Limited, the texts of which are set out in Appendix V to the circular;

(k) the letter summarising certain aspects of Cayman Islands company law prepared by Conyers Dill & Pearman (Cayman) Limited, the text of which is set out in Appendix VII to the circular;

(l) the PRC legal opinion issued by King & Wood Mallesons Lawyers, the PRC legal advisers of the Company;

(m) the material contracts referred to in the paragraph headed "Summary of the material contracts" in Appendix VIII to the circular; and

(n) the written letters of consent referred to in the paragraph headed "Qualifications and consents of experts" in Appendix VIII to the circular.

WARDERLY INTERNATIONAL HOLDINGS LIMITED
匯多利國際控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 00607)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Warderly International Holdings Limited (the "**Company**") will be held at Unit B, 8/F., St. John's Building, 33 Garden Road, Central, Hong Kong on Wednesday, 13 November 2013 at 12:15 p.m. to consider and, if thought fit, pass the following resolutions with or without amendments as ordinary resolutions. Capitalised terms defined in the circular dated 28 October 2013 issued by the Company (the "**Circular**") shall have the same meanings when used in this notice unless otherwise specified.

ORDINARY RESOLUTIONS

1. "**THE ACQUISITION**

THAT:

(a) the Acquisition Agreement and the Acquisition Supplemental Agreements (a copy of each of which is marked "A" and tabled before the Meeting and initialled by the chairman of the Meeting for identification purposes) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

(b) the Confirmation Letter (a copy of which is marked "B" and tabled before the Meeting and initialled by the chairman of the Meeting for identification purposes) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and

(c) any one or more of the Director(s) be and is/are hereby authorised to do such acts and things, to sign and execute all such further documents and to take such steps as he/she/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to the Acquisition Agreement, the Acquisition Supplemental Agreements, the Confirmation Letter and the transactions contemplated thereunder."

* *For identification purposes only*

2. “**THE OPEN OFFER**

THAT:

(a) the Underwriting Agreement (a copy of which is marked “C” and tabled before the Meeting and initialled by the chairman of the Meeting for identification purposes) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

(b) subject to the fulfillment of the conditions in the Underwriting Agreement, the allotment and issue by way of the Open Offer of 1,688,000,000 Offer Shares to the Qualifying Shareholders at the subscription price of HK$0.05 per Offer Share on the basis of 4 Offer Shares for every 1 Share held to the Qualifying Shareholders on the terms to be set out in the Circular (a copy of which is marked “D” and tabled before the Meeting and initialled by the chairman of the Meeting for identification purposes) be and is hereby approved;

(c) the absence of arrangement for excess application for the Offer Shares according to the terms and conditions set out in the Circular be and is hereby approved; and

(d) any one or more of the Director(s) be and is/are hereby authorised to do such acts and things, to sign and execute all such further documents and to take such steps as he/she/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder.”

3. “**THE CONVERTIBLE BONDS**

THAT:

(a) the Subscription Agreement, the Subscription Supplemental Agreement and the Extension Agreements (a copy of each of which is marked “E” and tabled before the Meeting and initialled by the chairman of the Meeting for identification purposes) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

(b) subject to the fulfillment of the conditions in the Subscription Agreement, the issue of the Convertible Bonds in an aggregate principal amount of HK$500 million with a tenure of 5 years bearing an annual interest rate of 2%, which are convertible into the Conversion Shares at the option of the holders at the Conversion Price of HK$0.05 per Share, by the Company to Magnolia Wealth and Mr. Kan (a connected person of the Company) pursuant to the terms of the Subscription Agreement and the Subscription Supplemental Agreement be and are hereby approved;

(c) the issue and allotment by the Company of 10,000,000,000 Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds be and are hereby approved; and

(d) any one or more of the Director(s) be and is/are hereby authorised to do such acts and things, to sign and execute all such further documents and to take such steps as he/she/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to the Subscription Agreement, Subscription Supplemental Agreement, and the Extension Agreements, the issue of the Convertible Bonds to the Subscribers, the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds and the transactions contemplated thereunder."

4. "**INCREASE IN AUTHORISED SHARE CAPITAL**

THAT:

the authorised share capital of the Company be and it is hereby increased from HK$80,000,000 divided into 8,000,000,000 Shares to HK$200,000,000 divided into 20,000,000,000 Shares by the creation of an additional 12,000,000,000 Shares in order to implement the Open Offer and the issue of the Conversion Shares pursuant to an exercise of the Convertible Bonds, and that any one or more of the Directors be and he/she is they are hereby authorised to do such acts and things, to sign and execute all such further documents and to take such steps as he/she/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to such increase in the authorised share capital of the Company."

5. "**THE WHITEWASH WAIVER**

THAT:

(a) subject to the Executive granting to Magnolia Wealth the Whitewash Waiver and the satisfaction of any condition(s) attached to the Whitewash Waiver imposed by the Executive, the waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, waiving any obligation of Magnolia Wealth and parties acting in concert with it to make a mandatory general offer to other Shareholders in respect of the Shares as a result of the underwriting of the Offer Shares pursuant to the Underwriting Agreement and conversion of the Conversion Shares issued to it pursuant to the Subscription Agreement be and is hereby approved; and

(b) any one or more of the Director(s) be and is/are hereby authorised to do such acts and things, to sign and execute all such further documents and to take such steps as he/she/they may consider necessary, appropriate, desirable or expedient to do such acts and things, to sign and execute all such further documents and to take such steps as he/she/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to any matter relating to the Whitewash Waiver"

6. “**SPECIAL DEAL**

THAT:

subject to the Executive, or any delegate of the Executive giving consent (the “Consent”) to the Special Deal for the Company under Note 5 to Rule 25 of the Takeovers Code constituted by the repayment of the Shareholder’s loan to Mr. Kan and the satisfaction of all conditions attached to such Consent, the Special Deal be and is hereby approved.”

7. “**DISPOSAL**

THAT:

(a) the Disposal Agreement and the extension letters dated 28 June 2013 and 25 October 2013 (a copy of which is marked “F” and tabled before the Meeting and initialled by the chairman of the Meeting for identification purposes) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and

(b) any one or more of the Director(s) be and is/are hereby authorised to do such acts and things, to sign and execute all such further documents and to take such steps as he/she/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to the Disposal Agreement and the extension letters dated 28 June 2013 and 25 October 2013 and the transactions contemplated thereunder.”

8. “**PROPOSED APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

THAT:

(a) the appointment of the following candidates as the independent non-executive Directors with effect from completion of the Acquisition be and is hereby approved:

(i) Mr. Lau Chi Keung

(ii) Mr. Chow Siu Lui

(iii) Mr. Tsang Sai Chung

(b) the Board be and is authorized to fix their remuneration.”

By order of the Board
Warderly International Holdings Limited
Kan Che Kin, Billy Albert
Chairman

Hong Kong, 28 October 2013

Principal place of business in Hong Kong:
Unit B, 8/F.
St. John's Building
33 Garden Road, Central
Hong Kong

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

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint another person as his proxy to attend and, subject to the provisions of the articles of association of the Company, vote instead of him. A proxy need not be a member of the Company.

2. Where there are joint holders of any Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting the vote of the joint holder whose name stands first on the register of members of the Company in respect of the joint holding who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.

3. In order to be valid, the form of proxy for use at the meeting must be deposited together with a power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, at the office of the branch share registrar of the Company in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or adjournment thereof.

4. As at the date of this notice, the Board consists of Mr. Kan Che Kin, Billy Albert, Ms. Li Shu Han, Eleanor Stella, Mr. Li Kai Yien, Arthur Albert and Ms. Seto Ying (all being executive Directors), and Mr. Li Siu Yui, Mr. Ip Woon Lai and Mr. Lee Kong Leong (all being independent non-executive Directors).