THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Shenzhen Investment Limited (the "Company"), you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or the transferee or to the bank, 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 the transferee.

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

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深圳控股有限公司

SHENZHEN INVESTMENT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00604)

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF SHENZHEN BIO-AGRICULTURE COMPANY LIMITED; (2) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS; (3) RE-ELECTION OF RETIRING DIRECTORS; AND (4) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

SOMERLEY CAPITAL LIMITED

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

CROSBY

Crosby Securities Limited

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 43 of this circular. A letter from Crosby, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 44 to 72 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at Garden Room, 2nd Floor, Hotel Nikko Hong Kong, 72 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong at 10:30 a.m. on Thursday, 29 May 2014 for considering the ordinary resolutions to approve the Acquisition, the Non-exempt Continuing Connected Transactions, the Annual Caps and the re-election of retiring Directors is set out on pages EGM – 1 to EGM – 4 of this circular. If you do not intend or are unable to attend the EGM and wish to appoint a proxy/proxies to attend, speak and vote on your behalf, you are requested to complete and sign the proxy form in accordance with the instructions printed thereon and deposited at the office of the Company's share registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. The completion and return of the proxy form shall not preclude you from attending and voting at the EGM or any adjournment thereof should you so desire.

12 May 2014

CONTENTS

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

"3-Year Period"	three years after the Completion Date
"Acquisition"	the proposed acquisition of the entire issued share capital of the Target Company by the Purchaser from the Vendor pursuant to the terms and conditions of the Amended Acquisition Agreement
"Acquisition Agreement"	the conditional sale and purchase agreement entered into on 27 January 2014 (after trading hours) amongst the Purchaser, the Vendor, Shum Yip Group and Nongke in respect of the Acquisition
"Agricultural Land Entrustment Agreement"	the agreement dated 27 January 2014 entered into between Nongke and Shum Yip Group in respect of entrustment management arrangements of the Agricultural Lands and Related Assets
"Agricultural Lands and Related Assets"	four administrative allocated agricultural land parcels owned by Nongke, which are (i) three land parcels located at 中國深圳市龍崗區坪山鎮湯坑坪環村 (Ping Huan Village, Tang Kang, Ping Shan Town, Longang District, Shenzhen, the PRC*) with a total land area of 423,635.95 sq.m.; and (ii) one land parcel located at 中國深圳市龍崗區大鵬鎮鵬城村 (Pengsheng Village, Dapeng Town, Longang District, Shenzhen, the PRC*) with a total land area of 112,234.20 sq.m and the buildings situated on these land parcels, all of which are subject to the Land Resumption
"AL Entrustment Annual Caps"	the maximum aggregate annual transaction amounts set for the transactions contemplated under the Agricultural Land Entrustment Agreement for the three years ending 31 December 2014, 2015 and 2016
"Amended Acquisition Agreement"	the Acquisition Agreement as amended and supplemented by the Supplemental Acquisition Agreement
"Announcement"	the announcement of the Company dated 27 January 2014 in relation to, among others, the Acquisition and the Non-exempt Continuing Connected Transactions

"Annual Caps"	the AL Entrustment Annual Caps and the NFM Entrustment Annual Caps
"Articles of Association"	the articles of association of the Company, as originally adopted and as from time to time altered
"associate(s)"	has the same meaning as defined in the Listing Rules
"Board"	the board of the Directors
"Business Day"	a day (other than a Saturday, Sunday or a public holiday or a day on which tropical cyclone warning signal No. 8 or above or a "black" rain storm warning is in force in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks are generally open for business in Hong Kong
"BVI"	the British Virgin Islands
"Company" or "Purchaser"	Shenzhen Investment Limited (深圳控股有限公司), a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the main board of the Stock Exchange
"Completion"	completion of the Acquisition
"Completion Date"	the date falling on the second Business Day after all the conditions precedent under the Amended Acquisition Agreement have been fulfilled and/or waived by the Purchaser in accordance with the Amended Acquisition Agreement (or such other date as the Vendor and the Purchaser may agree in writing)
"connected person(s)"	has the same meaning as defined in the Listing Rules
"Consideration"	the consideration of RMB5,589,000,000 (equivalent to HK$6,955,203,105), subject to adjustment, payable by the Purchaser for acquisition of the entire issued share capital of the Target Company pursuant to the Amended Acquisition Agreement
"Consideration Share(s)"	1,061,538,935 new Shares, credited as fully paid up, to be allotted and issued by the Company to the Vendor upon Completion at the issue price of HK$3.276 per new Share, as partial settlement of the Consideration

"controlling shareholder"	has the same meaning as defined in the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened at Garden Room, 2nd Floor, Hotel Nikko Hong Kong, 72 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong at 10:30 a.m. on Thursday, 29 May 2014 for the purpose of considering and, if thought fit, approving the Acquisition, the Non-exempt Continuing Connected Transactions, the Annual Caps and the re-election of Mr. GAO Shengyuan and Dr. WONG Yau Kar, David as Directors
"Enlarged Group"	the Group as enlarged by the Acquisition
"Entrustment Agreements"	Agricultural Land Entrustment Agreement and Nongke Flora Market Entrustment Agreement
"GFA"	gross floor area
"Group"	the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board comprising all of the independent non-executive Directors, namely Mr. WU Wai Chung, Michael, Mr. LI Wai Keung and Dr. WONG Yau Kar, David constituted, in compliance with the Listing Rules, to advise the Independent Shareholders as regards the terms of the Acquisition, the Non-exempt Continuing Connected Transactions and the Annual Caps

"Independent Financial Adviser" or "Crosby"	Crosby Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Acquisition, the Non-exempt Continuing Connected Transactions and the Annual Caps
"Independent Shareholders"	the Shareholders other than the Vendor and its associates
"Land Acquisition Option"	the right to exercise an option to acquire the New Replacement Land at fair market value, details of which are set out in the sub-section headed "Mechanisms for dealing with the Land Resumption" under the section headed "(B) The Acquisition" in the letter from the Board of this circular
"Land Premium"	RMB3,633,337,337, subject to adjustment (if any), being the aggregate amount of the land premium payable by the Target Group to UPLRCS for the Mingren Land pursuant to Mingren Land Grant Contracts
"Land Resumption"	the proposal to exchange the Subject Lands with the New Replacement Land, details of which are set out in the sub-section headed "Mechanisms for dealing with the Land Resumption" under the section headed "(B) The Acquisition" in the letter from the Board of this circular
"Last Trading Date"	27 January 2014, being the date of signing the Acquisition Agreement
"Latest Practicable Date"	8 May 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Li Lin Terrace Units"	Units B, C and D on 27th Floor and Unit D on 29th Floor in 荔林苑, 荔翠閣 (Li Cui Court, Li Lin Terrace*) (the details of 荔林苑, 荔翠閣 are set out in the sub-section headed "List of target properties" under the section headed "(C) Information on the Target Group" in the letter from the Board of this circular)

"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Longxi Garden Units"	Units 102 and 401 in Block 14 in 龍溪花園 (Longxi Garden*) (the details of 龍溪花園 are set out in the sub-section headed "List of target properties" under the section headed "(C) Information on the Target Group" in the letter from the Board of this circular)
"Longxi Garden Relocation Fee"	the fee in the amount of RMB250,457,000 payable by an independent third party to Nongke pursuant to an agreement entered into between Nongke and such independent third party on 3 September 2012 for relocation of certain shops, canteens, community health centers, kindergartens, dormitories and other buildings, structures, appurtenances of 龍溪花園 (Longxi Garden*) (the details of 龍溪花園 (Longxi Garden*) are set out in the sub-section headed "List of target properties" under the section headed "(C) Information on the Target Group" in the letter from the Board of this circular), and as at the date of the Supplemental Acquisition Agreement, RMB30.0 million of which was already received by Nongke
"Mingren Land"	the land parcels numbered 2014-002-0007 (Lot No. B302-0040) and 2014-002-0009 (Lot No. B302-0116) respectively owned by the Target Group with a total site area of approximately 39,158 and a total construction area not exceeding 259,332 sq.m. located at 中國深圳市福田區紅荔西路 (Hongli West Road, Futian District, Shenzhen, the PRC*)
"Mingren Land Grant Contracts"	the two land grant contracts made between 深圳市規劃和國土資源委員會第一直屬管理局 (the First Direct Administration Bureau of UPLRCS) as grantor and Zhong Cheng as grantee for the granting of the Mingren Land
"New Replacement Land"	the replacement land parcel to be obtained by the Target Group from the relevant land and resources government authorities in Shenzhen pursuant to the Land Resumption

"New Replacement Land Grant Contract"	the land grant contract in respect of the New Replacement Land
"NFM Entrustment Annual Caps"	the maximum aggregate annual transaction amounts set for the transactions contemplated under the Nongke Flora Market Entrustment Agreement for the three years ending 31 December 2014, 2015 and 2016
"Non-exempt Continuing Connected Transactions"	the transactions to be carried out pursuant to the Entrustment Agreements
"Nongke"	深圳市農科集團有限公司 (Shenzhen Nongke Holdings Company Limited*), a company established in the PRC and a member of the Target Group
"Nongke Flora Market"	a land parcel located at 中國深圳市福田區香蜜湖 (Xiangmihu, Futian District, Shenzhen, the PRC) which is currently used and managed by Nongke
"Nongke Flora Market Entrustment Agreement"	the investment and operations management agreement dated 27 January 2014 entered into between Nongke and Shum Yip Group in respect of the Nongke Flora Market Related Rights
"Nongke Flora Market Investment & Operations"	the investment and operation management of 農業科普和花卉展示博覽園 (Agricultural Popular Science and Flora Expo*), the social car parking space and certain commercial facilities of the Nongke Flora Market
"Nongke Flora Market Related Rights"	the rights given to Nongke for it to carry on the Nongke Flora Market Investment & Operations for a period of 40 years pursuant to the requirements of the relevant documents of Shenzhen Municipal People's Government
"Nongke Group"	Nongke and the Nongke Subsidiaries

"Nongke Subsidiaries"	the subsidiaries of Nongke, being 深圳市農科房地產開發有限公司 (Shenzhen Nongke Property Development Limited*), 深圳市農科物業管理有限公司 (Shenzhen Nongke Property Management Limited*), 深圳市農科園林裝飾工程有限公司 (Shenzhen Nongke Garden Design and Construction Limited*), 深圳市綠得寶保健食品有限公司 (Shenzhen Lvdebao Healthy Foods Limited*), 深圳市天翔達鴿業有限公司 (Shenzhen Tianxiangda Pigeon Industry Limited*), 深圳市天翔達牧工貿有限公司 (Shenzhen Tianxiangdamu Industry and Trading Limited*), 深圳市新科泰實業有限公司 (Shenzhen Xinketai Limited*), 深圳市農業生物技術發展有限公司 (Shenzhen Agricultural Biotechnology Limited*), 深圳市農科蔬菜科技有限公司 (Shenzhen Nongke Vegetable Technology Limited*), 深圳市農科苑科技實業有限公司 (Shenzhen Nongkeyuan Limited*), 深圳市深業中城有限公司 (Shenzhen Shum Yip Zhong Cheng Limited*) and 深圳市農科植物克隆種苗有限公司 (Shenzhen Nongke Plant and Clone Seed Limited*)
"PRC" or "China"	the People's Republic of China and, for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
"Reassessed NAV"	the audited consolidated net asset value attributable to owners of the Target Company as at 31 December 2013 after having adjusted for, amongst others, (i) the valuation of the property interests held by the Target Group, using the direct comparison valuation method, in the amount of approximately RMB10,793.6 million as at 31 December 2013; and (ii) the estimated potential tax liabilities of the Target Group
"Replacement Land"	the replacement land undertaken to be granted by the relevant land and resources government authorities in Shenzhen to the Target Group in compensation for the compulsory resumption of a land parcel owned by Nongke in 2005, which is expected to be located in Longgang, Shenzhen, the PRC with a land area of approximately 100,000 sq.m. for industrial use

"Replacement Land Premium Prepayment"	a prepayment amount of RMB27.0 million withheld by the relevant land and resources government authorities in Shenzhen in respect of the Replacement Land, the amount of which was expected to discharge the land premium payable to secure the Replacement Land
"RMB"	Renminbi, the lawful currency of the PRC
"SASAC"	國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission)
"Seized Units"	32 commercial units and 33 residential units in 香珠花園 (Xiangzhu Garden*) which are being seized under the PRC court orders and which formed part of the assets to be acquired by the Company under the Acquisition
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary share(s) of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"Shum Yip Group"	深業集團有限公司 (Shum Yip Group Limited*), a company established in the PRC and the holding company of the Vendor, which is ultimately wholly-owned by Shenzhen Municipal People's Government and under the administration of 深圳市人民政府國有資產監督管理委員會 (Shenzhen SASAC)
"sq.m."	square meter(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subject Lands"	the Agricultural Lands and Related Assets, the Replacement Land and the Replacement Land Premium Prepayment
"Supplemental Acquisition Agreement"	the supplemental agreement to the Acquisition Agreement dated 8 May 2014 entered into amongst the Purchaser, the Vendor, Shum Yip Group and Nongke in respect of the Acquisition

"Target Company"	Shenzhen Bio-Agriculture Company Limited (深圳生物農業有限公司), a company incorporated in the BVI with its entire issued share capital currently held by the Vendor
"Target Group"	the Target Company and its subsidiaries (namely, WFOE, Nongke and the Nongke Subsidiaries)
"UPLRCS"	深圳市規劃和國土資源委員會 (Urban Planning and Land Resources Commission of Shenzhen)
"Vendor" or "Shum Yip Holdings"	Shum Yip Holdings Company Limited (深業(集團)有限公司), a company incorporated in Hong Kong and wholly-owned by Shum Yip Group
"WFOE"	深圳市深業農業發展有限公司 (Shenzhen Shum Yip Agriculture Development Limited*), a wholly foreign owned enterprise established in the PRC and a member of the Target Group
"Xiangli Garden Units"	various commercial units on levels 1 and 2 in Blocks 5-6 in 香荔花園 (Xiangli Garden*) (the details of 香荔花園 are set out in the sub-section headed "List of target properties" under the section headed "(C) Information on the Target Group" in the letter from the Board of this circular)
"Zhong Cheng"	深圳市深業中城有限公司 (Shenzhen Shum Yip Zhong Cheng Limited*), a company established in the PRC with its entire registered capital indirectly held by the Target Company
"%"	per cent.

Unless otherwise specified, translations of RMB into HK$ in this circular are based on the exchange rate of RMB1.0 = HK$1.244445. No representation is made that any amounts in RMB or HK$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

* *The English translation is for identification purpose only.*

深圳控股有限公司
SHENZHEN INVESTMENT LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 00604)

Executive Directors:
Mr. LU Hua *(Chairman)*
Mr. GAO Shengyuan *(President)*
Mr. MOU Yong
Mr. LIU Chong

Non-executive Directors:
Dr. WU Jiesi
Mr. HUANG Yige

Independent non-executive Directors:
Mr. WU Wai Chung, Michael
Mr. LI Wai Keung
Dr. WONG Yau Kar, David

Registered office:
8th Floor, New East Ocean Centre
9 Science Museum Road
Tsimshatsui, Kowloon
Hong Kong

12 May 2014

To the Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF SHENZHEN BIO-AGRICULTURE COMPANY LIMITED; (2) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS; (3) RE-ELECTION OF RETIRING DIRECTORS; AND (4) NOTICE OF EXTRAORDINARY GENERAL MEETING

(A) INTRODUCTION

The Board announced that on 27 January 2014 (after trading hours), the Company, the Vendor (a wholly-owned subsidiary of Shum Yip Group), Nongke and Shum Yip Group entered into the Acquisition Agreement pursuant to which, among others, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire issued share capital of the Target Company.

The Board also announced that on 8 May 2014, the Supplemental Acquisition Agreement was entered into between the Company, the Vendor, Nongke and Shum Yip Group pursuant to which the parties have agreed to make certain amendments to the Acquisition Agreement, including but not limited to, the Consideration, the issue price of, and thus the number of, the Consideration Shares and the conditions precedent, mainly due to the aggregate amount of the land premium payable for the Mingren Land as provided under the Mingren Land Grant Contracts is higher than the estimated land premium as contemplated under the Acquisition Agreement and in order for the parties to proceed with the Acquisition, including the obtaining by the Vendor of the approval from Shenzhen SASAC in respect of the Acquisition.

The purpose of this circular is to give you, among other things, (i) further information on the Acquisition, the Non-exempt Continuing Connected Transactions and the Annual Caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition, Non-exempt Continuing Connected Transactions and the Annual Caps; (iii) the letter of advice from Crosby to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, Non-exempt Continuing Connected Transactions and the Annual Caps; (iv) information regarding the re-election of retiring Directors; (v) the notice of the EGM; and (vi) other information as required under the Listing Rules.

(B) THE ACQUISITION

This section sets out a summary of the principal terms and conditions of the Acquisition Agreement as amended and supplemented by the Supplemental Agreement.

The Acquisition Agreement

Date: 27 January 2014 (after trading hours)

Parties: the Company (as purchaser); the Vendor (as vendor); Shum Yip Group; and Nongke

The Supplemental Acquisition Agreement

Date: 8 May 2014 (after trading hours)

Parties: the Company (as purchaser); the Vendor (as vendor); Shum Yip Group; and Nongke

The Vendor is an investment holding company. As at the Latest Practicable Date, the Vendor was the direct controlling shareholder of the Company, together with its associates, holding 3,260,164,941 Shares, representing approximately 60.59% of the Shares in issue. The Vendor is wholly-owned by Shum Yip Group.

Shum Yip Group is a company established in the PRC and the holding company of the Vendor, which is ultimately wholly-owned by Shenzhen Municipal Peoples Government through 深圳市人民政府國有資產監督管理委員會 (Shenzhen SASAC). Shum Yip Group is principally engaged in a range of operations including property development, property investment, property management, infrastructure construction and operation, transportation services and modern agriculture.

Nongke is a wholly-owned subsidiary of the Target Company held through the WFOE and thus an indirect wholly-owned subsidiary of the Vendor as at the Latest Practicable Date. Nongke is principally engaged in property development and investment, property management, garden design and construction, manufacture and sale of agricultural products.

Assets to be acquired

Pursuant to the Amended Acquisition Agreement, the Purchaser has conditionally agreed to acquire the entire issued share capital of the Target Company from the Vendor, which, through its subsidiaries, conducts property development and investment, property management, garden design and construction, manufacture and sale of agricultural products. Based on the audited consolidated financial information of the Target Group for the year ended 31 December 2013, the property investment and development division and the property management division together accounted for approximately 94.9% of the total segment revenue of the Target Group for the year ended 31 December 2013 and 99.1% of the total segment assets of the Target Group as at 31 December 2013.

The principal property of the Target Group is the Mingren Land, which is located at 中國深圳市福田區紅荔西路 (Hongli West Road, Futian District, Shenzhen, the PRC*) with a total site area of approximately 39,158 sq.m. and a total construction area not exceeding 259,332 sq.m.. The Target Group also owns other property projects, which are set out in the sub-section headed "List of target properties" under the section headed "(C) Information on the Target Group" below. For the avoidance of doubt, (i) the Agricultural Lands and Related Assets, the Replacement Land and the Replacement Land Premium Prepayment, and (ii) the Nongke Flora Market Related Rights do not form part of the assets to be acquired by the Company under the Acquisition, details of which are set out in the sub-sections headed "Mechanisms for dealing with the Land Resumption" and "Mechanisms for dealing with the Nongke Flora Market Related Rights" below respectively.

Upon Completion, members of the Target Group will become subsidiaries of the Company.

The Consideration

The Consideration is RMB5,589,000,000 (equivalent to approximately HK$6,955,203,105) and is subject to adjustments (if any) as mentioned below. The Consideration has been determined after arm's length negotiation between the Purchaser and the Vendor. The Consideration has been determined with reference to, among other things, the Reassessed NAV which is computed below:

	RMB' million[(6)]	*RMB' million*[(6)]
Consolidated net asset value attributable to owners of the Target Group as at 31 December 2013[(1)]		2,966.6
Add: Longxi Garden Relocation Fee[(2)]		250.4
Add: Land appreciation		
Market value of the property interests held by the Target Group as at 31 December 2013[(3)]	10,793.6	
Book value of the property interests as at 31 December 2013[(4)]	(6,504.1)	4,289.5
Less: Estimated potential tax liabilities[(5)]		(1,785.4)
Reassessed NAV		5,721.1

Notes:

1. The amount is extracted from Appendix II to this circular and is based on the exchange rate of RMB1.0 = HK$1.2719.

2. The amount represents the Longxi Garden Relocation Fee less the book value of the relevant property as at 31 December 2013. In determining the Consideration, the parties to the Amended Acquisition Agreement have taken into account the Longxi Garden Relocation Fee, which has not been accounted for in the accountants' report of the Target Group as set out in Appendix II to this circular. As such, the Longxi Garden Relocation Fee forms part of the Acquisition and therefore is included as an adjustment in the calculation of the Reassessed NAV.

3. Reconciliation between the market value of properties as at 31 December 2013 and the valuation as at 28 February 2014 as set out in the valuation report in Appendix V to this circular is as follows:

	RMB' million[(6)]
Market value as at 31 December 2013 as stated in the Announcement	10,793.6
Less: Market value of disposed units of 天御香山花園 (Tianyu Xiangshan Garden*) (i.e. property no. 1 referred to in the valuation report in Appendix V to this circular) in January and February 2014	(196.0)
Less: Valuation of the Li Lin Terrace Units, Longxi Garden Units and Xiangli Garden Units (i.e. property nos. 5, 11 and 13 referred to in the valuation report in Appendix V to this circular)	(66.6)
Market value as at 28 February 2014	10,531.0

4. The Land Premium of approximately RMB3,633 million has already been accounted for as land cost of properties under development of the Target Group as at 31 December 2013.

5. As there may be potential tax liabilities to be borne by the Group upon disposal of the acquired properties, in arriving at the Reassessed NAV, the consolidated net asset value of the Target Company as at 31 December 2013 has been adjusted downwards by the estimated potential tax liabilities. The potential tax liabilities of approximately RMB1,785.4 million can be reconciled to the pro forma adjustment of HK$2,270.8 million on page IV-3 of this circular with the exchange rate of RMB1.0 = HK$1.2719.

6. All the figures are rounded up to the nearest hundred thousand.

The Consideration represents a discount of approximately 2.3% to the Reassessed NAV.

The Consideration of RMB5,589,000,000 (equivalent to approximately HK$6,955,203,105) is required to be settled in the following manner:

(i) as to HK$3,477,601,551.06 (equivalent to approximately RMB2,794,499,999), representing approximately 50% of the Consideration before any adjustment, shall be satisfied by the Company at Completion by way of an allotment and issue of 1,061,538,935 Consideration Shares credited as fully paid up at the issue price of HK$3.276 per Consideration Share to the Vendor at Completion Date;

(ii) as to HK$311,679,961.40, representing the equivalent amount of the Longxi Garden Relocation Fee receivable by Nongke of RMB250,457,000, to be settled in cash (or in such other manner as may be agreed by the Vendor and the Purchaser in writing) by the Company within 7 Business Days after the receipt of the entire amount of Longxi Garden Relocation Fee by Nongke provided that such fee is received by Nongke within the 3-Year Period. In the event that the Longxi Garden Relocation Fee remains outstanding after the expiry of the 3-Year Period, the Consideration will be adjusted downward by the entire amount of the Longxi Garden Relocation Fee, further details of which are set out in the sub-section headed "Adjustments to the Consideration" below;

(iii) as to HK$211,729,872.30, representing the equivalent amount of the value assigned to the Seized Units for the purpose of the Acquisition of RMB170,140,000, to be settled by the Company in cash (or in such other manner as may be agreed by the Vendor and the Purchaser in writing) within 7 Business Days after the fulfillment of all the following conditions:

  (a) Nongke has completed the legal procedures to release all of the Seized Units;

  (b) Nongke has obtained the property ownership certificates of all of the Seized Units;

  (c) all of the Seized Units shall not be subject to any third party rights and legal proceedings; and

  (d) the PRC legal advisers to be engaged by the Purchaser and the Vendor having issued a legal opinion confirming the fulfillment of the conditions mentioned in (iii)(a), (iii)(b) and (iii)(c) above (collectively, the "**Seized Units Conditions**"), provided that all the Seized Units Conditions have to be fulfilled within the 3-Year Period. In the event any of the Seized Units Conditions is not satisfied within the 3-Year Period, the Consideration will be adjusted downward by the full amount of the aforesaid value assigned to the Seized Units, further details of which are set out in the sub-section headed "Adjustments to the Consideration" below;

(iv) as to HK$13,191,117.00, representing the equivalent amount of the value assigned to the Li Lin Terrace Units for the purpose of the Acquisition of RMB10,600,000, to be settled by the Company in cash (or in such other manner as may be agreed by the Vendor and the Purchaser in writing) within 7 Business Days after the fulfillment of all the following conditions:

(a) 深圳市農科房地產開發有限公司 (Shenzhen Nongke Property Development Limited*) ("**Nongke Property**") has obtained the property ownership certificates of all of the Li Lin Terrace Units;

(b) all of the Li Lin Terrace Units are not subject to any third party rights and legal proceedings; and

(c) the PRC legal advisers to be engaged by the Purchaser and the Vendor having issued a legal opinion confirming the fulfillment of the conditions mentioned in (iv)(a) and (iv)(b) above (collectively, the "**Li Lin Terrace Units Conditions**"),

provided that all the Li Lin Terrace Units Conditions have to be fulfilled within the 3-Year Period. In the event any of the Li Lin Terrace Units Conditions is not satisfied within the 3-Year Period, the Consideration will be adjusted downward by the full amount of the aforesaid value assigned to the Li Lin Terrace Units, further details of which are set out in the sub-section headed "Adjustments to the Consideration" below;

(v) as to HK$62,471,139.00, representing the equivalent amount of the value assigned to the Xiangli Garden Units for the purpose of the Acquisition of RMB50,200,000, to be settled by the Company in cash (or in such other manner as may be agreed by the Vendor and the Purchaser in writing) within 7 Business Days after the fulfillment of all the following conditions:

(a) Nongke Property has obtained the property ownership certificates of all of Xiangli Garden Units;

(b) all of Xiangli Garden Units shall not be subject to any third party rights and legal proceedings; and

(c) the PRC legal advisers to be engaged by the Purchaser and the Vendor having issued a legal opinion confirming the fulfillment of the conditions mentioned in (v)(a) and (v)(b) above (collectively, the "**Xiangli Garden Units Conditions**"), provided that all the Xiangli Garden Units Conditions have to be fulfilled within the 3-Year Period. In the event any of the Xiangli Garden Units Conditions is not satisfied within the 3-Year Period, the Consideration will be adjusted downward by the full amount of the aforesaid value assigned to the Xiangli Garden Units, further details of which are set out in the sub-section headed "Adjustments to the Consideration" below;

(vi) as to HK$7,242,669.90, representing the equivalent amount of the value assigned to the Longxi Garden Units for the purpose of the Acquisition of RMB5,820,000, to be settled by the Company in cash (or in such other manner as may be agreed by the Vendor and the Purchaser in writing) within 7 Business Days after the fulfillment of all the following conditions:

(a) Nongke has obtained the property ownership certificates of all of Longxi Garden Units;

(b) all of Longxi Garden Units shall not be subject to any third party rights and legal proceedings; and

(c) the PRC legal advisers to be engaged by the Purchaser and the Vendor having issued a legal opinion confirming the fulfillment of the conditions mentioned in (vi)(a) and (vi)(b) above (collectively, the "**Longxi Garden Units Conditions**"),

provided that all the Longxi Garden Units Conditions have to be fulfilled within the 3-Year Period. In the event any of the Longxi Garden Units Conditions is not satisfied within the 3-Year Period, the Consideration will be adjusted downward by the full amount of the aforesaid value assigned to the Longxi Garden Units, further details of which are set out in the sub-section headed "Adjustments to the Consideration" below; and

(vii) as to the remaining part of the Consideration, being HK$2,871,286,794.34 (equivalent to approximately RMB2,307,283,001), to be satisfied by the Company in cash (or in such other manner as may be agreed by the Vendor and the Purchaser in writing) at Completion.

Adjustments to the Consideration

The Consideration is (where applicable) subject to the adjustments mentioned below:

(i) Longxi Garden Relocation Fee

As Nongke holds certain units in 龍溪花園 (Longxi Garden*) (the details of 龍溪花園 (Longxi Garden*) are set out in property no. 15 in the valuation report as set out in Appendix V to this circular), where 龍溪花園 (Longxi Garden*) has been the subject of demolition and investment operation by an independent third party property developer.

On 3 September 2012, Nongke entered into an agreement with such property developer, pursuant to which the property developer agreed to pay Nongke the Longxi Garden Relocation Fee of RMB250,457,000 (equivalent to HK$311,679,961.40) for the relocation of certain shops, canteens, community health centers, kindergartens, dormitories and other buildings, structures, appurtenances of 龍溪花園 (Longxi Garden*).

As at the date of the Acquisition Agreement, a deposit in the amount of RMB30.0 million had been received by Nongke in relation to the Longxi Garden Relocation Fee. In the event that the balance of the Longxi Garden Relocation Fee is not received by Nongke in full and the same together with the aforesaid deposit were not accounted for as revenue in the amount of RMB250,457,000 in accordance with the applicable accounting principles within the 3-Year Period, then, upon the expiry of the 3-Year Period, (a) the Consideration will be adjusted downward by an amount of RMB250,457,000 such that the Company will not be obliged to pay the Vendor for the said RMB250,457,000; and (b) the deposit mentioned above together with any other amount received, for which Nongke has no legal obligation to refund to such property developer, before the expiry of the 3-Year Period by Nongke as part of the payment of Longxi Garden Relocation Fee is required to be returned to the Vendor. Subject to the Company having received the Longxi Garden Relocation Fee of RMB250,457,000 in full, the Company will pay the same amount to the Vendor to satisfy such part of the Consideration mentioned in paragraph (ii) of the sub-section headed “The Consideration” above. If, after the Consideration is adjusted downward as aforesaid, Nongke receives any part of the Longxi Garden Relocation Fee, the Company is required to return such amount to the Vendor within 7 Business Days after the receipt thereof.

(ii) Valuation of the Seized Units

Nongke holds certain units in 香珠花園 (Xiangzhu Garden*) (the details of 香珠花園 (Xiangzhu Garden*) are set out in property nos. 3 and 7 in the valuation report as set out in Appendix V to this circular). 香珠花園 (Xiangzhu Garden*) is a joint property development project amongst Nongke and two other independent third party developers. Upon completion of development, Nongke was allocated certain units of 香珠花園 (Xiangzhu Garden*), some of which were sold. Due to the failure of the joint project partners to obtain the completion certificate from the government authority and to complete the procedure for obtaining the building ownership certificates for the buyers of 香珠花園 (Xiangzhu Garden*), substantially all the 65 units held by Nongke in 香珠花園 (Xiangzhu Garden*) have been subject to judicial seizure and remained under such judicial seizure (i.e. the Seized Units) as at the Latest Practicable Date. The relevant properties under the judicial seizure are part of assets to be acquired by the Company indirectly through the Acquisition which have been valued at RMB170,140,000 (equivalent to HK$211,729,872.30).

The Vendor and the Purchaser agreed that in the event that any of the Seized Units Conditions is not satisfied within the 3-Year Period, the Consideration will be adjusted downward by RMB170,140,000, being the amount of the value assigned to the Seized Units, upon the expiry of the 3-Year Period, such that the Company will not be obliged to pay the Vendor for the said RMB170,140,000 and subject to the downward adjustment of the Consideration, any rights and interest in the Seized Units will be deemed to be owned by the Vendor. Thereafter, any benefit or interest received by Nongke in relation to the Seized Units are required to be returned to the Vendor (or its nominee) in a manner as agreed by the Vendor and the Company or by transferring the same to a third party as directed by the Vendor provided that, in each case, such manner is permitted by the PRC laws and regulations.

(iii) Valuation of Li Lin Terrace Units

Nongke Property holds certain units in 荔林苑, 荔翠閣 (Li Cui Court, Li Lin Terrace*) (details of which are set out in property no. 5 in the valuation report as set out in Appendix V to this circular). Nongke Property jointly developed 荔林苑, 荔翠閣 (Li Cui Court, Li Lin Terrace*) with another developer. Li Lin Terrace Units were sold to certain individuals who had subsequently returned all Li Lin Terrace Units to Nongke Property as a result of failure to repay mortgages. As at the date of the Supplemental Acquisition Agreement and the Latest Practicable Date, the property ownership certificates of Li Lin Terrace Units are yet to be obtained by Nongke Property. The Li Lin Terrace Units are part of assets to be acquired by the Company indirectly through the Acquisition and have been valued at RMB10,600,000 (equivalent to HK$13,191,117.00).

The Vendor and the Purchaser agreed that in the event that any of the Li Lin Terrace Units Conditions is not satisfied within the 3-Year Period, the Consideration will be adjusted downward by RMB10,600,000, being the amount of valuation of Li Lin Terrace Units, upon the expiry of the 3-Year Period, such that the Company will not be obliged to pay the Vendor for the said RMB10,600,000 and subject to the downward adjustment of the Consideration, any rights and interest in the Li Lin Terrace Units will be deemed to be owned by the Vendor. Thereafter, any benefit or interest received by Nongke Property in relation to the Li Lin Terrace Units are required to be returned to the Vendor (or its nominee) in a manner as agreed by the Vendor and the Company or by transferring the same to a third party as directed by the Vendor provided that, in each case, such manner is permitted by the PRC laws and regulations.

(iv) Valuation of Xiangli Garden Units

Nongke Property holds all the Xiangli Garden Units (details of which are set out in property no. 13 in the valuation report as set out in Appendix V to this circular). As at the date of the Supplemental Acquisition Agreement and the Latest Practicable Date, the property ownership certificates of Xiangli Garden Units are yet to be obtained by Nongke Property. The Xiangli Garden Units are part of assets to be acquired by the Company indirectly through the Acquisition and have been valued at RMB50,200,000 (equivalent to HK$62,471,139.00).

The Vendor and the Purchaser agreed that in the event that any of the Xiangli Garden Units Conditions is not satisfied within the 3-Year Period, the Consideration will be adjusted downward by RMB50,200,000, being the amount of valuation of Xiangli Garden

Units, upon the expiry of the 3-Year Period, such that the Company will not be obliged to pay the Vendor for the said RMB50,200,000 and subject to the downward adjustment of the Consideration, any rights and interest in the Xiangli Garden Units will be deemed to be owned by the Vendor. Thereafter, any benefit or interest received by Nongke Property in relation to the Xiangli Garden Units are required to be returned to the Vendor (or its nominee) in a manner as agreed by the Vendor and the Company or by transferring the same to a third party as directed by the Vendor provided that, in each case, such manner is permitted by the PRC laws and regulations.

(v) Valuation of Longxi Garden Units

Nongke holds certain units in 龍溪花園 (Longxi Garden*) (details of which are set out in property no. 11 in the valuation report as set out in Appendix V to this circular). As at the date of the Supplemental Acquisition Agreement and the Latest Practicable Date, the property ownership certificates of Longxi Garden Units are yet made available to the Purchaser. The Longxi Garden Units are part of assets to be acquired by the Company indirectly through the Acquisition and have been valued at RMB5,820,000 (equivalent to HK$7,242,669.90).

The Vendor and the Purchaser agreed that in the event that any of the Longxi Garden Units Conditions is not satisfied within the 3-Year Period, the Consideration will be adjusted downward by RMB5,820,000, being the amount of valuation of Longxi Garden Units, upon the expiry of the 3-Year Period, such that the Company will not be obliged to pay the Vendor for the said RMB5,820,000 and subject to the downward adjustment of the Consideration, any rights and interest in the Longxi Garden Units will be deemed to be owned by the Vendor. Thereafter, any benefit or interest received by Nongke in relation to the Longxi Garden Units are required to be returned to the Vendor (or its nominee) in a manner as agreed by the Vendor and the Company or by transferring the same to a third party as directed by the Vendor provided that, in each case, such manner is permitted by the PRC laws and regulations.

(vi) Adjustment to the Land Premium

Under the Mingren Land Grant Contracts, the initial amount of the second instalment of the Land Premium (amounting to RMB2,444,612,668 (equivalent to HK$3,042,186,011.62) in aggregate) may be adjusted as a result of any change to the policy regarding land premium and Zhong Cheng has undertaken, in case the Land Premium is adjusted as aforesaid, to pay the second instalment of the Land Premium that is so adjusted. Accordingly, under the Supplemental Acquisition Agreement, it has been agreed that:

(i) if the second instalment of the Land Premium is adjusted upwards, the Consideration will be adjusted downwards; and

(ii) if the second instalment of the Land Premium is adjusted downwards, the Consideration will be adjusted upwards, and that if the amount of adjustment to the second instalment of the Land Premium (the "**Land Premium Adjustment Amount**"),

(a) is less than RMB10,000,000, the Consideration will be adjusted upwards or downwards (as the case may be) by the same amount of the Land Premium Adjustment Amount; or

(b) is more than RMB10,000,000, the Vendor and the Purchaser will jointly appoint an asset valuer in the PRC to re-assess the net asset value of the Target Group based on the same valuation date, standard, method as adopted for the Acquisition for the purpose of determining the amount of adjustment to be made to the Consideration, provided that in any event, the amount of adjustment to the Consideration should not exceed RMB100,000,000.

The cap amount of RMB100,000,000 mentioned in (b) of the immediate preceding paragraph has been arrived at after commercial negotiations between the parties to the Amended Acquisition Agreement, having taken into account the possible increase in the second instalment of the Land Premium as estimated by these parties. The Vendor and the Purchaser have further agreed that subject to Completion having taken place, if the Consideration is adjusted upward as mentioned above, the amount of adjustment to the Consideration is required to be paid by the Purchaser to the Vendor or if the Consideration is adjusted downward as mentioned above, the amount of adjustment to the Consideration is required to be paid by the Vendor to the Purchaser, in either case, within 7 business days after the earlier of the payment date of the second instalments of the Land Premium or 1 June 2015.

The Consideration Shares

The Consideration Shares will be issued at HK$3.276 per Consideration Share, which:

(i) represents a premium of approximately 21.33% over the closing price of HK$2.700 per Share as quoted on the Stock Exchange on the Last Trading Date;

(ii) represents a premium of 17.00% over the average closing price of HK$2.800 per Share for the last five trading days up to and including the Last Trading Date;

(iii) represents a premium of approximately 16.71% over the average closing price of HK$2.807 per Share for the last ten trading days up to and including the Last Trading Date;

(iv) represents a premium of approximately 15.00% over the average closing price of HK$2.849 per Share for the last thirty trading days up to and including the Last Trading Date;

(v) represents a premium of approximately 35.93% over the closing price of HK$2.41 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and

(vi) represents a discount of approximately 28.61% to the audited consolidated net assets value attributable to equity holders of the Company per Share of approximately HK$4.589, calculated based on the Group's audited consolidated net asset value of HK$25,337.9 million as at 31 December 2013 and 5,381,055,305 Shares in issue on 31 December 2013, less the proposed final dividend for the year ended 31 December 2013 of HK$645.7 million.

When allotted and issued in full at Completion, the Consideration Shares will represent approximately:

(i) 19.73% of the existing shares of the Company in issue as at the Latest Practicable Date; and

(ii) 16.48% of the shares of the Company in issue as enlarged by the allotment and issue of the Consideration Shares.

The Consideration Shares are to be issued by the Company under specific mandate to be sought from the Independent Shareholders at the EGM. The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects with all the Shares then in issue. There is no restriction for the subsequent sale of the Consideration Shares upon issue.

In order for the Vendor to obtain the approval from Shenzhen SASAC in respect of the Acquisition, the issue price of HK$3.276 per Consideration Share was arrived at after arm's length negotiations between the parties to the Acquisition Agreement after taking into account, among others, the prevailing market price of the Shares, the financial performance of the Group and the current market conditions.

An application will be made to the Stock Exchange by the Company for the listing of, and permission to deal in, the Consideration Shares.

Conditions precedent

Completion is subject to the following conditions being satisfied:

(i) the passing of ordinary resolutions by the Independent Shareholders at the EGM approving the Acquisition Agreement and the Supplemental Acquisition Agreement, and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares to the Vendor, and the Entrustment Agreements;

(ii) the Listing Committee granting or agreeing to grant the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange;

(iii) the Vendor having provided all relevant documents of the Target Group as required by the Purchaser from time to time; and the Purchaser having completed due diligence on the Target Group (including but not limited to in respect of the establishment, approvals, legal, financial, engineering, land, property, management, labour, insurance, environmental protection, foreign exchange, lending and borrowing, guarantee and investment of relevant companies) and being reasonably satisfied with the results of the due diligence;

(iv) the Purchaser's PRC legal adviser having issued a legal opinion to the reasonable satisfaction of the Purchaser in respect of (including but not limited to) the due establishment and existence of the members of the Target Group (other than the Target Company) and their business operations and scopes, and properties;

(v) the approvals having been obtained by the Vendor from 深圳市人民政府國有資產監督管理委員會 (Shenzhen SASAC) for the sale and purchase of the entire issued share capital in the Target Company (including the entrustment arrangements in respect of the Agricultural Lands and Related Assets and the Nongke Flora Market Investment & Operations) pursuant to the Amended Acquisition Agreement;

(vi) the Mingren Land Grant Contracts remain legally valid and the content of which not being varied, and no event that would be in contravention, or result the invalidation or termination, of the Mingren Land Grant Contracts;

(vii) the warranties given by the Vendor under the Amended Acquisition Agreement remaining true and accurate in all material respects and not misleading.

The Purchaser may waive conditions precedent (iii), (iv) and/or (vii) above by notice in writing to the Vendor. If the above conditions precedent are not fulfilled (or waived as aforesaid) on or before 30 June 2014 (or such other later date or longer period as agreed by the Vendor and the Purchaser in writing) (other than conditions precedent (vi) and (vii) which, unless waived as aforesaid, shall be fulfilled upon Completion), the Amended Acquisition Agreement shall terminate automatically and whereupon none of the parties shall have any obligations towards the others save and except for any antecedent breach.

The Vendor has agreed that, if other approval, filing or permission from the relevant PRC government departments in respect of the sale and purchase of the entire issued share capital in the Target Company (including the entrustment arrangements in respect of the Agricultural Lands and Related Assets and the Nongke Flora Market Investment & Operations) pursuant to the Amended Acquisition Agreement in addition to that referred to in (v) above is required, it will comply with such approval, filing or permission requirement in a timely manner and to fully indemnify the Purchaser for all losses incurred by the Purchaser as a result of the Vendor's failure to do so.

Completion

Upon fulfillment and/or (where relevant) waiver of all the conditions precedent set out above, Completion shall take place on the Completion Date.

Indemnities and undertakings

Under the Amended Acquisition Agreement, the Purchaser and the Vendor and/or Shum Yip Group have agreed to indemnify the other party for losses, liabilities or expenses, directly or indirectly incurred by such other party, arising from, as a result of or based on its non-compliance of any provision of the Amended Acquisition Agreement including any terms, representations, undertakings and warranties.

Pursuant to the Amended Acquisition Agreement, the Vendor has given certain undertakings, and also have agreed to indemnify the Purchaser for losses, liabilities or expenses, directly or indirectly incurred by the Purchaser, arising from, as a result of or based on, among others, (i) certain actual or potential claims or legal or administrative proceeding involving certain members of the Nongke Group; (ii) title to, benefit or interest in, certain properties of the Nongke Group; and (iii) certain breaches or non-compliance of the relevant PRC laws, regulations, policies, notices, approvals, measures, court orders and/or judgments by certain members of the Nongke Group or irregularities relating to certain affairs of certain members of the Nongke Group.

In addition, upon Completion, the Vendor and the Purchaser will enter into a tax indemnity deed pursuant to which, among other things, the Vendor will undertake to indemnify the Purchaser for, among others, (i) any loss incurred by the Target Group where the Target Group is required to bear any tax liabilities of the Vendor which may arise from the transactions pursuant to the Amended Acquisition Agreement; and (ii) any tax liabilities or claims due to or with reference to any income, profits or gains earned, accrued or received, transactions carried out by the Target Group prior to the Completion Date.

Mechanisms for dealing with the Land Resumption

(i) Exclusion of the Subject Lands from the scope of the Acquisition

In respect of the resumption by the Shenzhen Government of a land parcel owned by Nongke in 2005, the relevant land and resources government authorities in Shenzhen agreed to compensate the Target Group the Replacement Land in Longgang, Shenzhen, the PRC with a land area of approximately 100,000 sq.m. for industrial use. As part of the overall compensation for such resumption of land, the relevant land and resources government authorities in Shenzhen had withheld the Replacement Land Premium Prepayment which amounted to RMB27 million.

The Target Group currently owns the Agricultural Lands and Related Assets in Ping Shan Town and Dapeng Town in Longang District, Shenzhen. The Agricultural Lands and Related Assets are four administrative allocated agricultural land parcels owned by Nongke, of which three of the land parcels are located at 中國深圳市龍崗區坪山鎮湯坑坪環村錦龍大道 (Jinlong Boulevard, Ping Huan Village, Tang Kang, Ping Shan Town, Longang District, Shenzhen, the PRC*) with a total land area of 423,635.95 sq.m.; and one of the land parcels are located at 中國深圳市龍崗區大鵬鎮鵬城村 (Pengsheng

Village, Dapeng Town, Longang District, Shenzhen, the PRC*) with a total land area of 112,234.20 sq.m and the buildings situated on these land parcels. As at 31 December 2013, full impairment was made for the Agricultural Lands of HK$4,483,000 and the Related Assets of HK$25,437,000 as detailed in notes 14 and 15 to the accountants' report of the Target Group as set out in Appendix II to this circular. The Agricultural Lands and the Related Assets have not been valued and no value has been assigned to any of them.

The Replacement Land, Replacement Land Premium Prepayment and Agricultural Lands and Related Assets are collectively known as the Subject Lands. Under the relevant PRC laws, the Subject Lands are not yet transferable. As a result, the Subject Lands are excluded from the scope of the Acquisition and all rights and interests associated with the Subject Lands shall be that of Shum Yip Group.

The Replacement Land Premium Prepayment represented a government grant receivable of RMB27.0 million which is expected to be used to offset the consideration for the acquisition of the Replacement Land in the future. The Target Group has not accounted for the other receivable of RMB27.0 million and corresponding deferred income related to the government grant of the same amount as at 31 December 2013.

It was understood that it is the intention of the Shenzhen Government to resolve the issues involving the Subject Lands at the same time and to deal with them by way of the Land Resumption. The Target Group is currently under negotiation and discussion with the Shenzhen Government in respect of the Land Resumption, whereby the Subject Lands are expected to be acquired by the UPLRCS in exchange for the New Replacement Land, which is for property development purpose.

The Vendor has undertaken to procure the Target Group to terminate any non-compliance with respect to the operations in the Agricultural Lands and Related Assets before the Completion Date, and has agreed to indemnify the Purchaser for losses, liabilities or expenses, directly or indirectly incurred by the Purchaser, arising from, as a result of or based on such non-compliance and/or termination.

(ii) The Agricultural Land Entrustment Agreement

On 27 January 2014, Nongke and Shum Yip Group entered into the Agricultural Land Entrustment Agreement pursuant to which with effect from the Completion Date, Shum Yip Group will appoint Nongke (i) to hold and manage the Agricultural Lands and Related Assets on its behalf; and (ii) to authorise Nongke and its wholly-owned subsidiaries to manage the Agricultural Lands and Related Assets in accordance with their then existing operations, in each case, at the cost of Shum Yip Group and Nongke will be entitled to a management fee of RMB1,613,529.42 (equivalent to approximately HK$2,007,948.62) per annum, payable by Shum Yip Group quarterly in arrears and for a term commencing on the Completion Date and ending on 31 December 2016 or such earlier date as provided under the Agricultural Land Entrustment Agreement. Such management fee is determined after arm's length negotiations between Nongke and Shum Yip Group with reference to the average historical annual income generated by Agricultural Lands and Related Assets for the three years ended 31 December 2013.

Subject to Completion, the term of the Agricultural Land Entrustment Agreement (the "**Agricultural Land Entrustment Period**") will commence from the Completion Date and will remain valid until 31 December 2016. The Agricultural Land Entrustment Agreement can be terminated prior to 31 December 2016 should the following occur (whichever is earlier in time):

(a) when the Purchaser (or its nominee(s)) having acquired the New Replacement Land from the Vendor in accordance with paragraph (iv) below;

(b) when the New Replacement Land is legally transferred back to the Vendor (or its nominee(s)) in accordance with paragraph (iv) below;

(c) when all of the Agricultural Lands and Related Assets are confiscated or prohibited from operation; or

(d) when all of the Agricultural Lands and Related Assets are disposed or transferred by Shum Yip Group to a relevant third party.

provided that in the event that only part of the Agricultural Lands and Related Assets is acquired, assigned or resumed as described in (a), (b) or (c) above respectively, the entrustment arrangements between Shum Yip Group and Nongke and the Agricultural Land Entrustment Period in respect of such portion of the Agricultural Lands and Related Assets will be terminated. The entrustment arrangements between Shum Yip Group and Nongke and the Agricultural Land Entrustment Period for the remaining portion of the Agricultural Lands and Related Assets will continue.

During the Agricultural Land Entrustment Period, Shum Yip Group, being the beneficial owner of the Agricultural Lands and Related Assets, shall be entitled to all the economic benefits of the Agricultural Lands and Related Assets. Such economic benefits will be collected by Nongke on behalf of Shum Yip Group and be repatriated to Shum Yip Group (or its nominee(s)), in the manner as permitted by the PRC laws and regulations and after deducting the management fee payable to Nongke for its property management services rendered under the Agricultural Land Entrustment Agreement, all the relevant expenses incurred by Nongke during the course of managing the Agricultural Lands and Related Assets and taxes. In the event that such economic benefits are less than the management fee payable to Nongke, Shum Yip Group shall arrange to pay such shortfall to Nongke in a timely manner. On the other hand, during the Agricultural Land Entrustment Period, Shum Yip Group, being the beneficial owner of the Agricultural Lands and Related Assets, shall bear all costs, taxes and other liabilities in respect of the Agricultural Lands and the Related Assets in such manner permitted by the relevant PRC laws and regulations.

The AL Entrustment Annual Caps for each of the years ending 31 December 2014, 2015 and 2016 are RMB1.1 million (equivalent to approximately HK$1.4 million), RMB1.7 million (equivalent to approximately HK$2.1 million) and RMB1.7 million (equivalent to approximately HK$2.1 million) respectively. The AL Entrustment Annual

Caps have been based on the management fee agreed under the Agricultural Land Entrustment Agreement which in turn was determined after arm's length negotiations between Nongke and Shum Yip Group based on the average historical annual income generated by Agricultural Lands and Related Assets of approximately RMB1,613,000 for the three years ended 31 December 2013. The Directors consider that the management fee agreed under the Agricultural Land Entrustment Agreement is on a better term to the Company. The AL Entrustment Annual Cap for the year ending 31 December 2014 is determined on a pro rata basis assuming that Completion takes place in April 2014.

(iii) Conditions for the transfer of the New Replacement Land

Under the Amended Acquisition Agreement, the Purchaser and Shum Yip Group agreed that the pricing and the transfer of the New Replacement Land will be subject to the following conditions:

(a) the relevant land and resources government authorities in Shenzhen confirming the compensation arrangements for the Subject Lands and completion of all relevant legal procedures for the proper transfer of the New Replacement Land in accordance with the PRC laws; and

(b) the transfer price of the New Replacement Land shall comply with the applicable legal and regulatory requirements of the relevant SASAC department(s) and the relevant land and resources bureau(s) and the obtaining of all necessary approvals, permissions and payment of the relevant fees (if applicable) as required by the relevant SASAC department(s) and the relevant land and resources bureau(s).

(iv) Land Acquisition Option

Since the Subject Lands are not yet transferable under PRC laws, pursuant to the Amended Acquisition Agreement, subject to Completion, the fulfillment of all the conditions set out in paragraph (iii) above and during the Agricultural Land Entrustment Period, the Purchaser (by itself or through its nominee(s)) has the Land Acquisition Option to acquire the New Replacement Land at market valuation on terms set out below:

(a) in reliance on the authorisation of Shum Yip Group, Nongke (or its nominee(s)), having entered into the New Replacement Land Grant Contract and other related legal documents with the relevant PRC government authorities in respect of the New Replacement Land with such terms and conditions acceptable to the Company;

(b) Shum Yip Group having paid in full or provided sufficient funds for Nongke (or its nominee(s)) to settle all land premium, taxes and any other related expenses required under the New Replacement Land Grant Contract and other related legal documents;

(c) in reliance on the authorisation of Shum Yip Group, Nongke (or its nominee(s)) having obtained the property ownership certificate of the New Replacement Land with Nongke (or its nominee(s)) as the land use right owner;

(d) the relevant SASAC department(s) having agreed the Purchaser (or its nominee(s)) to purchase the New Replacement Land from Shum Yip Group at market valuation; and

(e) the New Replacement Land is permitted to be used for property development.

Within 7 business days after all the above conditions being fulfilled, a property valuer is required to be jointly appointed by the Purchaser and Shum Yip Group for the valuation of the New Replacement Land as at the date of issue of the relevant land use right certificate. The Company shall inform the Vendor in writing as to whether it shall exercise the Land Acquisition Option within 1 year (or such later time as required by the Company pursuant to the requirements under the Listing Rules or the Codes on Takeovers and Mergers, in such case, the Company will be required to notify Shum Yip Group such later time) after the market valuation of the New Replacement Land is confirmed (the "**Option Period**"). For the avoidance of doubt, the New Replacement Land cannot be transferred to any other parties or mortgaged, pledged or subject to any other third party rights before Shum Yip Group receives the written notification from the Company during the Option Period.

If the Company decides not to exercise the Land Acquisition Option, both the Company and Shum Yip Group agreed that until then, subject to what is permitted under the PRC laws, the Company will procure Nongke (or its nominee(s)) to return the New Replacement Land to, which will be held in its name as nominee for, Shum Yip Group (or its nominee(s)), subject to the compliance of all PRC legal and regulatory requirements and Shum Yip Group also has the right to instruct Nongke (or its nominee(s)) to legally transfer the New Replacement Land to other third party and to repatriate the relevant income derived from such transfer to Shum Yip Group or its nominee(s)) in the manner which is in compliance with all PRC legal and regulatory requirements (the Company shall accept the aforesaid instruction from Shum Yip Group, subject to the compliance of the Company's applicable legal and regulatory requirements and those imposed by its regulatory authorities). Shum Yip Group has agreed to bear all the legal and policies risks, taxes and other costs relating to such return or transfer. Shum Yip Group also undertakes to indemnify the Purchaser and/or the Target Group in respect of all losses it suffered from such return or transfer.

If and when the Company, at its discretion, exercises the Land Acquisition Option (when it becomes exercisable) the Company will take steps to comply with the applicable requirements under Chapters 14 and 14A of the Listing Rules (where required).

Mechanisms for dealing with the Nongke Flora Market Related Rights

(i) Exclusion of the Nongke Flora Market Related Rights from the scope of the Acquisition

Pursuant to the relevant documents of the Shenzhen Government, the Shenzhen Government has in principle agreed to grant Nongke the rights to the investment and operation management of 農業科普和花卉展示博覽園 (Agricultural Popular Science and Flora Expo*) and the social car parking space and certain commercial facilities of the Nongke Flora Market, for a period of 40 years, i.e. the Nongke Flora Market Related Rights. Nongke is required to remove and demolish all the building structures currently erected on, and to evict all the current lessees of, the Nongke Flora Market after the Chinese New Year, and to deliver to the Futian Government, the Nongke Flora Market by the end of April 2014. The specific implementation plan of the Nongke Flora Market Investment & Operations is yet to be ascertained.

In light of the above, the Nongke Flora Market Related Rights cannot be reliably valued, hence, the parties to the Acquisition Agreement agreed that the Nongke Flora Market Related Rights shall be excluded from the scope of the Acquisition and all rights and interests and all income associated with the Nongke Flora Market Related Rights shall be that of Shum Yip Group. The Nongke Flora Market Related Rights were not recognised as assets of the Target Group as at 31 December 2013. The Nongke Flora Market Related Rights have not been valued and no value has been assigned to it.

Furthermore, pursuant to the Amended Acquisition Agreement, the Purchaser and Shum Yip Group have agreed that although Nongke will be responsible for the Nongke Flora Market Investment & Operations, (i) all relevant income derived from the Nongke Flora Market shall belong to Shum Yip Group; (ii) all relevant investment and operation management costs and expenses associated with Nongke Flora Market Investment & Operations shall be borne by Shum Yip Group; and (iii) all the legal and policies risks, taxes and other costs associated with the Nongke Flora Market Investment & Operations shall be borne by Shum Yip Group in full. Shum Yip also undertakes to indemnify the Purchaser in respect of all losses it suffered from the Nongke Flora Market Investment & Operations.

(ii) The Nongke Flora Market Entrustment Agreement

On 27 January 2014, Nongke and Shum Yip Group entered into the Nongke Flora Market Entrustment Agreement pursuant to which with effect from the Completion Date, Shum Yip Group will appoint Nongke (i) to handle the legal procedures with respect to the implementation plan of the Nongke Flora Market Investment & Operations; and (ii) to demolish all the building structures currently erected on the Nongke Flora Market pursuant to the relevant requirements, at the cost of Shum Yip Group and for a management fee RMB1,000,000 (equivalent to approximately HK$1,244,445) per annum, payable by Shum Yip Group quarterly in arrears and for a term commencing on the

Completion Date and ending on 31 December 2016 or such earlier date as provided under the Nongke Flora Market Entrustment Agreement. Such management fee is determined after arm's length negotiations between Nongke and Shum Yip Group with reference to the estimated work load associated with scope of work pursuant to the Nongke Flora Market Entrustment Agreement.

The term of the Nongke Flora Market Entrustment Agreement will commence at the Completion Date and will remain valid until 31 December 2016. The Nongke Flora Market Entrustment Agreement can also be terminated earlier than 31 December 2016 (amongst others, whichever occurs earlier in time) when the specific implementation plan of the Nongke Flora Market Investment & Operations is ascertained and confirmed. During such entrustment period, Shum Yip Group, being the ultimate beneficiary of the Nongke Flora Market Investment & Operations, shall be entitled to all the income of the Nongke Flora Market Investment & Operations. Such income will be collected by Nongke for and on behalf of Shum Yip Group and be repatriated to Shum Yip Group (or its nominee(s)), in accordance with PRC laws and after deducting all the relevant expenses incurred by Nongke during the course of managing the Nongke Flora Market (which includes the management fee payable to Nongke for its management services rendered under the Nongke Flora Market Entrustment Agreement), taxes and other expenses. In the event that such economic benefits are less than the management fee payable to Nongke, Shum Yip Group shall arrange to pay such shortfall to Nongke in a timely manner.

The NFM Entrustment Annual Caps for each of the years ending 31 December 2014, 2015 and 2016 are RMB0.7 million (equivalent to approximately HK$0.9 million), RMB1.0 million (equivalent to approximately HK$1.2 million) and RMB1.0 million (equivalent to approximately HK$1.2 million) respectively. The NFM Entrustment Annual Caps have been based on the management fee agreed under the Nongke Flora Market Entrustment Agreement which in turn was determined after arm's length negotiations between Nongke and Shum Yip Group with reference to the estimated work load associated with scope of work pursuant to the Nongke Flora Market Entrustment Agreement. The management of the Group preliminarily estimated that the cost incurred for carrying out its work under the Nongke Flora Market Entrustment Agreement will not be significant and will be less than RMB1 million a year. The NFM Entrustment Annual Cap for the year ended 31 December 2014 is determined on a pro rata basis assuming that Completion takes place in April 2014.

Pursuant to the Nongke Flora Market Entrustment Agreement, the parties to the Nongke Flora Market Entrustment Agreement agreed that although the Nongke Flora Market Related Rights (if granted) will be held by Nongke, all the beneficial rights and interests of the Nongke Flora Market Investment & Operations are deemed to be owned by Shum Yip Group and all income arising from the Nongke Flora Market Investment & Operations shall be enjoyed by Shum Yip Group and all relevant expenses incurred by Nongke in relation to the Nongke Flora Market Investment & Operations shall be borne by Shum Yip Group.

(C) INFORMATION ON THE TARGET GROUP

Information on the Target Group

The Target Company was incorporated in the BVI and, through the WFOE, controls the Nongke Group. Both the Target Company and the WFOE are special purpose companies which have been established for the purpose of holding the Nongke Group to facilitate the Acquisition and they do not have any operation and other assets.

Nongke was established in the PRC and, through its subsidiaries, is principally engaged in property development and investment, property management, garden design and construction, manufacture and sale of agricultural products.

Shum Yip Group acquired Nongke and wholly owned its share capital by way of administrative allocation by the Shenzhen SASAC in 2009.

List of target properties

The Target Group, through its subsidiaries, owns and operates 12 property development projects and holds properties (including the Mingren Land) in Shenzhen for investment. As at the Latest Practicable Date, the total GFA of the properties attributable to the Target Group is approximately 384,622 sq.m.. Brief details of the property interests of the Target Group are set out in the table below:

Property project	Location	Use	Status	Total GFA *(sq.m.)*	Property no. in the valuation report as set out in Appendix V
Certain units in 荔林苑, 荔翠閣 (Li Cui Court, Li Lin Terrace*)	Shenzhen, the PRC	Residential	Completed and currently vacant	374.53	5
Certain units in 俊安苑 (Jun An Court*)	Shenzhen, the PRC	Residential	Completed and currently vacant	3,136.73	2
Certain units in 香珠花園 (Xiangzhu Garden*)	Shenzhen, the PRC	Residential, commercial	Completed and currently vacant	7,627.19	3 and 7

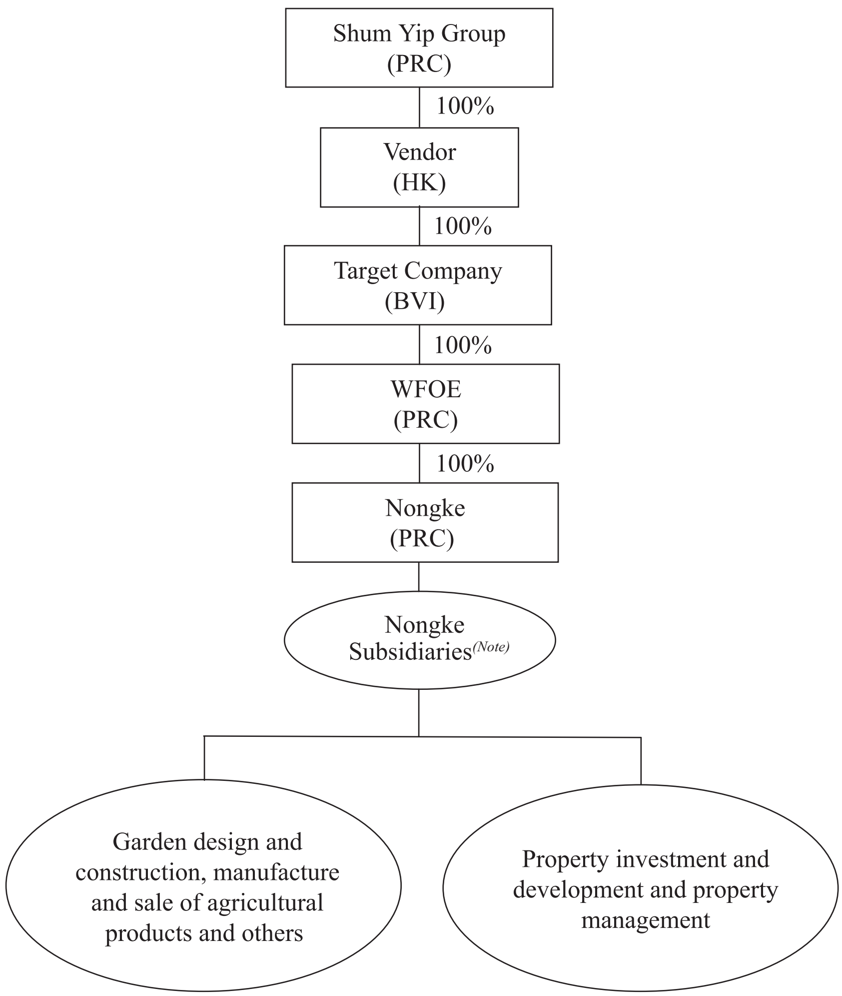
Property project	Location	Use	Status	Total GFA (sq.m.)	Property no. in the valuation report as set out in Appendix V
Certain units in 農科商務辦公樓 (Nongke Office Tower*)	Shenzhen, the PRC	Office, commercial	Completed and partly occupied for self-use, partly for rent and partly vacant	8,756.12	4, 12 and 19
Certain units in 天御香山花園 (Tianyu Xiangshan Garden*)	Shenzhen, the PRC	Residential	Completed and currently vacant	27,929.04	1
The Mingren Land	Shenzhen, the PRC	Residential, commercial, hotel	Properties under future development	259,332.00	6
Certain units in 香荔綠洲會所 (Xiangli Oasis Club*)	Shenzhen, the PRC	Club house	Completed and held for rental	2,212.09	8
Certain units in 時代科技大廈 (Times Technology Building*)	Shenzhen, the PRC	Office, commercial	Completed and partly held for rental and partly occupied for self-use	57,841.67	9 and 16
Certain units in 龍溪花園 (Longxi Garden*)	Shenzhen, the PRC	Residential, ancillary facilities	Completed and partly held for rental and partly occupied for self-use as staff quarters and ancillary facilities	11,404.28	10, 11, 14 and 15
Certain units in 香荔花園 (Xiangli Garden*)	Shenzhen, the PRC	Commercial	Completed and held for rental	2,560.00	13

Property project	Location	Use	Status	Total GFA *(sq.m.)*	Property no. in the valuation report as set out in Appendix V
Certain units in 農科中心園藝情報實驗樓 (Yuanyi Qingbao Shiyan Building Nongke Zhongxin*)	Shenzhen, the PRC	Office	Completed and occupied for self-used	2,996.35	17
Certain units in 深圳市龍崗區坪山鎮碧嶺路福安西一巷 (Fuanxi First Lane, Biling Road, Ping Shan Town, Longgang District, Shenzhen, the PRC*)	Shenzhen, the PRC	Residential	Completed and occupied for self-use as dormitory	452.00	18

Shareholding structure of the Target Group

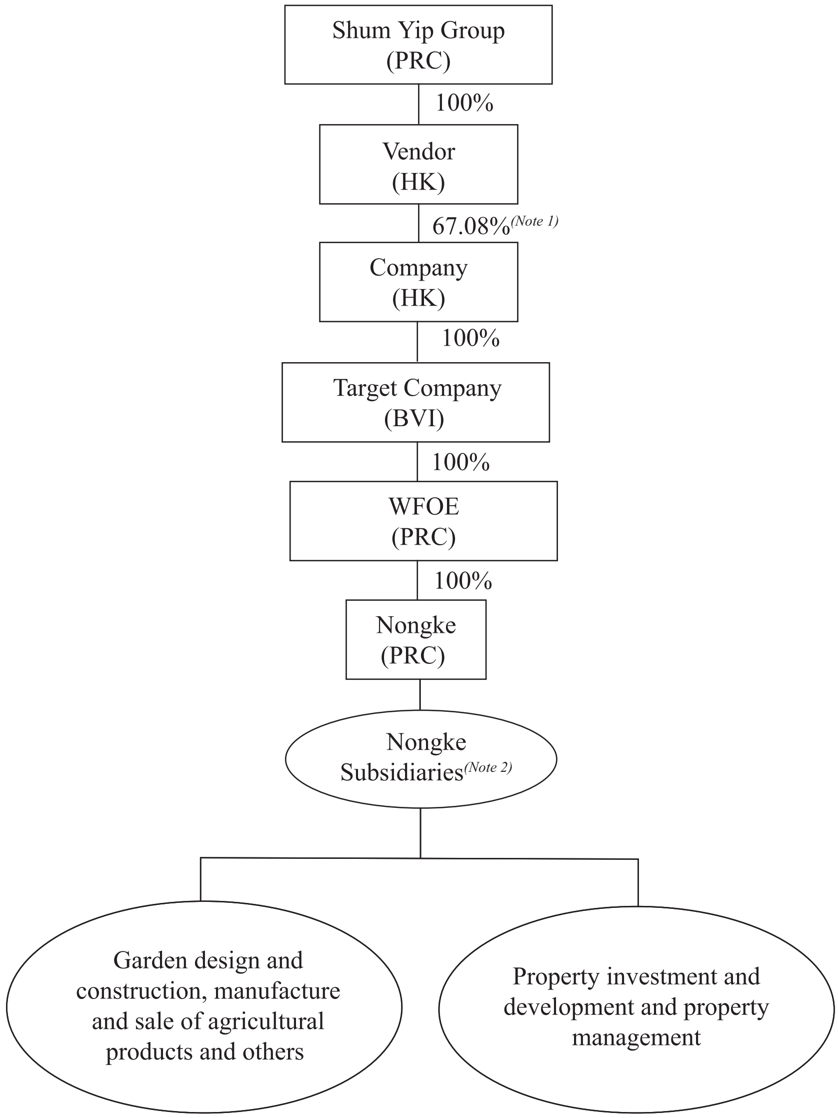
Set out below are the shareholding structure charts of the Target Group (i) as at the Latest Practicable Date; and (ii) immediately after Completion:

(i) As at the Latest Practicable Date



Note: All of the Nongke Subsidiaries are wholly-owned by Nongke except for 深圳市天翔達鴿業有限公司 (Shenzhen Tianxiangda Pigeon Industry Limited*) which is owned as to 58% by Nongke.

(ii) Immediately after Completion



Notes:

1. Assuming that there will be no change in the shareholding structure of the Company other than as a result of the Acquisition.

2. All of the Nongke Subsidiaries are wholly-owned by Nongke except for 深圳市天翔達鴿業有限公司 (Shenzhen Tianxiangda Pigeon Industry Limited*) which is owned as to 58% by Nongke.

Financial Information of the Target Group

Set out below is the audited consolidated financial information of the Target Group for the years ended 31 December 2012 and 2013 as extracted from the accountants' report of the Target Group as set out in Appendix II to this circular:

	For the year ended 31 December 2013	For the year ended 31 December 2012
	HK$'000	*HK$'000*
Profit before taxation for the year	1,643,064	918,640
Profit after taxation for the year	965,433	492,630

Based on the aforesaid audited consolidated financial information of the Target Group, the audited consolidated net asset value attributable to owners of the Target Company as at 31 December 2013 was HK$3,773.2 million.

As at the Latest Practicable Date, the total amounts owing by the Target Group to the Vendor were approximately HK$15.6 million and those owing by the Vendor and its related parties to the Target Group were approximately HK$1,557.5 million resulting in the net amount owing from the Vendor and its related parties to the Target Group of approximately HK$1,541.9 million. Pursuant to the Amended Acquisition Agreement, the Vendor has agreed to, and has agreed to procure Shum Yip Group and the Target Group to, fully settle the aforesaid indebtedness before Completion.

(D) REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in a range of operations including property development, property investment, property management, infrastructure construction and operation, transportation services and modern agriculture.

The Target Group holds a portfolio of properties in which the value of Mingren Land accounted for about 58.1% of the total valuation of the property interests held by the Target Group. The Mingren Land is conveniently located at the prime location of 中國深圳市福田區紅荔西路 (Hongli West Road, Futian District, Shenzhen, the PRC*), with land parcels numbered 2014-002-0007 (Lot No. B302-0040) and 2014-002-0009 (Lot No. B302-0116). On 15 April 2014, 第一直屬管理局 (the First Direct Administration Bureau) of UPLRCS (the "**Grantor**") as grantor and Zhong Cheng as grantee had entered into (i) the land grant contract with respect to the land parcel numbered 2014-002-0007 (Lot No. B302-0040), pursuant to which the Grantor agreed to grant Zhong Cheng the land use right of such land parcel with the site area of about 36,192.94 sq.m., for commercial office and commercial uses for a term of 40 years commencing from 8 April 2014 to 7 April 2054, and for residential (category two) use for a term of 70 years commencing from 8 April 2014 to 7 April 2084, with plot ratio not exceeding 6.6 and a total construction area of not more than 238,873 sq.m., at a land premium of RMB3,225,732,935 (before adjustment, if any) payable by Zhong Cheng in two instalments of RMB1,066,046,468 and RMB2,159,686,467 respectively payable before 1 June 2014 and 1 June 2015 respectively, and (ii) the land grant contract with respect to the land parcel numbered

2014-002-0009 (Lot No. B302-0116), pursuant to which the Grantor agreed to grant Zhong Cheng the land use right of such land parcel with a site area of about 2,965 sq.m., for a term of 40 years commencing from 8 April 2014 to 7 April 2054 for commercial office use, with plot ratio not exceeding 6.9 and a total construction area of not more than 20,459 sq.m., at a land premium of RMB407,604,402 (before adjustment, if any) payable by Zhong Cheng in two instalments of RMB122,678,201 and RMB284,926,201 respectively payable before 1 June 2014 and 1 June 2015 respectively (collectively, known as the Mingren Land Grant Contracts). The aggregate first instalments of the Land Premium of RMB1,188,724,669 was paid by the Target Group on 8 April 2014. Under the Mingren Land Grant Contracts, the second instalments of the Land Premium of RMB2,444,612,668 may be adjusted as a result of any change to the policy regarding land premium. The Mingren Land has a total site area of approximately 39,158 sq.m. and a total construction area not exceeding 259,332 sq.m.. The Mingren Land is expected to be developed into a mixed-use property for office, residential and commercial uses. Construction work for the Mingren Land has not yet commenced.

In the first half of 2013, the central government implemented the austerity control policy of “State Council’s Five Measures” to continue curbing the investment and speculative demand of real estate properties to facilitate the healthy development of the real estate market. Under the background of relatively loosened monetary policies and strong rigid housing demand, the real estate market in China was picking up continuously, in particular, in the first and second-tier cities, the real estate transactions were active with a strong recovery. Therefore, the Directors believe the Acquisition represents an excellent opportunity for the Group to increase its investments in properties located in prime business sites in Shenzhen.

The increase in land bank in Shenzhen is vital for the Group’s long-term development as the Directors believe that the demand for high quality properties in Shenzhen will continue to increase in the future as a result of its continuous improving economic environment. Following the Acquisition, the land bank of the Group (in terms of total GFA) will be increased by over 259,332 sq.m.. Furthermore, upon the exercise of the Land Acquisition Option, the land bank of the Group (in terms of total GFA) will be further increased. In addition to having land and properties interests located at prime locations of Shenzhen, the Target Group also has agriculture, forestry and animal husbandry businesses. Although these businesses account for less than 10% of the Target Group’s assets and revenue, they command important position in both Shenzhen and their respective industries. Upon Completion, the Group will continue to maintain these businesses, and to explore the synergistic effects between these businesses and the Group’s real estate development business.

Upon Completion, members of the Target Group will become subsidiaries of the Company and the financial results of the Target Group will be consolidated into the Group.

The Directors are of the view that (i) the Acquisition, which replenishes the Group’s land bank, will further improve the profitability of the Company and facilitate the sustainable development of the Company in the long run; and (ii) the transactions as contemplated under the Entrustment Agreements are necessary transitional arrangements designed to facilitate (a) (in the case of dealing with the Land Resumption) the possible exercise of the Land Acquisition Option by the Company in the foreseeable future; and (b) (in the case of dealing with the Nongke Flora Market Related Rights) the implementation of the Nongke Flora Market Investment & Operations before the Company can proceed with a possible acquisition of the

Nongke Flora Market Related Rights from Shum Yip Group in the foreseeable future; and that the terms of the Amended Acquisition Agreement are on normal commercial terms or, in the case of the Entrustment Agreements, on better terms to the Company, and the Acquisition and the Non-exempt Continuing Connected Transactions and the Annual Caps are fair and reasonable as far as Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

(E) SHAREHOLDING STRUCTURES OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion, assuming that no other Share will be issued between the Latest Practicable Date and the date of the issue of the Consideration Shares:

	As at the Latest Practicable Date		**Immediately upon Completion**	
	No. of Shares	*Approximately %*	*No. of Shares*	*Approximately %*
The Vendor and its associate	3,260,164,941	60.59%	4,321,703,876	67.08%
Directors				
LU Hua	1,093,895	0.02%	1,093,895	0.02%
WU Jiesi	3,400,000	0.06%	3,400,000	0.05%
LI Wai Keung	1,131,866	0.02%	1,131,866	0.02%
Sub-total	3,265,790,702	60.69%	4,327,329,637	67.17%
Public Shareholders	2,115,264,603	39.31%	2,115,264,603	32.83%
Total	5,381,055,305	100.00%	6,442,594,240	100.00%

As set out above, assuming that there will be no change in the shareholding of the Company after the Latest Practicable Date other than those contemplated under the Acquisition, there will not be any change in control of the Company immediately after Completion as the Vendor and its associates will remain to be the controlling shareholders of the Company.

(F) LISTING RULES IMPLICATIONS

Listing Rules implications

As some of the applicable percentage ratios for the Acquisition exceed 25% but all of them are less than 100%, the Acquisition constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, the Target Company is wholly-owned by the Vendor and the Vendor is a wholly-owned subsidiary of Shum Yip Group. As the Vendor is the direct controlling shareholder of the Company, together with its associates, holding approximately

60.59% interest in the shares of the Company in issue, both the Vendor and Shum Yip Group are connected persons of the Company. Accordingly, the Acquisition also constitutes a connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Entrustment Agreements are on better terms to the Company, the transactions contemplated under the Entrustment Agreements will, upon Completion, constitute non-exempt continuing connected transactions of the Company and will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules notwithstanding that all of the applicable percentage ratios based on the Annual Caps are less than 0.1%.

None of the Directors has a material interest in the Acquisition and/or the Non-exempt Continuing Connected Transactions for which he shall be required to abstain from voting on the board resolution approving the Acquisition and the Non-exempt Continuing Connected Transactions.

The Vendor and its associates hold 3,260,164,941 Shares (representing approximately 60.59% of the shares of the Company in issue) and will abstain from voting in respect of the resolutions approving the Acquisition and the Non-exempt Continuing Connected Transactions to be proposed at the EGM.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, there was no voting trust or other agreement or other arrangement or understanding (other than an outright sale) entered into by or binding upon any Shareholder and there was no obligation or entitlement of any Shareholder whereby he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares to a third party, either generally or on a case-by-case bases.

Independent Board Committee

The Independent Board Committee, in compliance with the Listing Rules, has been established to consider the terms of the Acquisition, the Non-exempt Continuing Connected Transactions and the Annual Caps and to advise the Independent Shareholders as to whether they are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and to give its recommendation as to the voting in respect of the resolutions to be proposed at the EGM for approving the Acquisition, the Non-exempt Continuing Connected Transactions and the Annual Caps, after taking into account the recommendation of Crosby. In this connection, Crosby has been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

(G) FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, members of the Target Company will become subsidiaries of the Company and their results will be consolidated into the Group's consolidated financial statements. The unaudited pro forma financial information of the Enlarged Group illustrating the financial impact of the Acquisition on the assets and liabilities of the Group (assuming the Acquisition had been completed on 31 December 2013) is set out in Appendix IV to this circular. Based on the annual report of the Company for the year ended 31 December 2013, as at 31 December 2013, the Group had total assets of approximately HK$76.9 billion, total liabilities of approximately HK$49.3 billion, net current assets of approximately HK$18.9 billion and a gearing ratio (calculated by dividing total liabilities by total assets) of approximately 64.1%. Based on the unaudited pro forma statement of financial position of the Enlarged Group (assuming the Acquisition had been completed on 31 December 2013) as set out in Appendix IV to this circular, as at 31 December 2013, the Enlarged Group would have total assets of approximately HK$91.9 billion, total liabilities of approximately HK$60.5 billion, net current assets of approximately HK$21.8 billion and a gearing ratio (calculated by dividing total liabilities by total assets) of approximately 65.8%. Based on the aforesaid figures, the net current assets will be increased by approximately 15.3% while gearing ratio of the Group will be slightly deteriorated upon Completion.

In light of the potential future prospects offered by the Acquisition as stated in the section headed "(D) Reasons for and benefits of the Acquisition and the Non-exempt Continuing Connected Transactions" above, the Directors are of the view that the Acquisition will likely to contribute positively to the Enlarged Group. Nevertheless, the actual effect on earnings/(losses) of the Company will depend on the future financial performance of the Target Group.

It is also worthwhile noting that since the assets and liabilities of the Target Group will be recognised in the consolidated statement of financial position of the Company at fair value at Completion. In the event that the then fair value of the consolidated net assets of the Target Group at Completion is different from the then fair value of the Consideration, a goodwill or gain on bargain purchase (as the case may be) may arise as a result of the Acquisition. If the then fair value of the Consideration exceeds the then fair value of the consolidated net assets of the Target Group at Completion, the excess amount will be recognised as goodwill arising from the Acquisition. Vice versa, if the then fair value of the consolidated net assets of the Target Group at Completion exceeds the corresponding then fair value of the Consideration, the excess amount will be recognised as gain on bargain purchase in the profit and loss account of the Group. The final amounts of goodwill or gain on bargain purchase will be determined, and subject to audit, upon Completion based on the then fair value of the consolidated net assets of the Target Group and the then fair value of the Consideration.

The Company will engage an independent valuer to determine the fair value of the properties of the Target Group as at the Completion Date. If goodwill arises from Completion, the recognition of and the impairment of goodwill in the current or subsequent financial periods may materially affect the financial results and financial position of the Enlarged Group. The fair value of the Consideration, which is dependent on the then prevailing Share price, and the fair value of the properties of the Target Group will be determined on the Completion Date. As such, the actual goodwill (if any) will be determined at Completion, and will be accounted for in accordance with the accounting policies of the Enlarged Group.

The accounting policies also require that goodwill be tested for impairment on an annual basis or more frequently if there is any indication of impairment. Where the recoverable amount of the Target Group is less than its carrying amount, an impairment loss is recognised. The recoverable amount of the Target Group is determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by the Directors. The key assumptions used in the value-in-use calculations include growth rates and discount rates which are based on management's best estimates.

The Company will adopt consistent accounting policies and key assumptions to assess the impairment of the Enlarged Group's goodwill when preparing future final results. As part of the audit of the consolidated financial statements of the Enlarged Group, the auditors of the Company will review the consistency of accounting policies applied by the Company in its assessment of the impairment of the Enlarged Group's goodwill (if any).

Please also refer to Appendix IV to this circular for further details.

(H) RE-ELECTION OF RETIRING DIRECTORS

The Board currently consists of nine Directors, namely Mr. LU Hua, Mr. GAO Shengyuan, Mr. MOU Yong, Mr. LIU Chong, Dr. WU Jiesi, Mr. HUANG Yige, Mr. WU Wai Chung, Michael, Mr. LI Wai Keung and Dr. WONG Yau Kar, David.

Immediately after the conclusion of the annual general meeting of the Company held on 13 June 2013, Mr. GAO Shengyuan and Dr. WONG Yau Kar, David were appointed by the Board as Directors to fill casual vacancies. In accordance with Article 92 of the Articles of Association, Mr. GAO Shengyuan and Dr. WONG Yau Kar, David will hold office as Directors only until the first general meeting following their appointments by the Board with effect from 13 June 2013 and, being eligible, they have offered themselves for re-election at the EGM.

Details of Mr. GAO Shengyuan and Dr. WONG Yau Kar, David who are proposed to be re-elected as Directors at the EGM are set out in Appendix VI to this circular.

(I) EGM

Set out on pages EGM – 1 to EGM – 4 is a notice convening the EGM to be held at Garden Room, 2nd Floor, Hotel Nikko Hong Kong, 72 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong at 10:30 a.m. on Thursday, 29 May 2014 at which ordinary resolutions will be proposed to consider and, if thought fit, approve the Acquisition, the Non-exempt Continuing Connected Transactions and the Annual Caps and to re-elect Mr. GAO Shengyuan and Dr. WONG Yau Kar, David as Directors.

A form of proxy for use at the EGM is enclosed with this circular. If you do not intend or are unable to attend the EGM and wish to appoint a proxy/proxies to attend, speak and vote on your behalf, you are requested to complete and sign the proxy form in accordance with the instructions printed thereon and deposited at the office of the Company's share registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. The completion and return of the proxy form shall not preclude you from attending and voting at the EGM or any adjourned EGM should you so desire.

The register of members of the Company will be closed from 27 May 2014 (Tuesday) to 29 May 2014 (Thursday), both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Trico Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 26 May 2014 (Monday).

(J) RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on page 43 of this circular and the letter from Crosby on pages 44 to 72 of this circular which contains their advice to the Independent Board Committee and the Independent Shareholders regarding the Acquisition, the Non-exempt Continuing Connected Transactions and the Annual Caps as well as the principal factors and reasons taken into consideration in arriving at their advice.

The Directors consider that the terms of the Amended Acquisition Agreement are on normal commercial terms or, in the case of the Non-exempt Continuing Connected Transactions, on better terms to the Company and, while not in the ordinary and usual course of business of the Group, and the Acquisition and the Non-exempt Continuing Connected Transactions and the Annual Caps are fair and reasonable as far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Acquisition, the Non-exempt Continuing Connected Transactions and the Annual Caps. You are advised to read the letter from the Independent Board Committee and the letter from Crosby mentioned above before deciding how to vote on such resolutions to be proposed at the EGM. Also, the Directors consider that the re-election of Mr. GAO Shengyuan and Dr. WONG Yau Kar, David as Directors are in the interests of the Company and the Shareholders as a whole and they recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM to re-elect Mr. GAO Shengyuan and Dr. WONG Yau Kar, David as Directors.

PERSONAL INFORMATION COLLECTION STATEMENT

"Personal Data" in these statements has the same meaning as "personal data" in the Personal Data (Privacy) Ordinance, Chapter 486 of the Laws of Hong Kong ("PDPO"). Your supply of Personal Data to the Company is on a voluntary basis. Failure to provide sufficient information, the Company may not be able to process your appointment of proxy and instructions. Your Personal Data may be disclosed or transferred by the Company to its subsidiaries, its share registrar, and/or other companies or bodies for any of the stated purposes, and retained for such period as may be necessary for our verification and record purposes.

You have the right to request access to and/or correction of your Personal Data in accordance with the provisions of the PDPO. Any such request for access to and/or correction of your Personal Data should be in writing to Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board of
Shenzhen Investment Limited
LU Hua
Chairman

The following is the text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of incorporation in this circular.

深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00604)

12 May 2014

To the Independent Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF SHENZHEN BIO-AGRICULTURE COMPANY LIMITED; AND (2) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 12 May 2014 (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise you on the terms of the Acquisition, the Non-exempt Continuing Connected Transaction and the Annual Caps. Crosby has been appointed as the independent financial adviser to advise you and us in the same regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 10 to 42 of the Circular. Your attention is also drawn to the "Letter from the Board" in the Circular and the additional information set out in the appendices thereto.

Having considered the terms of the Acquisition and the Non-exempt Continuing Connected Transactions and the Annual Caps, and taking into account the advice of Crosby, in particular the principal factors, reasons and advice as set out in their letter, we consider that the entering into of the Acquisition Agreement and the Supplemental Acquisition Agreement and the performance of the transactions contemplated thereunder (including the issuance of the Consideration Shares), the Non-exempt Continuing Connected Transactions and the Annual Caps are in the interests of the Company and the Shareholders as a whole, and the terms of the Amended Acquisition Agreement are on normal commercial terms or, in the case of the Entrustment Agreements, on better terms to the Company and, while not in the ordinary and usual course of business of the Group, and the Acquisition, the Non-exempt Continuing Connected Transactions and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. We therefore recommend you to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisition, the Non-exempt Continuing Connected Transactions and the Annual Caps.

Yours faithfully,
Independent Board Committee
Mr. LI Wai Keung **Mr. WU Wai Chung, Michael** **Dr. WONG Yau Kar, David**
Independent non-executive Directors

The following is the full text of the letter of opinion from Crosby to the Independent Board Committee and the Independent Shareholders prepared for the purpose of incorporation in this circular.

CROSBY

5/F, AXA Centre
151 Gloucester Road
Wanchai, Hong Kong

12 May 2014

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION; AND
(2) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Non-exempt Continuing Connected Transactions (including the proposed Annual Caps), details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company (the "**Circular**") to the Shareholders dated 12 May 2014, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 27 January 2014 (after trading hours), the Board announced that the Company, the Vendor (a wholly-owned subsidiary of Shum Yip Group), Nongke and Shum Yip Group entered into the Acquisition Agreement pursuant to which, among others, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire issued share capital of the Target Company. Furthermore, Nongke and Shum Yip Group also entered into the Entrustment Agreements to, amongst other things, manage the Agricultural Lands and Related Assets and the Nongke Flora Market on behalf of Shum Yip Group from Completion Date until 31 December 2016. The Board also announced that on 8 May 2014 (after trading hours), the Supplemental Agreement was entered into between the Company, the Vendor, Nongke and Shum Yip Group pursuant to which the parties agreed to make certain amendments to the Acquisition Agreement, including but not limited to, the Consideration, the issue price of, and thus the number of, the Consideration Shares and the conditions precedent, mainly due to the aggregate amount of the land premium payable for the Mingren Land provided under the Mingren Land Grant Contracts is higher than the estimated land premium as contemplated under the Acquisition Agreement and in order for the parties to proceed with the Acquisition including the obtaining by the Vendor of the approval from Shenzhen SASAC in respect of the Acquisition.

As at the Latest Practicable Date, the Target Company is wholly-owned by the Vendor and the Vendor is a wholly-owned subsidiary of Shum Yip Group. As the Vendor is the direct controlling shareholder of the Company, together with its associates, holding approximately 60.59% interest in the issued share capital of the Company, both the Vendor and Shum Yip Group are connected persons of the Company. Accordingly, the Acquisition also constitutes a connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Nongke will become an indirect wholly-owned subsidiary of the Company upon Completion and the Entrustment Agreements are on better terms to the Company, the transactions contemplated under the Entrustment Agreements will, upon Completion, constitute non-exempt continuing connected transactions of the Company and will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules notwithstanding that all of the applicable percentage ratios based on the proposed Annual Caps are less than 0.1%.

According to the Listing Rules, the Vendor and its associates will abstain from voting in respect of the resolutions approving the Acquisition and the Non-exempt Continuing Connected Transactions to be proposed at the EGM. None of the Directors has a material interest in the Acquisition and/or the Non-exempt Continuing Connected Transactions for which he shall be required to abstain from voting on the board resolution approving the Acquisition and/or the Non-exempt Continuing Connected Transactions.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. WU Wai Chung, Michael, Mr. LI Wai Keung and Dr. WONG Yau Kar, David, has been formed to advise the Independent Shareholders in relation to the Acquisition and the Non-exempt Continuing Connected Transactions (including the proposed Annual Caps).

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company.

In relying on the valuation report as set out in Appendix V to the Circular (the "**Valuation Report**"), we have reviewed the fairness, reasonableness and completeness of any assumptions or projections made by Asset Appraisal Limited (the "**Valuer**") in the Valuation Report. In relation to the Valuer providing an opinion or valuation relevant to the Acquisition, we (i) have interviewed the Valuer as to its expertise and any current or prior relationships with the Company, the Target Group or any of their respective subsidiaries or associates; (ii) have reviewed the terms of engagement (in particular whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the level of assurance given by the Valuation Report); and (iii) have discussed with the Valuer in respect of its work done (for details, please refer to the sub-section headed "(i) The Consideration" in our letter below).

The Directors have declared in a responsibility statement set out in Appendix VII to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular and that there are no other matters the omission of which would make any statement in the Circular misleading. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, the Target Group or any of their respective subsidiaries or associates.

INDEPENDENCE DECLARATION

Mr. Alex Lau and Ms. Heidi Cheng of Crosby, under their previous employment, were the persons signing off the opinion letter from the independent financial adviser contained in the Company's circular dated 28 March 2013 in respect of a major and connected transaction and an application for a whitewash waiver. Notwithstanding the aforesaid past engagement, as at the Latest Practicable Date, Mr. Alex Lau and Ms. Heidi Cheng of Crosby are not aware of any relationships or interests between Crosby and the Company or any other parties that could be reasonably regarded as a hindrance to Crosby's independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Non-exempt Continuing Connected Transactions (including the proposed Annual Caps).

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice in relation to the Acquisition and the Non-exempt Continuing Connected Transactions (including the proposed Annual Caps), we have considered the following principal factors and reasons:

The Amended Acquisition Agreement

A. Background and reasons for entering into the Amended Acquisition Agreement

(i) Information on the Group

The Group is principally engaged in property development, property investment, property management, provision of transportation services and manufacturing and sale of industrial and commercial products. The Group is a property developer providing mid-high end products in southern PRC. Reference is made to the Company's annual reports for the two years ended 31 December 2013 (collectively, the "**Financial Results**"). The Group's revenue from its property segment amounted to approximately HK$8,863.4 million and approximately HK$7,572.0 million, representing approximately 90.6% and 91.1% of total revenue, respectively, for the two years ended 31 December 2013 and 2012. We also note from the Financial Results that it is the Group's plan to continuously implement strategies to further increase its land bank in Shenzhen, as well as to consolidate its existing residential property development business in Shenzhen, through, amongst other strategies, asset injection from its parent company. According to the Financial Results and our understanding of the Group's principal business and strategies, we note that the nature of the Acquisition is in line with the ordinary and usual course of business of the Group.

(ii) Background of the Acquisition

On 27 January 2014 (after trading hours), the Company, the Vendor (a wholly-owned subsidiary of Shum Yip Group), Nongke and Shum Yip Group entered into the Acquisition Agreement pursuant to which, among others, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire issued share capital of the Target Company. On 8 May 2014, the Supplemental Agreement was entered into between the Company, the Vendor, Nongke and Shum Yip Group pursuant to which the parties agreed to make certain amendments to the Acquisition Agreement. The Consideration shall be RMB5,589,000,000 (equivalent to approximately HK$6,955,203,105 subject to adjustments (if any)), which has been agreed after arm's length negotiation between the Purchaser and the Vendor. The Consideration represents a discount of approximately 2.3% to the Reassessed NAV. Details of our analysis on the Consideration are set out in the sub-section headed "(i) The Consideration" in our letter below. Upon Completion, members of the Target Group will become subsidiaries of the Company and the financial results of the Target Group will be consolidated into the Group.

The Target Company, through its subsidiaries, conducts property development and investment, property management, garden design and construction, manufacture and sale of agricultural products. Based on the audited consolidated financial information of the Target Group for the year ended 31 December 2013 as set out in Appendix II of the Circular, the property investment and development division and the property management division together accounted for approximately 94.9% of the total segment revenue of the Target Group for the year ended 31 December 2013 and 99.1% of the total segment assets of the Target Group as at 31 December 2013.

The principal property of the Target Group is the Mingren Land, which is located at 中國深圳市福田區紅荔西路 (Hongli West Road, Futian District, Shenzhen, the PRC*) with a total land area of approximately 39,158 sq.m. and a total construction area not exceeding 259,332 sq.m.. The Target Group also owns other property projects, which are set out in the sub-section headed "List of target properties" under the section headed "(C) Information on the Target Group" in the Letter from the Board. For the avoidance of doubt, (i) the Agricultural Lands and Related Assets, (ii) the Replacement Land and the Replacement Land Premium Prepayment, and (iii) the Nongke Flora Market Related Rights do not form part of the assets to be acquired by the Company under the Acquisition. The Subject Lands (i.e. the Agricultural Lands and Related Assets, the Replacement Land and the Replacement Land Premium Prepayment) and the Nongke Flora Market Related Rights are excluded from the scope of the Acquisition because the Subject Lands are currently not transferable under the PRC laws, and the specific implementation plan of the Nongke Flora Market Investment & Operations is yet to be ascertained and hence, the Nongke Flora Market Related Rights cannot be reliably valued. The details of the Subject Lands and the Nongke Flora Market Related Rights are set out in the sub-sections headed "Mechanisms for dealing with the Land Resumption" and "Mechanisms for dealing with the Nongke Flora Market Related Rights", respectively, in the Letter from the Board.

As stated in the Letter from the Board, under the background of strong housing demand in the PRC, the real estate market in the PRC has been picking up continuously, in particular, in the first and second-tier cities, where the real estate transactions were active with a strong recovery. Given such opportunity, the increase in land bank in Shenzhen is vital for the Group's long-term development as the Directors believe that the demand for high quality properties in Shenzhen will continue to increase in the future as a result of its continuous improving economic environment. Following the Acquisition, the land bank of the Group (in terms of total GFA) will be increased by approximately 259,332 sq.m..

In addition to having land and properties interests located at prime locations of Shenzhen, the Target Group is also engaged in agriculture, forestry and animal husbandry businesses (the "**Other Business**"). We note from the segment results of the audited consolidated financial information of the Target Group for the three years ended 31 December 2013 as set out in Appendix II of the Circular that despite the Other Business constituting only less than 10% of the Target Group's total asset and revenue during the three years ended 31 December 2013, the Other Business has incurred net losses of approximately HK$22.6 million, approximately HK$20.2 million, and approximately HK$35.2 million for the three years ended 31 December 2011, 2012 and 2013, respectively. We have discussed with the management of the Company to understand that the historical losses attributable to the Other Business was primarily due to significant investments in related research and development efforts by the Vendor, and such investments did not yield the results as initially expected. After Completion, the management of the Company will closely monitor the Other Business in hope of turning the Other Business into a profitable segment through improved research and development efforts.

(iii) Overview of the economic development and the property market in Shenzhen, the PRC

We have reviewed information sourced from the National Bureau of Statistics of China and the Shenzhen Statistical Bureau in respect of the economic development and the property market in Shenzhen, the PRC, where the properties held by the Target Group are located.

Shenzhen is a major city of the Guangdong Province. According to the Shenzhen Statistical Bureau, during the period between 2005 and 2013, the city recorded a strong growth in its nominal gross domestic product ("**GDP**"), which grew to approximately RMB1,450 billion in 2013 compared to approximately RMB493 billion in 2005, representing a compound annual growth rate ("**CAGR**") of approximately 14.4%.

According to the Shenzhen Statistical Bureau, the total investment fulfilled in fixed assets (固定資產投資完成額度) of the city increased to approximately RMB250 billion in 2013, with a growth rate of 14.0% over the previous year; and annual disposable income per capita of households of the city was approximately RMB44,653 in 2013 with a growth rate of 9.6% over the previous year.

The city continued to attract foreign capital and witnessed a growth in its foreign investments in terms of number and value. According to the Shenzhen Statistical Bureau, direct foreign investment reached USD5.5 billion in 2013, representing an increase of approximately 4.6% compared to the previous year. The domestic consumer goods market continued to expand, with the total retail consumption sales amounting to approximately RMB443 billion in 2013, representing a year-over-year growth of 10.6%.

In respect of Shenzhen's property market, according to the Shenzhen Statistical Bureau, the total fulfilled investment of real estate (房地產開發投資完成金額) of the city amounted to approximately RMB88.8 billion in 2013, representing a growth rate of 20.5% over the previous year.

Taking into account the above, including the local economic development in Shenzhen, we concur with the view of management that there is continued growth potential of the property market in Shenzhen in the future.

In respect of the economy in the PRC, according to the National Bureau of Statistics of China, GDP of the PRC in 2013 reached RMB56.9 trillion on nominal terms, representing a year-over-year increase of 9.6%; the per capita disposable income or urban households increased from RMB10,493 in 2005 to RMB24,565 in 2012 with a CAGR of 12.9%; and the urban population increased from 562.1 million in 2005 to 731.1 million in 2013, representing a CAGR of 3.3%.

Taking into account the above, we are of the view that the fundamental growth drivers of the PRC property market, including, among others, the overall growth of the PRC's economy, increases in disposable income and rapid urbanization, remain positive.

Having taken into consideration the above, in particular, (i) the nature of the Acquisition is in line with the principal business and strategies of the Group; (ii) the increase in land bank in Shenzhen (the land bank of the Group (in terms of total GFA) will be increased by over 259,332 sq.m. following the Acquisition) is an integral part of the Group's ongoing strategy and is vital for the Group's long-term development; (iii) the Acquisition represents an opportunity for the Group to enhance its revenue stream going forward; (iv) the prospects of the PRC property market, in particular in Shenzhen, remain positive according to statistics from the National Bureau of Statistics of China and the Shenzhen Statistical Bureau; and (v) the Consideration is at a discount to the Reassessed NAV (details of our analysis on the Consideration are set out in the sub-section headed "(i) The Consideration" in our letter below), we consider the entering into of the Amended Acquisition Agreement is in the interests of the Group and the Shareholders as a whole.

(B) Major terms of the Amended Acquisition Agreement

The following is our analyses and views on the major terms of the Acquisition Agreement:

(i) The Consideration

Basis of the Consideration

The Acquisition Agreement stipulates that the Consideration shall be RMB5,589,000,000 (equivalent to approximately HK$6,955,203,105) subject to adjustments (if any) as mentioned below.

As stated in the Letter from the Board, the Consideration was determined after arm's length negotiation between the Purchaser and the Vendor. The Consideration has been determined with reference to, among other things, the Reassessed NAV. The Reassessed NAV could be reconciled as follows:

	RMB million *(approximate)*	RMB million *(approximate)*
Consolidated net asset value attributable to owners of the Target Company as at 31 December 2013*Note 1*		2,966.6
The Longxi Garden Relocation Fee*Note 2*		250.4
Properties revaluation adjustment:		
Market value of the property interests (the "**Market Value**") held by the Target Group (the "**Acquired Properties**") as at 31 December 2013*Note 3*	10,793.6	
Less: Related book value of the Acquired Properties as at 31 December 2013*Note 4*	(6,504.1)	4,289.5
Estimated potential tax liabilities adjustment*Note 5*		(1,785.4)
Reassessed NAV		5,721.1
Consideration		5,589.0
Discount of Consideration from Reassessed NAV		2.3%

Notes:

1. As at 31 December 2013, full impairment was made for the Agricultural Lands and Related Assets as set out in the accountants' report of the Target Group and the Replacement Land, the Replacement Land Premium prepayment and the Nongke Flora Market Related Rights were not recognised as assets of the Target Group. The balance of approximately RMB2,967 million therefore already excludes the value of the Subject Lands and the Nongke Flora Market Related Rights, which do not form part of the Acquisition, and is equivalent to the balance of HK$3,773,241,000 in the accountants' report of the Target Group as set out in Appendix II to the Circular with the exchange rate of approximately RMB1.0 = HK$1.2719.

2. As disclosed in the Letter from the Board, the parties to the Amended Acquisition Agreement have taken into account the Longxi Garden Relocation Fee in determining the Consideration, which has not been accounted for in the accountants' report of the Target Group as set out in Appendix II to the Circular. As such, the Longxi Garden Relocation Fee of RMB250,457,000 forms part of the Acquisition and therefore is included as an adjustment in the calculation of the Reassessed NAV.

3. In order to reflect the market valuation of the Acquired Properties, in arriving at the Reassessed NAV, the consolidated net asset value of the Target Company as at 31 December 2013 has been adjusted upwards by the difference between the book value of the Acquired Properties and the Market Value. As disclosed in the Letter from the Board, set out below is the reconciliation between the Market Value and the market value of the Acquired Properties as at 28 February 2014 as shown in the Valuation Report:

	RMB million *(approximate)*
The Market Value (as stated in the Announcement)	10,793.6
Less: Market value of disposed property interests during January 2014 and February 2014	(196.0)
Less: Valuation of the Li Lin Terrace Units, Longxi Garden Units and Xiangli Garden Units	(66.6)
Market value of the Acquired Properties as at 28 February 2014 as set out in the Valuation Report	10,531.0

4. The Land Premium of approximately RMB3,633 million has already been accounted for as land cost of properties under development in the accountants' report of the Target Group as at 31 December 2013 as set out in Appendix II to the Circular.

5. As there may be potential tax liabilities to be borne by the Group upon disposal of the Acquired Properties, in arriving at the Reassessed NAV, the consolidated net asset value of the Target Company as at 31 December 2013 has been adjusted downwards by the estimated potential tax liabilities. The potential tax liabilities of approximately RMB1,785 million can be reconciled to the pro forma adjustment of approximately HK$2,271 million on page IV-3 of the Circular with the exchange rate of approximately RMB1.0 = HK$1.2719.

As illustrated above, the Consideration of RMB5,589.0 million represents a discount of approximately 2.3% to the Reassessed NAV of approximately RMB5,721 million.

In reviewing the Market Value, we have held discussions with the management of the Company and the Valuer, who prepared the Valuation report. In particular, we note that in performing the valuation for the Acquired Properties (the "**Property Valuation**"), the Valuer has adopted the direct comparison approach by making reference to the comparable properties in the relevant locality. Comparable properties of similar size, character and location are analysed and carefully selected of each property in order to arrive at a fair comparison of capital values. We have also been advised by the Valuer that given the particulars of the Acquired Properties, the above valuation methodologies are commonly used in arriving at the Property Valuation. Furthermore, we have discussed with the Valuer to understand the assumptions which they have taken into consideration when performing the Property Valuation (the assumptions are set out under the paragraph headed "Assumptions" in the Valuation Report). Based on our discussion with the Valuer, our understanding of the particulars of the Acquired Properties, and the Property Valuation were carried out in accordance with the HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors, we believe that the assumptions taken into consideration by the Valuer and the market approach adopted by the Valuer in performing the Property Valuation are appropriate.

In reviewing the Land Premium of RMB3,633,337,337, we have obtained from the Company and reviewed the Mingren Land Grant Contracts and note that such amount represents the land premium payable by Nongke to UPLRCS in respect of the Mingren Land and is stipulated in the Mingren Land Grant Contracts.

In relation to the estimated potential tax liabilities of the Target Group, we understand that such adjustment is necessary as there may be potential tax liabilities to be borne by the Group if the Acquired Properties are disposed of in the future. In reviewing the estimated potential tax liabilities of the Target Group, we have obtained from the Company and reviewed the calculations in relation to the estimated potential tax liabilities, and understand that the estimated potential tax liabilities are calculated with reference to the prevailing tax rates, the projected sales proceeds from the sale of the Acquired Properties, and the projected allowable cost deductions. Based on the above, we consider that the Company's bases and assumptions in calculating the estimated potential tax liabilities are reasonable.

Payment terms and adjustments to the Consideration

As stated in the Letter from the Board, the Consideration shall be settled in the following manner:

(a) as to HK$3,477,601,551.06 (equivalent to approximately RMB2,794,499,999), representing approximately 50% of the Consideration before any adjustment, shall be satisfied by the Company at Completion by way of an allotment and issue of 1,061,538,935 Consideration Shares credited as fully paid up at the issue price of HK$3.276 per Consideration Share (the "**Issue Price**") to the Vendor at Completion Date (details of our analysis on the issue price of the Consideration Shares are set out in the sub-section headed "Consideration Shares and issue price" in our letter below);

(b) as to HK$311,679,961.40, representing the equivalent amount of the Longxi Garden Relocation Fee receivable by Nongke of RMB250,457,000, to be settled in cash (or in such other manner as may be agreed by the Vendor and the Purchaser in writing) by the Company within 7 Business Days after the receipt of the entire amount of Longxi Garden Relocation Fee by Nongke provided that such fee is received by Nongke within the 3-Year Period. In the event that the Longxi Garden Relocation Fee remains outstanding after the expiry of the 3-Year Period, the Consideration will be adjusted downward by the entire amount of the Longxi Garden Relocation Fee;

(c) as to HK$211,729,872.30, representing the equivalent amount of the value assigned to the Seized Units for the purpose of the Acquisition of RMB170,140,000, to be settled by the Company in cash (or in such other manner as may be agreed by the Vendor and the Purchaser in writing) within 7 Business Days after the fulfillment of all the following conditions:

    – Nongke has completed the legal procedures to release all of the Seized Units;

    – Nongke has obtained the property ownership certificates of all of the Seized Units;

– all of the Seized Units shall not be subject to any third party rights and legal proceedings; and

– the PRC legal advisers to be engaged by the Purchaser and the Vendor having issued a legal opinion confirming the fulfillment of the Seized Units Conditions.

provided that all the Seized Units Conditions have to be fulfilled within the 3-Year Period. In the event any of the Seized Units Conditions is not satisfied within the 3-Year Period, the Consideration will be adjusted downward by the full amount of the aforesaid value assigned to the Seized Units;

(d) as to HK$13,191,117.00, representing the equivalent amount of the value assigned to the Li Lin Terrace Units for the purpose of the Acquisition of RMB10,600,000 to be settled by the Company in cash (or in such other manner as may be agreed by the Vendor and the Purchaser in writing) within 7 Business Days after the fulfillment of all the following conditions:

– Nongke Property has obtained the property ownership certificates of all of the Li Lin Terrace Units;

– all of the Li Lin Terrace Units shall not be subject to any third party rights and legal proceedings; and

– the PRC legal advisers to be engaged by the Purchaser and the Vendor having issued a legal opinion confirming the fulfillment of the Li Lin Terrace Units Conditions.

provided that all the Li Lin Terrace Units Conditions have to be fulfilled within the 3-Year Period. In the event any of the Li Lin Terrace Units Conditions is not satisfied within the 3-Year Period, the Consideration will be adjusted downward by the full amount of the aforesaid value assigned to the Li Lin Terrace Units;

(e) as to HK$62,471,139.00, representing the equivalent amount of the value assigned to the Xiangli Garden Units for the purpose of the Acquisition of RMB50,200,000 to be settled by the Company in cash (or in such other manner as may be agreed by the Vendor and the Purchaser in writing) within 7 Business Days after the fulfillment of all the following conditions:

– Nongke Property has obtained the property ownership certificates of all of the Xiangli Garden Units;

– all of the Xiangli Garden Units shall not be subject to any third party rights and legal proceedings; and

– the PRC legal advisers to be engaged by the Purchaser and the Vendor having issued a legal opinion confirming the fulfillment of the Xiangli Garden Units Conditions.

provided that all the Xiangli Garden Units Conditions have to be fulfilled within the 3-Year Period. In the event any of the Xiangli Garden Units Conditions is not satisfied within the 3-Year Period, the Consideration will be adjusted downward by the full amount of the value assigned to the Xiangli Garden Units;

(f) as to HK$7,242,669.90, representing the equivalent amount of value assigned to the Longxi Garden Units for the purpose of the Acquisition of RMB5,820,000 to be settled by the Company in cash (or in such other manner as may be agreed by the Vendor and the Purchaser in writing) within 7 Business Days after the fulfillment of all the following conditions:

– Nongke has obtained the property ownership certificates of all of the Longxi Garden Units;

– all of the Longxi Garden Units shall not be subject to any third party rights and legal proceedings; and

– the PRC legal advisers to be engaged by the Purchaser and the Vendor having issued a legal opinion confirming the fulfillment of the Longxi Garden Units Conditions.

provided that all the Longxi Garden Units Conditions have to be fulfilled within the 3-Year Period. In the event any of the Longxi Garden Units Conditions is not satisfied within the 3-Year Period, the Consideration will be adjusted downward by the full amount of the aforesaid value assigned to the Longxi Garden Units; and

(g) as to the remaining part of the Consideration, being HK$2,871,286,794.34 (equivalent to approximately RMB2,307,283,001), to be satisfied by the Company in cash (or in such other manner as may be agreed by the Vendor and the Purchaser in writing) at Completion.

In addition to the above, under the Supplemental Acquisition Agreement, the Consideration may also be adjusted upward or downward if the initial amount of the second instalment of the Land Premium to be paid by Zhong Cheng pursuant to the Mingren Land Grant Contracts is adjusted as a result of any change to the policy regarding land premium. The aggregate first instalments of the Land Premium of RMB1,188,724,669 was already paid by the Target Group on 8 April 2014.

For further details on the background of each of the above adjustments to the Consideration, please refer to the sub-section headed “Adjustments to the Consideration” in the Letter from the Board.

In relation to the paragraph headed (b) above, we have reviewed the agreement entered into between Nongke and the independent third party property developer on 3 September 2012 in relation to, amongst other things, the Longxi Garden Relocation Fee for the relocation of certain shops and structures, and are of the view that as such agreement was entered into before the entering of the Acquisition Agreement, the Target Group will be entitled to the Longxi Garden Relocation Fee subject to certain conditions to be fulfilled. However, as at the Latest Practicable Date, such conditions are not yet fulfilled. As such, it is fair and reasonable that the Longxi Garden Relocation Fee of RMB250,457,000 will only be paid by the Company to the Vendor as part of the Consideration if such amount is received by Nongke in full within the 3-Year Period. If such amount is not received in full by Nongke within the 3-Year Period, the Consideration is adjusted downwards by the entire RMB250,457,000 such that the Company will not be obliged to pay the Vendor for the said RMB250,457,000.

In relation to the paragraph headed (c) above, as stated in the Letter from the Board and from our review of the relevant PRC legal opinion, the Seized Units have been subject to judicial seizure and remained under judicial seizure as at the Latest Practicable Date due to the failure of certain joint project partners to obtain the relevant completion and building ownership certificates. As a result of the legal uncertainties surrounding the Seized Units, we are of the view that it is fair and reasonable that the Company will only be obliged to pay the Vendor for the Seized Units provided that all the Seized Units Conditions can be fulfilled within the 3-Year Period. If the Seized Units Conditions are not fullfilled within the 3-Year Period, the Consideration is adjusted downwards by the entire RMB170,140,000 such that the Company will not be obliged to pay the Vendor for the said RMB170,140,000.

In relation to the paragraph headed (d), (e) and (f) above, as stated in the Letter from the Board and from our review of the relevant PRC legal opinion, the property ownership certificates of the Li Lin Terrace Units, the Xiangli Garden Units and the Longxi Garden Units have not yet been obtained from the government authority as at the Latest Practicable Date. As a result of the legal uncertainties surrounding the Li Lin Terrace Units, the Xiangli Garden Units and the Longxi Garden Units, we are of the view that it is fair and reasonable that the Company will only be obliged to pay the Vendor for the Li Lin Terrace Units, the Xiangli Garden Units and the Longxi Garden Units provided that all the Li Lin Terrace Units Conditions, the Xiangli Garden Units Conditions and the Longxi Garden Units Conditions can be fulfilled within the 3-Year period. If the Li Lin Terrace Units Conditions, the Xiangli Garden Units Conditions and the Longxi Garden Units conditions are not fulfilled within the 3-Year period, the Consideration is adjusted downwards by the entire RMB66,620,000 such that the Company will not be obliged to pay the Vendor for the said RMB66,620,000.

In relation to the adjustment to the Land Premium, as stated in the Letter from the Board and from our review of the Supplemental Acquisition Agreement, we note that if the second instalment of the Land Premium (amounting to RMB2,444,612,668 in aggregate) is adjusted upwards, the Consideration will be adjusted downwards (such adjustment is required to be paid by the Vendor to the Purchaser), and if the second instalment of the Land Premium is adjusted downwards, the Consideration will be adjusted upwards (such adjustment is required to be paid by the Purchaser to the Vendor). We also note that the amount of adjustment to the Consideration should not exceed RMB100,000,000 (the "**Adjustment Cap**"), which we understood from the Company to have been determined after commercial negotiations between the parties under the Amended Acquisition Agreement, having taken into account the possible increase in the second instalment of the Land Premium as estimated by these parties.

As Zhong Cheng will be obliged to pay the second instalment of the Land Premium (i.e. the Group will be obliged to pay such amount as Zhong Cheng will become a subsidiary of the Group upon Completion), we are of the view that it is fair and reasonable for the Consideration to be adjusted downwards in case of an upward adjustment to the Land Premium so that the Group will not end up having to pay more than the currently agreed total Land Premium of HK$3,633,337,337, which formed part of the basis in determining the Consideration, and vice versa. In addition, we are also of the view that it is fair and reasonable for the Vendor and the Purchaser to jointly appoint an asset valuer in the PRC to re-assess the net asset value of the Target Group for the purpose of determining the amount of adjustment to be made to the Consideration in the scenario where the Land Premium Adjustment Amount is significant, which in this case the threshold amount has been agreed between the parties to the Supplemental Acquisition Agreement to be RMB10,000,000. In relation to the Adjustment Cap (which was determined after commercial negotiations between the parties to the Amended Acquisition Agreement), we consider that it is commercially fair and reasonable for the parties under the Amended Acquisition Agreement to agree on a cap amount in order to limit the uncertainties of both parties that are brought about by the adjustment to the Consideration.

Having taken into consideration the above, in particular (i) having understood from the management of the Company that the Consideration was determined after arm's length negotiation between the Company and the Vendor; (ii) notwithstanding the potential dilution effects on existing Shareholders, the potential cash flow burden of the Group arising from settlement of the Consideration can be minimized through part payment of the Consideration by issue of Consideration Shares; (iii) the Consideration represents a discount to the Reassessed NAV; (iv) adjustments have been made to the net asset value of the Target Group as at 31 December 2013 by the management of the Company to arrive at the Reassessed NAV in assessing the fairness and reasonableness of the Consideration, which we concur with the management of the Company to be the relevant type of adjustments for assessing acquisition of companies with property interests, including the adjustments for the market valuation of the Acquired Properties and the potential tax liabilities to be borne by the Group upon future disposal of the Acquired Properties; (v) having discussed with management and reviewed the relevant documents and calculations to ascertain the basis of determination of the Land Premium and the estimated potential tax liabilities of the Target Group; (vi) having discussed with the Valuer and understood that an appropriate valuation methodology was adopted in the valuation of the properties of the Acquired Properties; (vii) having reviewed the relevant agreement and legal opinion in corroborating the facts and circumstances in respect of the Longxi Garden Relocation Fee, the Seized Units, the Li Lin Terrace Units, the Xiangli Garden Units and the Longxi Garden Units; and (viii) having discussed with and understood from the management of the Company the commercial rationale in the abovementioned adjustments to the Consideration and such adjustments to the Consideration represent the full value of the Longxi Garden Relocation Fee, the respective market values of the Seized Units, the Li Lin Terrace Units, the Xiangli Garden Units and the Longxi Garden Units, and potential adjustments to the second instalment of the Land Premium, we are of the view that the Consideration (together with the adjustments to the Consideration) is fair and reasonable in so far the Independent Shareholders are concerned and is on normal commercial terms.

Consideration Shares and Issue Price

The Acquisition Agreement stipulates that approximately 50% of the Consideration, being HK$3,477,601,551.06 (equivalent to approximately RMB2,794,499,999), shall be satisfied by the Company by way of allotment and issue of 1,061,538,935 Consideration Shares credited as fully paid up at the Issue Price of HK$3.276 per Consideration Share by the Company to the Vendor.

When allotted and issued at Completion, the Consideration Shares will represent approximately 19.73% of the existing issued share capital of the Company as at the Latest Practicable Date; and 16.48% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The Consideration Shares, when allotted and issued, will rank pari passu in all respects with all the Shares then in issue.

The Consideration Shares will be issued at HK$3.276 per Consideration Share, which:

(a) represents a premium of approximately 21.33% over the closing price of HK$2.700 per Share as quoted on the Stock Exchange on the Last Trading Date;

(b) represents a premium of approximately 17.00% over the average closing price of HK$2.800 per Share for the last five trading days up to and including the Last Trading Date;

(c) represents a premium of approximately 16.71% over the average closing price of HK$2.807 per Share for the last ten trading days up to and including the Last Trading Date;

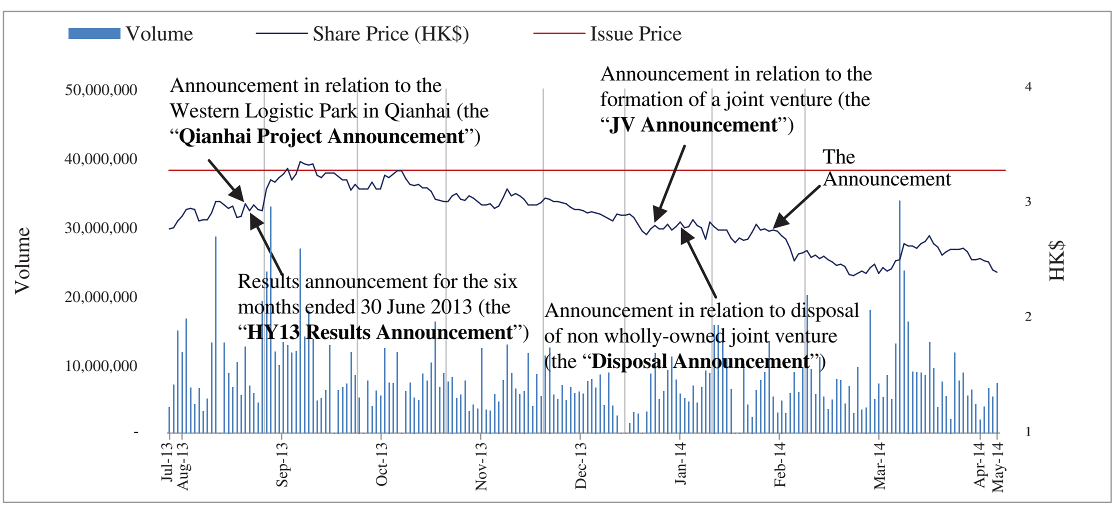
(d) represents a premium of approximately 15.00% over the average closing price of HK$2.849 per Share for the last thirty trading days up to and including the Last Trading Date;

(e) represents a premium of approximately 35.93% over the closing price of HK$2.410 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and

(f) represents a discount of approximately 28.61% to the audited consolidated net assets value attributable to equity holders of the Company per Share of approximately HK$4.589, calculated based on the Group's audited consolidated net asset value of HK$25,337.9 million as at 31 December 2013 and 5,381,055,305 Shares in issue on 31 December 2013, less the proposed final dividend for the year ended 31 December 2013 of HK$645.7 million.

As disclosed in the Letter from the Board, the Issue Price was arrived at after arm's length negotiations between the parties to the Acquisition Agreement after taking into account, among others, the prevailing market price of the Shares at the time the Acquisition Agreement was entered into, the financial performance of the Group and the current market conditions.

The following chart sets out the historical trading price performance and trading volume of the Shares during the period from 27 July 2013 (being the date six months prior to and including the date of the Announcement) up to and including the Latest Practicable Date (the "**Review Period**"):



Source: Bloomberg

We consider that the Review Period is a reasonable timeframe in carrying out our analysis on the historical trading price performance and trading volume of the Shares as not only such timeframe is long enough to avoid any short term fluctuation in the price of the Shares which may distort our analysis, but it also reflects the recent trading performance of the Shares.

As shown in the chart above, the closing prices of the Shares were within the range of HK$2.38 per Share to HK$3.38 per Share during the Review Period. From mid August 2013 to the Last Trading Day, the price of the Shares traded on a decreasing trend from HK$3.03 per Share on 13 August 2013 to HK$2.70 per Share on 27 January 2014. As noted from the public announcements made by the Company during this period, save for the Qianhai Project Announcement released on 22 August 2013, the HY13 Results Announcement released on 27 August 2013, the JV Announcement released on 20 December 2013, the Disposal Announcement released on 31 December 2013 and the Announcement released on 28 January 2014, the Directors were not aware of any other announcements that would materially affect the Share price of the Company. Following the release of the Announcement, the price of the Shares continued to trade on a decreasing trend from HK$2.70 per Share on the Last Trading Day to HK$2.41 per Share on 8 May 2014 (i.e. the Latest Practicable Date). We further note from the chart above that the Issue Price is at a premium over the historical trading price of the Shares throughout most of the Review Period.

We consider that price-to-book ratio is the appropriate benchmark for valuing companies engaged in property investment and development whose values lie in the value of their underlying assets rather than their profits which may be affected by the timing of the launch of development projects. Therefore, in assessing the fairness of the Issue Price, we consider that it is appropriate to compare the ratio of the Issue Price to the underlying net asset value of the Shares against the price-to-book ratio of other relevant property companies. In particular, we have reviewed companies listed in the Main Board of the Stock Exchange (the "**Comparable Companies**"), which are principally engaged in property developments and/or investments primarily in the PRC as shown in their latest published annual reports, and which have a market capitalisation above HK$10,000 million and below HK$60,000 million as at the Latest Practicable Date. We consider that the above criteria for selection of the Comparable Companies are appropriate given that the Company is principally engaged in property developments and property investments in the PRC and has a market capitalisation of approximately HK$12,968 million as at the Latest Practicable Date.

On this basis, we have identified six Comparable Companies, which we consider to be exhaustive based on the above selection criteria, and set them out in the table below. The table below illustrates the level of premium/discount of share prices over/to consolidated net asset values attributable to equity holders of each of the Comparable Companies.

Company Name	Stock Code	Closing price as at the Latest Practicable Date	Market capitalisation as at the Latest Practicable Date	Latest net assets attributable to equity holders	Premium/(Discount) of market capitalisation over/(to) the latest consolidated net assets value attributable to equity holders
		HK$	*HK$'m*	*HK$'m*	
Guangzhou R&F Properties Co., Ltd.	HK.2777	9.700	31,257	39,812	-21.5%
Greentown China Holdings Ltd.	HK.3900	7.010	15,132	30,934	-51.1%
New World China Land Ltd.	HK.917	6.460	56,070	57,982	-3.3%
SOHO China Ltd.	HK.410	6.000	31,616	46,452	-31.9%
Sino-Ocean Land Holdings Ltd.	HK.3377	3.910	28,478	49,672	-42.7%
Shimao Property Holdings Ltd.	HK.813	14.120	49,033	51,760	-5.3%
				Max	**-3.3%**
				Min	**-51.1%**
				Average	**-26.0%**
The Company	HK.604	**3.276**	**17,628**	**24,690**	**-28.6%**
		Note 1	*Note 2*	*Note 3*	

Notes:

1. Being the Issue Price of HK$3.276 per Share.

2. We have taken the Issue Price for the purpose of determining the market capitalisation of the Company.

3. Being the audited consolidated net asset attributable to the Shareholders as at 31 December 2013 as reported in the Company's annual report for the year ended 31 December 2013, less the proposed final dividend for the year ended 31 December 2013 of approximately HK$645.7 million.

Source: Bloomberg and website of the Hong Kong Stock Exchange

In our opinion, property companies are generally traded at a discount of market capitalisation to their underlying net asset value. As illustrated in the table above, (i) the shares of the six Comparable Companies were traded at a discount to their respective net asset value attributable to equity holders with a discount ranging from approximately 3.3% to 51.1%; and (ii) the shares of the six Comparable Companies were traded at an average discount of approximately 26.0% to their net asset value attributable to equity holders. The discount of market capitalisation of the Company as represented by the Issue

Price to the audited net asset value attributable to Shareholders as at 31 December 2013 of approximately 28.6% is therefore within range of the Comparable Companies and is also comparable to the average discount of the Comparable Companies of approximately 26.0%.

For readers' additional reference, we have reviewed recent share placements of real estate companies listed on the Main Board of the Stock Exchange with significant property interests in the PRC (excluding those in suspension in trading) in the past 6 months i.e. from 1 September 2013 up to and including the Latest Practicable Date (the "**Property Placement Comparables**"). We consider that the above criteria for selecting the Property Placement Comparables are appropriate given that (i) the Company's property interests are mainly in the PRC; and (ii) a review period of six months for analyzing placement transactions allows us to capture recent market trend and information.

Based on our review, we note that the Issue Price is at a premium over the Share price on the Last Trading Date and over the average Share price on the last ten trading days up to and including the Last Trading Date while the respective issue prices for the Property Placement Comparables are at a discount to the same trading price benchmarks. Details of the Property Placement Comparables are summarised in the following table:

Date	Company Name	Stock Code	Premium/(Discount) of issue price over/(to) trading price on the respective last trading dates before publication of placing announcements	Premium/(Discount) of issue price over/(to) average trading price on the last five trading days up to and including the respective last trading dates before publication of placing announcements
			%	%
16-Oct-13	CIFI Holdings (Group) Co. Ltd.	HK.884	4.1%	4.5%
27-Sep-13	Sino-Ocean Landing Holdings Ltd.	HK.3377	1.7%	1.4%
12-Sep-13	China Properties Investment Holdings Ltd.	HK.736	-18.1%	-12.0%
		Max	4.1%	4.5%
		Min	-18.1%	-12.0%
		Average	-4.1%	-2.0%
	The Company	HK.604	**21.3%**	**17.0%**

Source: Website of the Stock Exchange

The premium/(discount) of the issue price of the Property Placement Comparables over/(to) the trading price on the respective last trading dates before the publish of placing announcement ranged from approximately (18.1)% to approximately 4.1% with an average discount of approximately 4.1%. The premium/(discount) of the issue price of the Property Placement Comparables over/(to) the average trading price on the last five trading days up to and including the respective last trading dates before the publish of placing announcement ranged from approximately (12.0)% to approximately 4.5% with an average discount of approximately 2.0%. As compared to the Property Placement Comparables, the Consideration Shares will be issued at HK$3.276 per Share, which (i) represents a premium of approximately 21.3% over the closing price of HK$2.700 per Share as quoted on the Stock Exchange on the Last Trading Date; and (ii) represents a premium of approximately 17.0% over the average closing price of HK$2.800 per Share for the last five trading days up to and including the Last Trading Date.

Taking into account the above, in particular, (i) the Issue Price was arrived at after arm's length negotiations between the parties to the Acquisition Agreement after taking into account, among others, the prevailing market price of the Shares at the time the Acquisition Agreement was entered into, the financial performance of the Group and the current market conditions; (ii) the Issue Price is at a premium over the historical trading price of the Shares throughout most of the Review Period; and (iii) the discount of market capitalisation of the Company as represented by the Issue Price to the audited net asset value attributable to Shareholders as at 31 December 2013 of approximately 28.6% is within range of the Comparable Companies and also comparable to the average discount of the Comparable Companies of approximately 26.0%, we are of the view that the Issue Price is fair and reasonable in so far the Independent Shareholders are concerned and are on normal commercial terms.

(ii) Indemnities and undertakings

Pursuant to the Amended Acquisition Agreement, the Vendor has given certain undertakings, and also have agreed to indemnify the Purchaser for losses, liabilities or expenses, directly or indirectly incurred by the Purchaser, arising from, as a result of or based on, among others, (i) certain actual or potential claims or legal or administrative proceeding involving certain members of the Nongke Group; (ii) title to, benefit or interest in, certain properties of the Nongke Group; and (iii) certain breaches or non-compliance of the relevant PRC laws, regulations, policies, notices, approvals, measures, court orders and/or judgments by certain members of the Nongke Group or irregularities relating to certain affairs of certain members of the Nongke Group.

In addition, upon Completion, the Vendor and the Purchaser will enter into a tax indemnity deed pursuant to which, among other things, the Vendor will undertake to indemnify the Purchaser for, among others, (i) any loss incurred by the Target Group where the Target Group is required to bear any tax liabilities of the Vendor which may arise from the transactions pursuant to the Acquisition Agreement; and (ii) any tax liabilities or claims due to or with reference to any income, profits or gains earned, accrued or received, transactions carried out by the Target Group prior to the Completion Date.

Taking into account all the indemnities as stated above (the "**Indemnities**"), in particular that the Indemnities are intended to enhance the protection of the Company from incurring any potential unnecessary losses from the Target Group arising from (i) any actual or potential claims brought against any members of the Nongke Group or any non-compliance of relevant PRC laws and regulations of any members of the Nongke Group; (ii) any tax liabilities incurred by the Vendor in relation to the Acquisition; and (iii) any tax liabilities arising from transactions carried out by the Target Group prior to the Completion Date; we are of the view that the Indemnities are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interest of the Group and the Shareholders as a whole.

(iii) Conditions precedent

Please refer to the sub-section headed "Conditions precedent" in the Letter from the Board.

(iv) Completion

Completion shall take place on the date falling on the second Business Day after all the conditions precedent under the Acquisition Agreement have been fulfilled and/or waived by the Purchaser (or such other date as the Vendor and the Purchaser may agree in writing).

(v) Other material terms

Pursuant to the Acquisition Agreement, subject to Completion and the fulfillment of the conditions set out in sub-sections headed "(iii) Conditions for the transfer of the New Replacement Lands" and "(iv) Land Acquisition Option" in the Letter from the Board, the Company has the Land Acquisition Option to acquire the New Replacement Land at market valuation during the Agricultural Land Entrustment Period. The Company will comply with the relevant Listing Rules when the Land Acquisition Option is exercised. Please refer to the sub-section headed "(ii) Background of the Non-exempt Continuing Connected Transactions" in our letter below for our analysis on the Land Acquisition Option.

(C) Possible financial effects of the Acquisition

(i) Earnings

Upon Completion, members of the Target Company will become subsidiaries of the Company and their results will be consolidated into the Group's consolidated financial statements.

Based on the audited combined statement of comprehensive income as set out in the accountant's report of the Target Group in Appendix II to the Circular, the Target Group recorded revenue of approximately HK$289.4 million, HK$1,070.8 million and

HK$2,675.3 million, and net profit of approximately HK$282.8 million, HK$492.6 million and HK$965.4 million, for the three years ended 31 December 2011, 2012 and 2013, respectively. In view of the increasing trend of the financial performance of the Target Group during the three years ended 31 December 2013, we consider that the Acquisition could potentially enhance the revenue stream and financial results of the Group going forward.

(ii) Net assets value and gearing

Based on the annual report of the Company for the year ended 31 December 2013 dated 31 March 2014, the Group had total assets of approximately HK$76.9 billion, total liabilities of approximately HK$49.3 billion and net assets of approximately HK$27.6 billion. The Group's gearing ratio as at 31 December 2013 (calculated by dividing total liabilities by total assets) amounted to approximately 64.1%. Upon Completion, based on the unaudited pro forma statement of financial position of the Enlarged Group (assuming the Acquisition had been completed on 31 December 2013) as set out in Appendix IV to the Circular, as at 31 December 2013, the Enlarged Group would have total assets of approximately HK$91.9 billion, total liabilities of approximately HK$60.5 billion and net assets of approximately HK$31.4 billion. The Enlarged Group's gearing ratio as at 31 December 2013 (calculated by dividing total liabilities by total assets) would amount to approximately 65.8%. Based on the aforesaid figures, the Enlarged Group's net assets position as at 31 December 2013 will be increased by approximately 13.8% from the Group's net assets position as at 31 December 2013, and the Enlarged Group's gearing ratio as at 31 December 2013 of approximately 65.8% remains steady as compared to the Group's gearing ratio of approximately 64.1% as at 31 December 2013.

However, Shareholders should note that the exact effects of the Acquisition on the Group's net assets value and the amount of goodwill or gain on bargain purchase (as the case may be) shall only be determined, and subject to audit, upon Completion based on the then fair value of the consolidated net assets of the Target Group and the then fair value of the Consideration.

(iii) Working capital

Pursuant to the Acquisition Agreement, the Consideration will be satisfied as to RMB2,794,499,999 by way of allotment and issue of Consideration Shares and the remaining RMB2,794,500,001 in cash. Having considered that approximately 50% of the Consideration will be satisfied by the Company by way of issue of Consideration Shares, and as per the Company's annual report for the year ended 31 December 2013 dated 31 March 2014, the Group has a strong cash and cash equivalents position of approximately HK$6.5 billion as at 31 December 2013, we consider that the Consideration will not have an immediate adverse impact on the Group's liquidity and working capital position.

Given the above, we are of the view that the overall potential financial effects of the Acquisition are positive and it will potentially improve the financial position of the Group, and is in the interests of the Company and the Shareholders as a whole.

The Entrustment Agreements

A. Background and reasons for entering into the Entrustment Agreements

(i) Background of the Non-exempt Continuing Connected Transactions

The Subject Lands and the Agricultural Land Entrustment Agreement

In respect of the resumption by the Shenzhen Government of a land parcel owned by Nongke in 2005, the relevant land and resources government authorities in Shenzhen agreed to compensate the Target Group the Replacement Land in Longgang, Shenzhen, the PRC with a land area of approximately 100,000 sq.m. for industrial use. As part of the overall compensation for such resumption of land, the relevant land and resources government authorities in Shenzhen had withheld the Replacement Land Premium Prepayment which amounted to RMB27 million. The Target Group also currently owns the Agricultural Lands and Related Assets in Ping Shan Town and Dapeng Town in Longang District, Shenzhen. The Agricultural Lands and Related Assets are four administrative allocated agricultural land parcels owned by Nongke.

Under the relevant PRC laws, the Subject Lands are not yet transferable. As a result, the Subject Lands are excluded from the scope of the Acquisition and all rights and interests associated with the Subject Lands shall be that of Shum Yip Group. Shum Yip Group, being the beneficial owner of the Subject Lands, shall be entitled to all economic benefits and shall bear all costs, risks, taxes and other liabilities in respect of the Agricultural Lands and Related Assets in such manner permitted by the relevant PRC laws and regulations. As stated in the Letter from the Board, the Target Group is currently under negotiation and discussion with the Shenzhen Government in respect of the Land Resumption, whereby the Subject Lands are expected to be acquired by the UPLRCS in exchange for the New Replacement Land, which is for property development purpose.

On 27 January 2014 (after trading hours), Nongke and Shum Yip Group entered into the Agricultural Land Entrustment Agreement pursuant to which with effect from the Completion Date, Shum Yip Group will appoint Nongke (i) to hold and manage the Agricultural Lands and Related Assets on its behalf; and (ii) to authorise Nongke and its wholly-owned subsidiaries to manage the Agricultural Lands and Related Assets in accordance with their then existing operations, in each case, at the cost of Shum Yip Group and Nongke will be entitled to a management fee of RMB1,613,529.42 (equivalent to approximately HK$2,007,948.62) per annum, payable by Shum Yip Group quarterly in arrears for a term of the Agricultural Land Entrustment Period.

Pursuant to the Amended Acquisition Agreement, since the Subject Lands are not yet transferable under PRC laws, subject to Completion and the fulfillment of the conditions set out in sub-sections headed “(iii) Conditions for the transfer of the New Replacement Lands” and “(iv) Land Acquisition Option” in the Letter from the Board, the Company has the Land Acquisition Option to acquire the New Replacement Land at market valuation during the Agricultural Land Entrustment Period.

The Nongke Flora Market Related Rights and the Nongke Flora Market Entrustment Agreement

Pursuant to the relevant documents of the Shenzhen Government, the Shenzhen Government has in principle agreed to grant Nongke the rights to the investment and operation management of 農業科普和花卉展示博覽園 (Agricultural Popular Science and Flora Expo*) and the social car parking space and certain commercial facilities of the Nongke Flora Market, for a period of 40 years. Nongke is required to remove and demolish all the building structures currently erected on, and to evict all the current lessees of, the Nongke Flora Market after the Chinese New Year, and to deliver to the Futian Government, the Nongke Flora Market by the end of April 2014.

As the specific implementation plan of the Nongke Flora Market Investment & Operations is yet to be ascertained, the Nongke Flora Market Related Rights cannot be reliably valued, and hence, the Nongke Flora Market Related Rights are excluded from the scope of the Acquisition and all rights and interests and all income associated with the Nongke Flora Market Related Rights shall be that of Shum Yip Group. Shum Yip Group, being the beneficial owner of the Nongke Flora Market Related Rights, shall be entitled to all economic benefits and shall bear all investment and operation costs, legal and policies risks, taxes and other liabilities in respect of the Nongke Flora Market Investment & Operations in such manner permitted by the relevant PRC laws and regulations.

On 27 January 2014 (after trading hours), Nongke and Shum Yip Group entered into the Nongke Flora Market Entrustment Agreement pursuant to which with effect from the Completion Date, Shum Yip Group will appoint Nongke (i) to handle the legal procedures with respect to the implementation plan of the Nongke Flora Market Investment & Operations; and (ii) to demolish all the building structures currently erected on the Nongke Flora Market pursuant to the relevant requirements, at the cost of Shum Yip Group and for a management fee RMB1,000,000 (equivalent to approximately HK$1,244,445) per annum, payable by Shum Yip Group quarterly in arrears and for a term commencing on the Completion Date and ending on 31 December 2016 or such earlier date as provided under the Nongke Flora Market Entrustment Agreement.

Having taken into consideration the above, in particular, (i) the entering into of the Entrustment Agreements is to facilitate the Acquisition; (ii) during the Agricultural Land Entrustment Period, subject to conditions, the Company has the right to exercise the Land Acquisition Option, which provides the Group an opportunity to increase its land bank in Shenzhen; (iii) subject to negotiations, the Group's assistance on the implementation of the Nongke Flora Market Investment & Operations may potentially lead to a possible acquisition of the Nongke Flora Market Related Rights from Shum Yip Group in the foreseeable future; and (iv) the Group can receive a steady source of management income via Nongke from the Entrustment Agreements while all costs and risks associated to the Subject Lands and the Nongke Flora Market Investment & Operations are borne by Shum Yip Group, we consider the entering into of the Entrustment Agreements is in the interests of the Group and the Shareholders as a whole.

B. Major terms of the Entrustment Agreements

(i) The Annual Caps

The AL Entrustment Annual Caps

The AL Entrustment Annual Caps for each of the years ending 31 December 2014, 2015 and 2016 are RMB1.1 million (equivalent to approximately HK$1.4 million) (pro-rated, assuming Completion to take place in April 2014), RMB1.7 million (equivalent to approximately HK$2.1 million) and RMB1.7 million (equivalent to approximately HK$2.1 million) respectively. The determination of the AL Entrustment Annual Caps was based on the management fee of RMB1,613,529.42 (equivalent to approximately HK$2,007,948.62) per annum agreed under the Agricultural Land Entrustment Agreement, which in turn was determined after arm's length negotiations between Nongke and Shum Yip Group with reference to the average historical annual rental income generated by the Agricultural Lands and Related Assets for the three years ended 31 December 2013.

During the three years ended 31 December 2013, according to historical financial information of the Agricultural Lands and Related Assets provided by the Company, the historical annual rental income generated by the Agricultural Lands and Related Assets amounted to approximately RMB1.2 million, RMB1.7 million, and RMB2.0 million, respectively, the average of which amounts to RMB1.6 million. The management fee of RMB1,613,529.42 represents approximately the average historical annual rental income generated by the Agricultural Lands and Related Assets of approximately RMB1,613,000 for the three years ended 31 December 2013.

As stated in the sub-section headed "(ii) Background of the Non-exempt Continuing Connected Transactions" in our letter above, since all rights and interests associated with the Agricultural Lands and Related Assets shall be that of Shum Yip Group, Shum Yip Group, being the beneficial owner of the Subject Lands, shall bear and reimburse all costs, taxes and other liabilities in respect of the Agricultural Lands and Related Assets to Nongke. The management fee of RMB1,613,529.42 per annum therefore represents a service fee charged by Nongke for the entrustment arrangement.

The NFM Entrustment Annual Caps

The NFM Entrustment Annual Caps for each of the years ending 31 December 2014, 2015 and 2016 are RMB0.7 million (equivalent to approximately HK$0.9 million) (pro-rated, assuming Completion to take place in April 2014), RMB1.0 million (equivalent to approximately HK$1.2 million) and RMB1.0 million (equivalent to approximately HK$1.2 million) respectively. The determination of the NFM Entrustment Annual Caps was based on the management fee of RMB1,000,000 (equivalent to approximately HK$1,244,445) per annum agreed under the Nongke Flora Market Entrustment Agreement, which in turn was determined after arm's length negotiations between Nongke and Shum Yip Group with reference to the estimated work load associated with the scope of work pursuant to the Nongke Flora Market Entrustment Agreement. As disclosed in the Letter from the Board, the management of the Group preliminarily estimated that the cost incurred for carrying out its work under the Nongke Flora Market Entrustment Agreement will not be significant and will be less than RMB1 million a year.

As stated in the sub-section headed "(ii) Background of the Non-exempt Continuing Connected Transactions" in our letter above, since all rights and interests associated with the Nongke Flora Market Related Rights shall be that of Shum Yip Group, Shum Yip Group, being the beneficial owner of the Nongke Flora Market Related Rights, shall bear and reimburse all investment, operation, legal and policies costs, taxes and other liabilities in respect of the Nongke Flora Market Investment & Operations to Nongke. The management fee of RMB1,000,000 therefore represents a service fee charged by Nongke for the entrustment arrangement.

(ii) Payment

The management fees payable by Shum Yip Group to Nongke under the Entrustment Agreements shall be made quarterly in arrears and for a term commencing on the Completion Date and ending on 31 December 2016 or such earlier date as provided under the Entrustment Agreements. The management fees under the Entrustment Agreements are collected by Nongke by deducting the appropriate amounts from the economic benefits associated with the Agricultural Lands and Related Assets (in the case of the Agricultural Land Entrustment Agreement) and the Nongke Flora Market Related Rights (in the case of the Nongke Flora Market Entrustment Agreement) received by Nongke on behalf of Shum Yip Group during the term of the Entrustment Agreements.

(iii) Termination

The Agricultural Land Entrustment Agreement

The term of the Agricultural Land Entrustment Agreement will commence from the Completion Date and will remain valid until 31 December 2016. Please refer to the sub-section headed "(ii) The Agricultural Land Entrustment Agreement" in the Letter from the Board for events which could lead to the early termination of the Agricultural Land Entrustment Agreement.

The Nongke Flora Market Entrustment Agreement

The term of the Nongke Flora Market Entrustment Agreement will commence from the Completion Date and will remain valid until 31 December 2016. Please refer to the sub-section headed "(ii) The Nongke Flora Market Entrustment Agreement" in the Letter from the Board for events which could lead to the early termination of the Nongke Flora Market Entrustment Agreement. The Nongke Flora Market Entrustment Agreement can also be terminated earlier than 31 December 2016 (amongst others, whichever occurs earlier in time) when the specific implementation plan of the Nongke Flora Market Investment & Operations is ascertained and confirmed.

Having taken into consideration the above, in particular, (i) Shum Yip Group shall bear and reimburse all costs, taxes and other liabilities in respect of the Agricultural Lands and Related Assets to Nongke; (ii) similarly, Shum Yip Group shall bear and reimburse all investment, operation, legal and policies costs, taxes and other liabilities in respect of the Nongke Flora Market Investment & Operations to Nongke; (iii) despite points (i) and (ii) above, Nongke can still receive a service fee of RMB1,613,529.42 (equivalent to approximately HK$2,007,948.62) per annum (representing the average of the entire rental income generated by the Agricultural Lands and Related Assets during the three years ended 31 December 2013) and RMB1,000,000 (equivalent to approximately HK$1,244,445) per annum agreed under the Agricultural Land Entrustment Agreement and the Nongke Flora Market Entrustment Agreement, respectively; and (iv) the service fees received by Nongke pursuant to the Agricultural Land Entrustment Agreement and the Nongke Flora Market Entrustment Agreement represent an additional source of income to the Group without the Group having to incur any net costs, we are of the view that the terms of the Entrustment Agreements (including the proposed Annual Caps) are on better terms to the Company so far as the Group and the Independent Shareholders are concerned and are in the interests of the Group and the Shareholders as a whole.

C. Requirements by the Listing Rules regarding the Non-exempt Continuing Connected Transactions

Pursuant to Rules 14A.37 to 14A.40 of the Listing Rules, the Non-exempt Continuing Connected Transactions are subject to the following annual review requirements:

(a) each year the independent non-executive Directors must review the Non-exempt Continuing Connected Transactions and confirm in the annual report and accounts that the Non-exempt Continuing Connected Transactions have been entered into:

- in the ordinary and usual course of business of the Company;

- either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Company than the terms available to or from (as appropriate) independent third parties; and

- in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming that the Non-exempt Continuing Connected Transactions:

- have received the approval of the Board;

- are in accordance with the pricing policies of the Company if the Non-exempt Continuing Connected Transactions involve provision of goods or services by the Company;

- have been entered into in accordance with the terms of the relevant agreement(s) governing the Non-exempt Continuing Connected Transactions; and

- have not exceeded the proposed Annual Caps.

(c) the Company shall allow, and shall procure the relevant counter-parties to the Non-exempt Continuing Connected Transactions shall allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Non-exempt Continuing Connected Transactions. The Board must state in the annual report whether its auditors have confirmed the matters stated in paragraph (b) above; and

(d) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or the auditors of the Company will not be able to confirm the matters set out in paragraphs (a) and/or (b) above respectively.

In light of the reporting requirements attached to the Non-exempt Continuing Connected Transactions, in particular, (i) the restriction of the value of the Non-exempt Continuing Connected Transactions by way of the proposed Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company on the terms of the Non-exempt Continuing Connected Transactions and the proposed Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Non-exempt Continuing Connected Transactions and safeguard the interests of the Company and the Independent Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that (i) the Acquisition is on normal commercial terms, in the ordinary and usual course of business of the Company and in the interests of the Group and the Shareholders as a whole, and the terms thereof are fair and reasonable so far as the Group and the Independent Shareholders are concerned; and (ii) the Non-exempt Continuing Connected Transactions are in the interests of the Group and the Shareholders as a whole, and the terms thereof, including the proposed Annual Caps, are on better terms to the Company so far as the Group and the Independent Shareholders are concerned.

Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the EGM to approve the Amended Acquisition Agreement and the Entrustment Agreements (including the proposed Annual Caps).

Yours faithfully,
For and on behalf of
Crosby Securities Limited

Alex Lau
Managing Director
Corporate Finance

Heidi Cheng
Managing Director
Corporate Finance

Note: Mr. Alex Lau and Ms. Heidi Cheng of Crosby have been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2003 and 2004, respectively. Mr. Alex Lau and Ms. Heidi Cheng of Crosby have participated in and completed various advisory transactions involving properties in both Hong Kong and the PRC.

1. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the consolidated financial information of the Group for the three years ended 31 December 2011, 2012 and 2013, as extracted from the annual reports of the Company for the years ended 31 December 2012 and 2013.

	Year ended 31 December		
	2013	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	
RESULTS			
CONTINUING OPERATIONS			
REVENUE	9,778,807	8,312,726	7,320,584
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	5,077,157	3,691,720	2,892,293
Income tax expense	(1,976,197)	(1,129,956)	(1,076,534)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	3,100,960	2,561,764	1,815,759
DISCONTINUED OPERATION			
Profit/(loss) for the year from a discontinued operation	10,029	(1,524)	–
PROFIT FOR THE YEAR	3,110,989	2,560,240	1,815,759
ATTRIBUTABLE TO:			
Shareholders	2,738,432	2,156,069	1,522,078
Non-controlling interests	372,557	404,171	293,681
	3,110,989	2,560,240	1,815,759
Basic earnings per Share attributable to the Shareholders	HK58.97 cents	HK59.23 cents	HK42.86 cents
Dividend per Share attributable to the Shareholders	HK19.00 cents	HK18.00 cents	HK15.00 cents
Dividends	1,016,887	664,014	538,118
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS			
Total assets	76,891,525	54,392,007	41,540,624
Total liabilities	49,312,179	34,882,164	24,527,687
Non-controlling interests	2,241,535	1,961,947	1,469,558
Equity attributable to the Shareholders	25,337,811	17,547,896	15,543,379

2. LATEST PUBLISHED FINANCIAL INFORMATION

The latest published audited consolidated financial information of the Group for the two years ended 31 December 2013 and 2012 were set out in pages 75 to 231 of the annual report of the Company for the year ended 31 December 2013 and pages 75 to 205 of the annual report of the Company for the year ended 31 December 2012 respectively, which can be accessed by the direct hyperlinks below:

(i) The published consolidated financial statements of the Company for the year ended 31 December 2013:

http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0425/LTN20140425989.pdf

(ii) The published consolidated financial statements of the Company for the year ended 31 December 2012:

http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0425/LTN20130425367.pdf

3. WORKING CAPITAL

The Directors are of the opinion that, in the absence of unforeseeable circumstances, after taking into account the Enlarged Group's business prospects, internal resources and available credit facilities, the Enlarged Group has sufficient working capital for its present requirements for the next twelve months from the date of this circular.

4. INDEBTEDNESS

As at the close of business on 31 March 2014, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular, the Enlarged Group had total outstanding interest-bearing bank loans and other borrowings of approximately HK$26,600.7 million, comprising secured current bank loans of approximately HK$711.1 million, unsecured current bank loans of approximately HK$5,003.3 million, unsecured current other loans of approximately HK$327.9 million, unsecured current portion of long-term bank loans of approximately HK$7,189.8 million, unsecured current portion of long-term other loans of approximately HK$630.5 million, secured current portion of long-term bank loans of approximately HK$333.1 million, secured non-current bank loans of approximately HK$2,702.1 million and unsecured non-current bank loans of approximately HK$9,702.9 million.

As at 31 March 2014, certain pledged bank deposits, land and buildings, properties under development and investment properties of the Enlarged Group of approximately HK$30.9 million, HK$879.0 million, HK$1,829.9 million and HK$4,157.6 million, respectively, had been pledged to banks to secure credit facilities granted to the Enlarged Group.

As at 31 March 2014, the Enlarged Group had given guarantees to a maximum extent of approximately HK$4,207.1 million to banks for housing loans extended by the banks to the purchasers of the Enlarged Group's properties.

Save as aforesaid or otherwise disclosed herein, as at the close of business on 31 March 2014, the Enlarged Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

5. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, there had been no material adverse changes in the financial or trading position or outlook of the Group since 31 December 2013 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

6. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Business outlook

Industry prospect

As the US and European economies recover gradually and the Fed exits from its quantitative easing policy, emerging economies has suffered to different extent. As for China, 2014 will be the year to initiate various reform agendas in full swing. The government will keep its macroeconomic policies stable, maintain steady growth and ensure that employment does not fall below the prescribed minimum level and that inflation does not rise above the projected level. As the economic performance remained within the proper range, the government will concentrate its efforts on structural adjustments and various reforms. Structural adjustments will put the macroeconomic through pain and uncertainty in the short term, but are expected to benefit the sustainable development and improved quality in the long term as various reforms will inject great vitality into the market.

As for the real estate market, the Company anticipates that the real estate market will more rely on the market-based measures, and the administrative control policies will gradually become weaker. The government will focus more on satisfying the housing demand of low income people. In 2014, the real estate market situation will not be optimistic. The third and fourth-tier cities will still face slow sell-through of the oversupply, and the first-tier cities will need certain time for digestion and rebalance after the significant growth in 2013, with transaction volume smaller than last year and price remaining relatively steady. Although the real estate market will face many uncertainties, the Company believes that in view of China's urbanization process and population structure, real estate is still a developing industry, and the markets in core cities are still improved substantially. The Company is confident in the sound long-term development of real estate industry. The Enlarged Group will cope with the market changes on a timely basis and adopt flexible strategies to develop progressively and steadily by closely monitoring the macroeconomic development condition and real estate sector development.

Accelerating strategic transformation and upgrade

The Enlarged Group will accelerate its strategic transformation and resource structure adjustment by (i) continual implementation of its strategy of intensifying the development in Shenzhen and base itself on urban redevelopment to increase its market share in Shenzhen; (ii) continual promotion of its transformation from the "development and sale" model to the "development, sale and holding" model through building up various professional platforms and improving the mix of investment properties to achieve a stable and prudent operation; (iii) optimizing its financing structure and fund management to ensure fund safety and steady growth; and (iv) optimizing its appraisal, incentive and restrictive mechanism in order to facilitate and guide strategy implementation.

Property development and sales

The annual saleable property area in 2014 is approximately 1.88 million square meters with saleable property value of approximately RMB25 billion, of which Shenzhen accounts for half of value. The annual sales target is about RMB10.5 billion, rising 16.7% as compared with the actual contracted sales last year. In 2014, most property projects will be launched in the second and third quarters. The Enlarged Group will strive to achieve the sales targets by tapping into the market opportunities and adopting flexible pricing.

The Enlarged Group will retune its project development progress, enhance milestone management, ensure sufficient saleable property area, and maintain a sustainable development. In 2014, the Enlarged Group has a planned new construction area of approximately 2.1 million square meters and will give high priority to the commencement of Mingren (名人), Tanglang (塘朗) metro property, Guanlan Rose Garden (觀瀾玫瑰苑) and the first phase of Chegongmiao (車公廟) redevelopment, laying a good foundation for the substantial growth in the next two years.

Land reserves

The Enlarged Group will continue to implement its strategy of intensifying the development in Shenzhen, and optimize its land reserve structure while continuing to maintain the existing scale of its land reserves.

The Enlarged Group still owns considerable potential resources in Shenzhen. Firstly, it has 6 urban redevelopment projects located in Futian, Sungang, Qingshuihe, Shangbu, Chegongmiao and Guanlan respectively, with total planned gross floor area of over 2 million square meters among which 500,000 square meters is subject to resettlement negotiation. Secondly, there are another 2 or 3 projects are under way with the application for joining the urban redevelopment program. Moreover, Shum Yip Group, the parent of the Company, has a quality land reserve with gross floor area of over 1.8 million square meters in Shenzhen.

The Enlarged Group will continue to focus on its development in Shenzhen, make good use of its resources advantages, and complement its quality land resources by asset injection, promoting more urban redevelopment project planning application and approval, bidding, auction and listing, as well as cooperation with state-own enterprises. In addition, the Enlarged Group will continue seeking potential partners and strive to implement the disposal of certain inefficient projects in the third and fourth-tier cities.

Financial strategy

The Enlarged Group will adhere to the consistent principle of maintaining healthy financial position, endeavour to reduce financing costs, and improve capital turnover efficiency to provide concrete protection of financial resources for its business development.

Corporate prospect

Looking forward, the Enlarged Group is very confident for the continuous growth of its performance in future. The Enlarged Group will continue to implement its strategy of intensifying the development in Shenzhen, increase quality land reserves in Shenzhen, continuously optimize the structure of its land reserves, focus on both holding and development, improve cost control and operation standard, accelerate the asset turnover, improve the assets and liabilities and cash flow management. It is committed to maximize the value for our shareholders.

7. PROPERTY VALUATION

For details of the Target Group's properties as at 28 February 2014 and the text of the valuation certificates of these property interests prepared by Asset Appraisal Limited, please see Appendix V of this circular.

Disclosure of the reconciliation of the Target Group's properties from the audited consolidated financial statements as at 31 December 2013 to the valuation as at 28 February 2014 is set out below:

	HK$ *(in thousands)*
Net book value of the following properties as at 31 December 2013	
Properties under development	4,621,948
Completed properties held for sale	603,906
Investment properties	2,997,970
Buildings under property, plant and equipment	51,174
	8,274,998
Less: Cost of sales of properties sold for the period from 1 January 2014 to 28 February 2014 (unaudited)	(69,912)
Less: Depreciation of buildings under property, plant and equipment for the period from 1 January 2014 to 28 February 2014 (unaudited)	(28)
Net book value of the properties as at 28 February 2014 (unaudited)	8,205,058
Valuation of properties as at 28 February 2014 with reference to the property valuation report in Appendix V to this circular (equivalent to RMB10,530,950,000)	13,105,188
Market value of property no. 5 assuming it is issued with title certificates (equivalent to RMB10,600,000) (note 3 to property no. 5 in Appendix V to this circular)	13,191
Market value of certain properties of property no. 11 assuming it is issued with title certificates (equivalent to RMB5,820,000) (note 4 to property no. 11 in Appendix V to this circular)	7,243
Market value of property no. 13 assuming it is issued with title certificates (equivalent to RMB50,200,000) (note 3 to property no. 13 in Appendix V to this circular)	62,471
	13,188,093
Revaluation surplus, before income tax and land appreciation tax	4,983,035

The following is the text of the accountants' report of the Target Group prepared for the purpose of incorporation in this circular, received from the reporting accountants, Ernst & Young.

EY 安永

22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

12 May 2014

The directors
Shenzhen Investment Limited

Dear Sirs,

We set out below our report on the financial information of Shenzhen Bio-Agriculture Company Limited (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") comprising the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Target Group for each of the years ended 31 December 2011, 2012 and 2013 (the "Relevant Periods"), and the consolidated statements of financial position of the Target Group and the statements of financial position of the Target Company as at 31 December 2011, 2012 and 2013, together with the notes thereto (the "Financial Information"), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the circular of Shenzhen Investment Limited dated 12 May 2014 (the "Circular") in connection with the proposed acquisition of the Target Company.

The Target Company was incorporated in the British Virgin Islands (the "BVI") on 20 April 2011 as a company with limited liability under the Business Companies Act of the British Virgin Islands (2004). Pursuant to a group reorganisation (the "Reorganisation") as set out in note 1 of Section II below, which was completed on 21 July 2011, the Target Company became the holding company of the subsidiaries comprising the Target Group. Apart from investment holding, the Target Company has not commenced any business or operation since its incorporation.

As at the end of the Relevant Periods, the Target Company had direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies comprising the Target Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Target Group were prepared in accordance with the relevant accounting principles applicable to these companies in the jurisdictions in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Target Company (the "Directors") have prepared the consolidated financial statements of the Target Group (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2011, 2012 and 2013 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors' responsibility

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion on the Financial Information, and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Target Group and the Target Company as at 31 December 2011, 2012 and 2013 and of the consolidated results and cash flows of the Target Group for each of the Relevant Periods.

I FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss

	Notes	Year ended 31 December 2011 HK$'000	2012 HK$'000	2013 HK$'000
REVENUE	7	289,395	1,070,800	2,675,287
Cost of sales		(153,269)	(336,339)	(994,903)
Gross profit		136,126	734,461	1,680,384
Other income and gains	7	6,594	20,453	53,022
Increase in fair value of investment properties		362,049	328,263	262,397
Selling and distribution costs		(10,285)	(14,066)	(88,691)
Administrative expenses		(109,443)	(118,324)	(136,946)
Other expenses		(6,219)	(8,979)	(114,584)
Finance costs	9	(2,374)	(23,168)	(12,518)
PROFIT BEFORE TAX	8	376,448	918,640	1,643,064
Income tax expense	12	(93,564)	(426,010)	(677,631)
PROFIT FOR THE YEAR		282,884	492,630	965,433
Attributable to:				
Owners of the parent		283,281	494,894	968,658
Non-controlling interests		(397)	(2,264)	(3,225)
		282,884	492,630	965,433

Consolidated Statements of Comprehensive Income

	Year ended 31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
PROFIT FOR THE YEAR	282,884	492,630	965,433
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value	(8,018)	1,433	(2,554)
Income tax effect	1,808	(316)	303
	(6,210)	1,117	(2,251)
Exchange differences on translation of foreign operations	95,262	23,599	75,908
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	89,052	24,716	73,657
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	89,052	24,716	73,657
Total comprehensive income for the year	371,936	517,346	1,039,090
Attributable to:			
Owners of the parent	372,333	519,573	1,042,238
Non-controlling interests	(397)	(2,227)	(3,148)
	371,936	517,346	1,039,090

Consolidated Statements of Financial Position

	Notes	As at 31 December 2011 HK$'000	2012 HK$'000	2013 HK$'000
NON-CURRENT ASSETS				
Property, plant and equipment	*14*	80,168	87,720	85,557
Investment properties	*18*	2,367,230	2,632,721	2,997,970
Prepaid land lease payments	*15*	5,407	4,441	–
Available-for-sale investments	*20*	21,499	24,197	20,469
Deferred tax assets	*30*	79,400	144,035	226,134
Breeding biological assets	*21*	3,987	5,934	6,002
Other long term assets		–	194	292
Total non-current assets		2,557,691	2,899,242	3,336,424
CURRENT ASSETS				
Inventories	*22*	5,545	4,744	6,857
Completed properties held for sale	*17*	264,273	101,824	603,906
Properties under development	*16*	556,250	766,339	4,621,948
Trade receivables	*23*	63,460	177,086	97,470
Prepayments, deposits and other receivables	*24*	36,003	27,109	97,498
Trading biological assets	*21*	9,881	12,143	16,508
Due from the ultimate holding company	*37(b)(i)*	58,228	318,511	1,557,495
Cash and cash equivalents	*25*	258,503	225,931	836,040
Restricted cash	*25*	43,906	414,100	1,025,015
Pledged deposits	*25*	16,364	17,641	17,783
Total current assets		1,312,413	2,065,428	8,880,520
CURRENT LIABILITIES				
Interest-bearing bank loans	*26*	74,528	98,268	–
Trade payables	*27*	65,224	92,195	4,919,997
Other payables and accruals	*28*	189,707	212,096	1,828,906
Due to the immediate holding company	*37(b)(iii)*	15,624	15,590	15,630
Due to the ultimate holding company	*37(b)(ii)*	47,466	–	–
Tax payable		152,355	523,412	895,542
Provision	*29*	–	–	78,428
Total current liabilities		544,904	941,561	7,738,503
NET CURRENT ASSETS		767,509	1,123,867	1,142,017
TOTAL ASSETS LESS CURRENT LIABILITIES		3,325,200	4,023,109	4,478,441
NON-CURRENT LIABILITIES				
Interest-bearing bank loans	*26*	587,028	693,785	–
Deferred tax liabilities	*30*	510,542	578,305	683,155
Deferred income	*31*	8,315	14,358	19,535
Total non-current liabilities		1,105,885	1,286,448	702,690
Net assets		2,219,315	2,736,661	3,775,751
EQUITY				
Equity attributable to owners of the parent				
Share capital	*32*	–	–	–
Reserves	*33*	2,211,430	2,731,003	3,773,241
Non-controlling interests		7,885	5,658	2,510
Total equity		2,219,315	2,736,661	3,775,751

Consolidated Statements of Changes in Equity

	Attributed to the owners of the parent								
	Share capital	Contributed surplus	Reserve funds	Investment revaluation reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note 32)	*(note 33(a))*	*(note 33(b))*						
At 31 December 2010 and at 1 January 2011	–	249,719	177,307	11,832	143,371	1,256,868	1,839,097	–	1,839,097
Profit for the year	–	–	–	–	–	283,281	283,281	(397)	282,884
Other comprehensive income for the year:									
Changes in fair value of available-for-sale investments, net of tax	–	–	–	(6,210)	–	–	(6,210)	–	(6,210)
Exchange differences on translation of foreign operations	–	–	–	–	95,262	–	95,262	–	95,262
Total comprehensive income for the year	–	–	–	(6,210)	95,262	283,281	372,333	(397)	371,936
Establishment of a subsidiary	–	–	–	–	–	–	–	8,282	8,282
Transfer from retained profits	–	–	59,517	–	–	(59,517)	–	–	–
At 31 December 2011	–	249,719*	236,824*	5,622*	238,633*	1,480,632*	2,211,430	7,885	2,219,315
Profit for the year	–	–	–	–	–	494,894	494,894	(2,264)	492,630
Other comprehensive income for the year:									
Changes in fair value of available-for-sale investments, net of tax	–	–	–	1,117	–	–	1,117	–	1,117
Exchange differences on translation of foreign operations	–	–	–	–	23,562	–	23,562	37	23,599
Total comprehensive income for the year	–	–	–	1,117	23,562	494,894	519,573	(2,227)	517,346
Transfer from retained profits	–	–	14,155	–	–	(14,155)	–	–	–
At 31 December 2012	–	249,719*	250,979*	6,739*	262,195*	1,961,371*	2,731,003	5,658	2,736,661
At 31 December 2012 and at 1 January 2013	–	249,719	250,979	6,739	262,195	1,961,371	2,731,003	5,658	2,736,661
Profit for the year	–	–	–	–	–	968,658	968,658	(3,225)	965,433
Other comprehensive income for the year:									
Changes in fair value of available-for-sale investments, net of tax	–	–	–	(2,251)	–	–	(2,251)	–	(2,251)
Exchange differences on translation of foreign operations	–	–	–	–	75,831	–	75,831	77	75,908
Total comprehensive income for the year	–	–	–	(2,251)	75,831	968,658	1,042,238	(3,148)	1,039,090
Transfer from retained profits	–	–	74,465	–	–	(74,465)	–	–	–
At 31 December 2013	–	249,719*	325,444*	4,488*	338,026*	2,855,564*	3,773,241	2,510	3,775,751

* These reserve accounts comprise the consolidated reserves of HK$2,211,430,000, HK$2,731,003,000 and HK$3,773,241,000 in the consolidated statements of financial position as at 31 December 2011, 2012 and 2013, respectively.

Consolidated Statements of Cash Flows

		Year ended 31 December		
		2011	**2012**	**2013**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax:		376,448	918,640	1,643,064
Adjustments for:				
Finance costs	*9*	2,374	23,168	12,518
Interest income	*7*	(2,825)	(3,285)	(51,670)
Depreciation	*8*	5,583	7,159	7,594
Increase in fair value of investment properties		(362,049)	(328,263)	(262,397)
Decrease/(increase) in fair value of biological assets	*8*	(816)	(165)	294
Dividend income from investments	*7*	(674)	(968)	(430)
Amortisation of prepaid land lease payments	*8*	977	997	967
Gain on disposal of items of property, plant and equipment	*7*	(77)	(27)	(8)
Loss on disposal of breeding biological assets	*8*	708	1,125	2,151
Impairment of property, plant and equipment	*8*	–	–	25,437
Impairment of trade receivables	*8*	103	869	656
Impairment of prepayments, deposits and other receivables	*8*	–	–	734
Impairment of prepaid land lease payments	*8*	–	–	4,483
Gain on disposal of investment properties	*8*	–	(15,603)	–
		19,752	603,647	1,383,393
Decrease/(Increase) in trade receivables		(625)	(108,841)	78,990
Increase in prepayments, deposits and other receivables		(14,596)	(18,764)	(71,914)
Decrease in inventories		(9,934)	1,659	(2,113)
Decrease in completed properties held for sale		32,521	241,010	1,259,543
Increase in properties under development		(172,943)	(322,688)	(5,204,969)
Increase in trading biological assets		(8,916)	(1,863)	(4,370)
Increase/(decrease) in trade payables		(35,642)	23,100	4,408,115
Increase in other payables and accruals		54,367	32,862	1,695,326
Increase/(decrease) in an amount due to the immediate holding company		(60,420)	(34)	40
Decrease/(increase) in restricted cash		10,948	(365,527)	(610,915)
Cash generated from/(used in) operations		(185,488)	84,561	2,931,126
Interest paid		(31,868)	(56,248)	(43,331)
PRC taxes paid		(36,109)	(68,126)	(303,456)
Net cash flows from/(used in) operating activities		(253,465)	(39,813)	2,584,339

	Notes	Year ended 31 December 2011 HK$'000	2012 HK$'000	2013 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		2,825	3,285	51,670
Dividends received from investments		674	968	430
Proceeds from disposal of items of property, plant and equipment		579	471	657
Proceeds from disposal of investment properties		–	135,055	–
Purchases of items of property, plant and equipment		(27,994)	(14,589)	(15,410)
Increase in an amount due from the ultimate holding company		–	(248,780)	(1,238,984)
Purchases of breeding biological assets		(4,652)	(3,065)	(2,155)
Increase in pledged deposits with original maturity of over three months		(3,253)	(370)	(142)
Net cash flows used in investing activities		(31,821)	(127,025)	(1,203,934)
CASH FLOWS FROM FINANCING ACTIVITIES				
Establishment of a subsidiary		8,282	–	–
Decrease in an amount due to the ultimate holding Company		(55,140)	(47,466)	–
New bank loans		894,072	233,552	–
Repayment of bank loans		(573,548)	(67,618)	(792,053)
Net cash flows from/(used in) financing activities		273,666	118,468	(792,053)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(11,620)	(48,370)	588,352
Cash and cash equivalents at beginning of year		249,194	258,503	225,931
Effect of foreign exchange rate changes, net		20,929	15,798	21,757
CASH AND CASH EQUIVALENTS AT END OF YEAR		258,503	225,931	836,040
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	*25*	236,001	199,747	790,449
Non-pledged time deposits with original maturity of less than three months when acquired		22,502	26,184	45,591
Cash and cash equivalents as stated in the statements of cash flows	*25*	258,503	225,931	836,040

Statements of Financial Position

		As at 31 December		
		2011	**2012**	**2013**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Investments in subsidiaries	*19*	15,586	15,586	15,586
Total non-current assets		15,586	15,586	15,586
CURRENT ASSETS				
Cash and cash equivalents	*25*	55	50	54
Total current assets		55	50	54
CURRENT LIABILITIES				
Due to the immediate holding company	*37(b)(iii)*	15,624	15,590	15,630
Other payables		101	–	–
Total current liabilities		15,725	15,590	15,630
NET CURRENT LIABILITIES		(15,670)	(15,540)	(15,576)
TOTAL ASSETS LESS CURRENT LIABILITIES		(84)	46	10
Net assets/(liabilities)		(84)	46	10
EQUITY				
Share capital	*32*	–	–	–
Reserves	*33*	(84)	46	10
Total equity/(deficit)		(84)	46	10

II NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND REORGANISATION

The Target Company is a limited company and was incorporated in the BVI on 20 April 2011. The Target Company's registered office is located at Morgan & Morgan Building, Pasea Estate, Road Town, Tortola, the BVI.

The Target Company is an investment holding company. Its subsidiaries (together with the Target Company, referred to as the "Target Group") are principally engaged in the following business in the People's Republic of China (the "PRC"):

- Property development
- Property investment
- Property management
- Manufacture and sale of agricultural products
- Garden design and construction

In the opinion of the Directors, the immediate holding company and ultimate holding company of the Target Company is Shum Yip Holdings Limited ("Shum Yip Holdings") and 深業集團有限公司 ("Shum Yip Group"), respectively.

Prior to the incorporation of the Target Company and the completion of the Reorganisation as described below, the business of the Target Group was operated through Shenzhen Nongke Group Limited (深圳市農科集團有限公司) ("Nongke") (formerly known as Shenzhen Nongke Group, 深圳市農科集團公司) and its subsidiaries. Nongke was established by the Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission (深圳市人民政府國有資產監督管理委員會) ("Shenzhen SASAC") in the PRC on 25 December 2002. Shenzhen SASAC transferred the 100% equity interest in Nongke to Shum Yip Group on 14 May 2009.

Pursuant to the Reorganisation, the following principal reorganisation steps were undertaken to transfer Nongke to the Target Group:

(a) On 20 April 2011, the Target Company was incorporated with an authorised share capital of 50,000 shares with no par value. One share of the Target Company was allotted and issued to Shum Yip Holdings at US$1 on the same date.

(b) On 30 June 2011, Shum Yip Group transferred the 100% equity interest in Nongke to Shum Yip Holdings. Upon the completion of the transaction, Shum Yip Holdings became the immediate holding company of Nongke.

(c) On 1 July 2011, Shenzhen Shum Yip Agricultural Development Limited (深圳市深業農業發展有限公司) (the "WFOE") was established in the PRC by the Target Company as a wholly-foreign-owned enterprise.

(d) On 21 July 2011, Shum Yip Holdings transferred the 100% equity interest in Nongke to the WFOE. Upon the completion of the transaction on 21 July 2011, the WFOE became the immediate holding company of Nongke, and the Target Company became the holding company of Nongke.

As at the end of the Relevant Periods, the Target Company had direct and indirect interests in its subsidiaries, all of which are limited liability companies, the particulars of which are set out below:

Company name	Place and date of incorporation/ registration and operations	Registered share capital	Percentage of equity attributable to the Target Company Direct %	Indirect %	Principal activities
WFOE[(ii)]	PRC/Mainland China 1 July 2011	USD2,000,000	100	–	Investment holding
Nongke[(iii)]	PRC/Mainland China 25 December 2002	RMB200,000,000	–	100	Investment holding, property investment and property management
Shenzhen Nongke Property Development Limited[(iii)] (深圳市農科房地產開發有限公司)	PRC/Mainland China 13 September 1995	RMB30,000,000	–	100	Property development and property investment
Shenzhen Xinketai Industrial Limited[(iii)] (深圳市新科泰實業有限公司)	PRC/Mainland China 28 November 1994	RMB6,000,000	–	100	Manufacture and sale of agricultural products
Shenzhen Nongke Garden Design and Construction Limited[(iii)] (深圳市農科園林裝飾工程有限公司)	PRC/Mainland China 4 November 1983	RMB20,050,000	–	100	Garden design and construction
Shenzhen Nongke Property Management Limited[(iii)] (深圳市農科物業管理有限公司)	PRC/Mainland China 19 May 2003	RMB5,860,000	–	100	Property management
Shenzhen Nongkeyuan Limited[(iii)] (深圳市農科苑科技實業有限公司)	PRC/Mainland China 1 March 1985	RMB2,000,000	–	100	Property management
Shenzhen Tianxiangda Animal Trading Limited[(iii)] (深圳市天翔達牧工貿有限公司)	PRC/Mainland China 23 July 1986	RMB3,300,000	–	100	Manufacture and sale of agricultural products
Shenzhen Lvdebao Healthy Foods Limited[(iii)] (深圳市綠得寶保健食品有限公司)	PRC/Mainland China 19 May 1994	RMB5,000,000	–	100	Manufacture and sale of agricultural products
Shenzhen Bio-Agricultural Technology Development Limited[(iii)] (深圳市農業生物技術發展公司)	PRC/Mainland China 12 August 1985	RMB6,000,000	–	100	Manufacture and sale of agricultural products
Shenzhen Nongke Vegetable Technology Limited[(iii)] (深圳市農科蔬菜科技有限公司)	PRC/Mainland China 7 August 2003	RMB6,000,000	–	100	Manufacture and sale of agricultural products
Shenzhen Shum Yip Zhongcheng Development Limited ("Shum Yip Zhongcheng")[(iv)] (深圳市深業中城有限公司)	PRC/Mainland China 30 October 2013	RMB100,000,000	–	100	Property development
Shenzhen Nongke Plant and Clone Seed Limited[(iii)] (深圳市農科植物克隆種苗有限公司)	PRC/Mainland China 28 July 2003	RMB4,000,000	–	100	Manufacture and sale of agricultural products
Shenzhen Tianxiangda Pigeon Industrial Limited ("Tianxiangda Pigeon")[(iii)] (深圳市天翔達鴿業有限公司)	PRC/Mainland China 28 March 2011	RMB16,000,000	–	58	Manufacture and sale of agricultural products

(i) No audited financial statements have been issued for the Target Company since its date of incorporation as this entity has not carried on any business, and the Target Company was incorporated in the BVI where there is no statutory audit requirement.

(ii) The WFOE was registered as a wholly-foreign-owned enterprise under the PRC Law. No audited financial statements have been prepared for the period from 1 July 2011 (date of incorporation) to 31 December 2011. The statutory audited financial statements of the WFOE for the years ended 31 December 2012 and 2013 prepared in accordance with PRC generally accepted accounting principles ("PRC GAAP") were audited by 大華會計師事務所 (Da Hua Certified Public Accountants), certified public accountants registered in the PRC.

(iii) The statutory financial statements of these subsidiaries of the Target Company for the years ended 31 December 2011, 2012 and 2013 prepared in accordance with PRC GAAP were audited by Da Hua Certified Public Accountants, certified public accountants registered in the PRC.

(iv) The statutory financial statements of Shum Yip Zhongcheng for the period from 30 October 2013 (date of incorporation) to 31 December 2013 prepared in accordance with PRC GAAP were audited by Da Hua Certified Public Accountants, certified public accountants registered in the PRC.

During the Relevant Periods, the following former subsidiary of the Target Group was deregistered, the particulars of which are set out below:

Company name	Place and date of incorporation/ registration and operations	Registered share capital	Percentage of equity attributable to the Target Company		Principal activities
			Direct	Indirect	
			%	%	
Shenzhen Nongke Fisheries Technology Limited ("Nongke Fisheries")(i) (深圳市農科水產科技有限公司)	PRC/Mainland China 31 July 2003	RMB1,000,000	–	100	Manufacture and sale of agricultural products

(i) Nongke Fisheries was deregistered in 2011.

The English names of certain of the subsidiaries registered in the PRC represent the best effort made by management of the Target Company to translate their Chinese names as those subsidiaries do not have official English names.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as set out in note 1 above, the Target Company became the holding company of the companies now comprising the Target Group. The companies now comprising the Target Group were under the common control of Shum Yip Group, the controlling shareholder, before and after the Reorganisation. Accordingly, the Financial Information has been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Target Group include the results and cash flows of all companies now comprising the Target Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the controlling shareholder, where this is a shorter period. The consolidated statements of financial position of the Target Group as at 31 December 2011, 2012 and 2013 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the controlling shareholder's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries held by parties other than the controlling shareholder, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

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

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2013, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the Financial Information throughout the Relevant Periods. The accounting policies set out below have been consistently applied throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention except for investment properties, biological assets and certain available-for-sale investments, which have been measured at fair value. The Financial Information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective in the Financial Information:

HKFRS 9	*Financial Instrument*[3]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[3]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKFRS 14	*Regulatory Deferral Accounts*[4]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	Levies[1]
Annual Improvements 2010 – 2012 Cycle	Amendments to a number of HKFRSs issued in December 2013[2]
Annual Improvements 2011 – 2013 Cycle	Amendments to a number of HKFRSs issued in December 2013[2]

[1] Effective for annual periods beginning on or after 1 January 2014

[2] Effective for annual periods beginning on or after 1 July 2014

[3] No mandatory effective date yet determined but is available for adoption

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

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Target Group preliminarily anticipates that the adoption of the new and revised HKFRSs is unlikely to have a significant impact on the Target Group's results of operations and financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The Financial Information incorporates the financial statements of the Target Company and its subsidiaries for the Relevant Periods. As explained in note 2.1 above, the acquisition of subsidiaries under common control has been accounted for using the merger method of accounting.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities 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 value. No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquires' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination. The consolidated statements of profit or loss include 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 common control, where this is a shorter period, regardless of the date of the common control combination.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation.

Non-controlling interests represent the equity in a subsidiary not attributable, directly or indirectly, to a parent. Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent of the Target Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Target Company's statement of profit or loss to the extent of dividends received and receivable. The Target Company's investments in subsidiaries are stated at cost less any impairment loss.

Fair value measurement

The Target Group measures its investment properties, biological assets and certain available-for-sale investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and biological assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of the Relevant Periods as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person,

- (i) has control or joint control over the Target Group;
- (ii) has significant influence over the Target Group; or
- (iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group; or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Target Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Target Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;
- (vi) the entity is controlled or jointly-controlled by a person identified in (a); and
- (vii) 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).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation of each item of property, plant and equipment is calculated on the straight-line basis to write off the cost or valuation to its residual value over its estimated useful life. The estimated useful lives used for this purpose are as follows:

Buildings	Over the land lease terms
Leasehold improvements	5 years
Furniture, fixtures and equipment	5 years
Plant and machinery	5-10 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the Relevant Periods.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the period in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the period of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Target Group as an owner-occupied property becomes an investment property, the Target Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and buildings costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices, on an individual property basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Biological assets

Biological assets represent breeding pigeons recorded as non-current assets and trading pigeons and orchid flowers recorded as current assets. The biological assets are measured at their fair value on initial recognition and at the end of each reporting period less estimated costs to sell. The fair values of the biological assets are determined based on the most recent market transaction prices. Change in fair value less estimated costs to sell of a biological asset is included in profit or loss for the period in which it arises.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Group is the lessor, assets leased by the Target Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Target Group is the lessee, rentals payable under operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Target Group's financial assets include cash and cash equivalents, pledged deposits, restricted cash, trade and other receivables, available-for-sale investments and an amount due from the ultimate holding company.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any other expense discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest. The effective interest rate amortisation is included in other income in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as "Other income" in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Target Group evaluates its available-for-sale financial assets to assess whether the ability and intention to sell them in the near term are still appropriate. When the Target Group is unable to trade these financial assets due to inactive markets, the Target Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity..

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Target Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Impairment of financial assets

The Target Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the Target Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified 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). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

For available-for-sale financial investments, the Target Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Target Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company and interest-bearing bank loans.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and a joint venture where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is created to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Group and when the revenue can be measured reliably, on the following bases:

(a) income from the sale of properties and agricultural products, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Target Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods and properties sold;

(b) rental income, on a time proportion basis over the lease terms;

(c) property management services income, when the relevant services have been rendered;

(d) income from provision of garden design and construction services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for Services" below;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset; and

(f) dividend income, when the shareholders' right to receive payment has been established.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers;

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Other employee benefits

Pension schemes

The Target Group's subsidiaries which operate in Mainland China participate in the central pension scheme (the "CPS") operated by the local municipal government for all of its staff. These subsidiaries are required to contribute 8% to 20% of its payroll costs to the CPS. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the CPS.

Foreign currencies

The Financial Information is presented in Hong Kong dollars, which is the Target Company's presentation currency. Each entity in the Target Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the Target Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the Relevant Periods. All differences arising on the settlement or transaction of monetary items are taken to the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of overseas subsidiaries of the Target Company are currencies other than Hong Kong dollars. As at the end of the Relevant Periods, the assets and liabilities of these subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the end of the Relevant Periods and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target Group's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Target Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Information:

Income tax

Deferred tax is provided using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portions or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at the end of each reporting period and to the extent that there is sufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the tax losses carried forward, and that the asset balance will be reduced and charged to the statement of profit or loss.

Land appreciation tax

Under the Provisional Regulations on Land Appreciation Tax ("LAT") implemented upon the issuance of the Provisional Regulations of LAT in the PRC on 27 January 1995, all gains arising from the transfer of real estate properties in Mainland China with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

The subsidiaries of the Target Group engaging in the property development business in Mainland China are subject to LAT, which has been included in income tax. However, the implementation of these taxes varies amongst various Mainland China cities and the Target Group has not finalised its LAT returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Target Group recognises these liabilities based on management's best estimates. When the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact the income tax and provisions of land appreciation taxes in the period in which the determination is made.

Operating lease commitments – Group as lessor

The Target Group has entered into commercial property leases on its investment property portfolio. The Target Group has determined based on an evaluation of the terms and conditions of the arrangement that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Target Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Target Group considers whether a property generates cash flows largely independently of the other assets held by the Target Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under finance leases, the Target Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Withholding taxes arising from the distributions of dividends

The Target Group's determination as to whether to accrue for withholding taxes from the distribution of dividends from the subsidiaries in the PRC according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividend, where the Target Group considers that if it is probable that the profits of the subsidiaries in the PRC will not be distributed in the foreseeable future, no withholding taxes are provided.

Estimation uncertainty

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

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Target Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Estimation of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease terms and other contracts. In the absence of such information, management determines the amount within a range of reasonable fair value estimates. In making its judgement, management considers information from (i) current prices in an active market for properties of a different nature, condition or location by reference to available market information; (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of transactions that occurred at those prices; and (iii) discounted cash flow projections, based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts, and (where possible) by external evidence such as current market rates for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows.

The carrying amount of investment properties as at 31 December 2011, 2012 and 2013 was HK$2,367,230,000, HK$2,632,721,000 and HK$2,997,970,000, respectively. Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 18 to the Financial Information.

6. SEGMENT INFORMATION

For management purposes, the Target Group is organised into business units based on their products and services, and has five reportable operating segments as follows:

(a) the property development segment engages in the development of residential, industrial and commercial properties;

(b) the property investment segment invests in residential, industrial and commercial properties for their rental income potential;

(c) the property management segment engages in the management of both properties developed by the Target Group and external parties;

(d) the garden design and construction segment engages in the design and construction of gardens; and

(e) the "others" segment comprises, principally, the manufacture and sale of agricultural products and other businesses.

Management monitors the operating results of the Target Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Target Group's profit before tax except that interest income, finance costs, as well as head office and corporate expenses are excluded from this measurement.

Segment assets exclude deferred tax assets, pledged deposits, restricted cash, cash and cash equivalents, an amount due from the ultimate holding company and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2011	**Property development** *HK$'000*	**Property investment** *HK$'000*	**Property management** *HK$'000*	**Garden design and construction** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Segment revenue:						
Sales to customers	19,514	128,034	43,474	53,991	44,382	289,395
Segment results before increase in fair value of investment properties	14,292	78,745	(6,727)	(7,484)	(22,599)	56,227
Increase in fair value of investment properties	–	362,049	–	–	–	362,049
Segment results after increase in fair value of investment properties	14,292	440,794	(6,727)	(7,484)	(22,599)	418,276
Reconciliation						
Interest income						2,825
Corporate and other unallocated expense						(45,327)
Dividend income						674
Profit before tax						376,448

Year ended 31 December 2011	Property development HK$'000	Property investment HK$'000	Property management HK$'000	Garden design and construction HK$'000	Others HK$'000	Total HK$'000
Segment assets	1,052,741	2,468,981	4,206	11,165	44,186	3,581,279
Reconciliation						
Corporate and other unallocated assets						288,825
Total assets						3,870,104
Segment liabilities	547,078	248,848	26,139	16,811	64,974	903,850
Reconciliation						
Corporate and other unallocated liabilities						746,939
Total liabilities						1,650,789
Other segment information:						
Depreciation	2,214	1,285	437	158	1,489	5,583
Amortisation of prepaid land lease payments	–	–	–	–	977	977
Capital expenditure*	2,497	2,869	1,674	356	17,997	25,393

Year ended 31 December 2012	Property development HK$'000	Property investment HK$'000	Property management HK$'000	Garden design and construction HK$'000	Others HK$'000	Total HK$'000
Segment revenue:						
Sales to customers	798,025	138,893	48,423	37,156	48,303	1,070,800
Segment results before increase in fair value of investment properties	555,773	107,692	(7,213)	(6,204)	(20,214)	629,834
Increase in fair value of investment properties	–	328,263	–	–	–	328,263
Segment results after increase in fair value of investment properties	555,773	435,955	(7,213)	(6,204)	(20,214)	958,097
Reconciliation						
Interest income						3,285
Corporate and other unallocated expense						(43,710)
Dividend income						968
Profit before tax						918,640
Segment assets	1,084,221	2,733,995	5,950	9,692	59,202	3,893,060
Reconciliation						
Corporate and other unallocated assets						1,071,610
Total assets						4,964,670
Segment liabilities	494,430	235,780	29,878	18,996	49,272	828,356
Reconciliation						
Corporate and other unallocated liabilities						1,399,653
Total liabilities						2,228,009
Other segment information:						
Depreciation	2,555	1,715	532	148	2,209	7,159
Amortisation of prepaid land lease payments	–	–	–	–	977	977
Capital expenditure*	34,584	586	229	72	7,726	43,197

Year ended 31 December 2013	Property development HK$'000	Property investment HK$'000	Property management HK$'000	Garden design and construction HK$'000	Others HK$'000	Total HK$'000
Segment revenue:						
Sales to customers	2,334,358	144,690	60,197	87,539	48,503	2,675,287
Segment results before increase in fair value of investment properties	1,322,771	112,525	(5,328)	(5,218)	(35,229)	1,389,521
Increase in fair value of investment properties	–	262,397	–	–	–	262,397
Segment results after increase in fair value of investment properties	1,322,771	374,922	(5,328)	(5,218)	(35,229)	1,651,918
Reconciliation						
Interest income						51,670
Corporate and other unallocated expense						(60,954)
Dividend income						430
Profit before tax						1,643,064
Segment assets	5,396,964	3,065,228	7,192	8,277	66,993	8,544,654
Reconciliation						
Corporate and other unallocated assets						3,672,290
Total assets						12,216,944
Segment liabilities	7,045,801	266,185	33,834	19,533	66,261	7,431,614
Reconciliation						
Corporate and other unallocated liabilities						1,009,579
Total liabilities						8,441,193
Other segment information:						
Depreciation	2,977	1,599	509	138	2,371	7,594
Amortisation of prepaid land lease payments	–	–	–	–	967	967
Capital expenditure*	41,600	914	166	3,057	–	45,737

* Capital expenditure consists of additions to property, plant and equipment, intangible assets and investment properties.

As the Target Group generates substantially all of its revenues from customers domiciled in the PRC, no geographical information is presented.

7. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Target Group's turnover, represents proceeds from the sale of properties, management service fees, rental income from investment properties, income from provision of garden design and construction services and others.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
Sale of properties	19,514	798,025	2,334,358
Gross rental income from investment properties	128,034	138,893	144,690
Gross property management service fees	43,474	48,423	60,197
Income from garden design and construction services	53,991	37,156	87,539
Others	44,382	48,303	48,503
	289,395	1,070,800	2,675,287
Other income			
Bank interest income	2,825	3,285	21,143
Interest income from the ultimate holding company *(note 37(a))*	–	–	30,527
Dividend income	674	968	430
Increase in fair value of biological assets	816	165	–
Others	2,202	405	914
	6,517	4,823	53,014
Gains			
Gain on disposal of investment properties	–	15,603	–
Gain on disposal of items of property, plant and equipment	77	27	8
	77	15,630	8
Other income and gains	6,594	20,453	53,022

8. PROFIT BEFORE TAX

The Target Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December 2011 HK$'000	2012 HK$'000	2013 HK$'000
Cost of properties and inventories sold		99,432	271,267	924,773
Cost of services provided		53,837	65,072	70,130
Auditors' remuneration		484	665	483
Depreciation	*14*	5,583	7,159	7,594
Impairment of trade receivables	*23*	103	869	656
Impairment of prepayments, deposits and other receivables		–	–	734
Impairment of property, plant and equipment	*14*	–	–	25,437
Impairment of prepaid land lease payments	*15*	–	–	4,483
Direct operating expenses (including repairs and maintenance) related to the rental-earning investment properties		9,103	9,372	11,890
Minimum lease payments under operating leases in respect of land and buildings		240	126	52
Amortisation of prepaid land lease payments	*15*	977	997	967
Provision for litigation claim*	*29*	–	–	77,207
Employee benefit expense:				
Wages and salaries		57,752	63,659	80,057
Pension scheme contributions		4,094	4,550	5,722
		61,846	68,209	85,779
Foreign exchange differences, net		(499)	(129)	(179)
Rental income on investment properties less direct operating expenses		(118,931)	(129,521)	(132,800)
Loss/(gain) arising from changes in fair value of biological assets	*21*	(816)	(165)	294
Loss on disposal of breeding biological assets	*21*	708	1,125	2,151
Gain on disposal of investment properties		–	(15,603)	–
Gain on disposal of items of property, plant and equipment		(77)	(27)	(8)

* The provision for litigation claim is included in "Other expenses" in the consolidated statement of profit or loss.

9. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Interest on bank loans	31,868	56,248	43,331
Less: Interest capitalised	(29,494)	(33,080)	(30,813)
	2,374	23,168	12,518

The average capitalisation rates used to determine the amount of borrowing costs eligible for capitalisation for the years ended 31 December 2011, 2012 and 2013 were 6.31%, 7.09% and 7.58%, respectively.

10. DIRECTORS' REMUNERATION

No director received any fees or emoluments in respect of their services rendered to the Target Group during the Relevant Periods.

11. FIVE HIGHEST PAID EMPLOYEES

None of the five highest paid employees of the Target Group during the Relevant Periods were directors. Details of the remuneration of the five highest paid employees for the Relevant Periods are as follows:

	Year ended 31 December		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Salaries, allowances and benefits in kind	1,913	1,962	1,908
Performance-related bonuses	2,290	1,313	1,337
Pension scheme contributions	433	602	654
	4,636	3,877	3,899

Remuneration to each of the non-director, highest paid employees, for each of the Relevant Periods, was less than HK$1,000,000.

12. INCOME TAX

The Target Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Target Group are domiciled and operate.

Pursuant to the International Business Companies Act, 1984 (the "IBC Act") of the BVI, international business companies incorporated pursuant to the IBC Act enjoy a complete exemption from income tax. This includes an exemption from capital gains tax and all forms of withholding tax. Accordingly, the Target Company is not subject to tax.

Pursuant to the PRC Corporate Income Tax Law effective from 1 January 2008, the corporate income tax ("CIT") rate was unified as 25% for enterprises in the PRC. Accordingly, the applicable tax rate for the WFOE and Tianxiangda Pigeon, which were incorporated after 1 January 2008, was 25% for the Relevant Periods. Other subsidiaries of the Target Group are located in the Shenzhen Special Economic Zone and were incorporated before the approval of the PRC Corporate Income Tax Law effective from 1 January 2008, and they were entitled to adopt the new CIT rate as follows: 2011, 24%; 2012, 25%; 2013, 25%.

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures. LAT of HK$1,147,000, HK$258,946,000 and HK$330,977,000 are charged to the consolidated statements of profit or loss for the years ended 31 December 2011, 2012 and 2013, respectively.

	Year ended 31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Target Group:			
Current – the PRC	10,722	167,741	333,139
LAT in the PRC	1,147	258,946	330,977
Deferred tax debit/(credit) for the year *(note 30)*	81,695	(677)	13,515
Total tax charge for the year	93,564	426,010	677,631

A reconciliation of tax expense applicable to profit before tax using the statutory income tax rates for the jurisdiction in which the Target Company and its subsidiaries are domiciled to tax expense at the effective income tax rate for the Relevant Periods, and a reconciliation of the statutory tax rates to the effective tax rates, are as follows:

	Year ended 31 December					
	2011		**2012**		**2013**	
	HK$000	*%*	*HK$000*	*%*	*HK$000*	*%*
Profit before tax	376,448		918,640		1,643,064	
Income tax at the statutory tax rate	94,112	25	229,660	25	410,766	25
Lower tax rates for specific provinces or enacted by local authorities	(3,764)	(1)	–	–	–	–
Tax losses not recognised	2,200	1	1,886	–	7,403	–
Tax losses utilised	(4,315)	(1)	(1,962)	–	(329)	–
Expenses not deductible for tax	3,248	1	2,217	–	11,558	1
Effect on opening deferred tax of increase in rate	1,223	–	–	–	–	–
LAT	1,147	–	258,946	28	330,977	20
Tax effect of LAT	(287)	–	(64,737)	(7)	(82,744)	(5)
Tax charged at the Target Group's effective rate	93,564	25	426,010	46	677,631	41

13. DIVIDENDS

No dividend has been paid or declared by the Target Company since the date of its incorporation.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2011							
At 1 January 2011:							
Cost	101,502	134	12,608	8,288	13,120	3,303	138,955
Accumulated depreciation	(56,552)	(111)	(8,312)	(6,877)	(11,423)	–	(83,275)
Net carrying amount	44,950	23	4,296	1,411	1,697	3,303	55,680
At 1 January 2011, net of accumulated depreciation:	44,950	23	4,296	1,411	1,697	3,303	55,680
Additions	2,519	24	4,377	7,350	5,423	8,301	27,994
Reclassifications	4,082	–	–	–	–	(4,082)	–
Disposals	–	–	(54)	(20)	(428)	–	(502)
Depreciation provided during the year	(2,988)	(47)	(1,539)	(421)	(588)	–	(5,583)
Exchange realignment	2,120	–	172	59	68	160	2,579
At 31 December 2011, net of accumulated depreciation	50,683	–	7,252	8,379	6,172	7,682	80,168
At 31 December 2011:							
Cost	113,056	165	16,741	15,651	10,535	7,682	163,830
Accumulated depreciation	(62,373)	(165)	(9,489)	(7,272)	(4,363)	–	(83,662)
Net carrying amount	50,683	–	7,252	8,379	6,172	7,682	80,168

	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2012							
At 1 January 2012:							
Cost	113,056	165	16,741	15,651	10,535	7,682	163,830
Accumulated depreciation	(62,373)	(165)	(9,489)	(7,272)	(4,363)	–	(83,662)
Net carrying amount	50,683	–	7,252	8,379	6,172	7,682	80,168
At 1 January 2012, net of accumulated depreciation:	50,683	–	7,252	8,379	6,172	7,682	80,168
Additions	3,119	451	1,781	210	752	8,276	14,589
Reclassifications	1,891	–	–	281	–	(2,172)	–
Disposals	(322)	–	(46)	(20)	(56)	–	(444)
Depreciation provided during the year	(3,240)	–	(1,686)	(1,002)	(1,231)	–	(7,159)
Exchange realignment	372	–	39	56	36	63	566
At 31 December 2012, net of accumulated depreciation	52,503	451	7,340	7,904	5,673	13,849	87,720
At 31 December 2012:							
Cost	118,616	593	18,048	15,878	10,261	13,849	177,245
Accumulated depreciation	(66,113)	(142)	(10,708)	(7,974)	(4,588)	–	(89,525)
Net carrying amount	52,503	451	7,340	7,904	5,673	13,849	87,720

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2013							
At 1 January 2013:							
Cost	118,616	593	18,048	15,878	10,261	13,849	177,245
Accumulated depreciation	(66,113)	(142)	(10,708)	(7,974)	(4,588)	–	(89,525)
Net carrying amount	52,503	451	7,340	7,904	5,673	13,849	87,720
At 1 January 2013, net of accumulated depreciation:	52,503	451	7,340	7,904	5,673	13,849	87,720
Additions	504	–	3,024	97	754	11,031	15,410
Transfer from completed properties held for sale	14,143	–	–	–	–	–	14,143
Disposals	(162)	–	(60)	(417)	(18)	–	(657)
Impairment	(13,709)	–	–	–	–	(11,728)	(25,437)
Depreciation provided during the year	(3,285)	(11)	(2,134)	(876)	(1,288)	–	(7,594)
Exchange realignment	1,180	10	165	178	128	311	1,972
At 31 December 2013, net of accumulated depreciation and impairment	51,174	450	8,335	6,886	5,249	13,463	85,557
At 31 December 2013:							
Cost	119,396	606	21,040	15,906	10,882	25,191	193,021
Accumulated depreciation and impairment	(68,222)	(156)	(12,705)	(9,020)	(5,633)	(11,728)	(107,464)
Net carrying amount	51,174	450	8,335	6,886	5,249	13,463	85,557

As at 31 December 2011, the Target Group's buildings with a carrying value of approximately HK$2,307,000 were pledged to secure the bank loans of the Target Group (note 26(a)(iii)).

Pursuant to an agreement entered into between Nongke and an independent third party on 3 September 2012, Nongke agreed to dispose of certain of its buildings with carrying amounts of approximately HK$75,000 and HK$77,000 as at 31 December 2012 and 2013, respectively, to the independent third party for a cash consideration of RMB250,457,000. Further details of the agreement are included in note 18 to the Financial Information.

Pursuant to the Agricultural Land Entrustment Agreement dated 27 January 2014 as detailed in note 41(ii) to the Financial Information, all the beneficial rights and interests in the Agricultural Lands (note 15) and certain buildings and construction in progress attached to the Agricultural Lands (the "Related Assets") are deemed to be owned by Shum Yip Group. As at 31 December 2013, full impairment provision of HK$13,709,000 and HK$11,728,000 was made for these buildings and construction in progress, respectively.

Ownership certificates in respect of certain of the Target Group's buildings with a net carrying value of HK$54,756,000, HK$65,143,000, HK51,375,000 and HK$39,171,000 as at 31 December 2011, 2012 and 2013, respectively, have not yet been issued.

15. PREPAID LAND LEASE PAYMENTS

Target Group

	As at 31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Carrying amount at 1 January	7,063	6,408	5,450
Recognised during the year	(977)	(997)	(967)
Impairment	–	–	(4,483)
Exchange realignment	322	39	–
Carrying amount at the end of the year	6,408	5,450	–
Current portion included in prepayments, deposits and other receivables	(1,001)	(1,009)	–
Non-current portion	5,407	4,441	–

The leasehold lands (the "Agricultural Lands") are entitled to be used for agricultural purpose only. They are held under medium term leases and are situated in Mainland China.

Pursuant to the Agricultural Land Entrustment Agreement dated 27 January 2014 as detailed in note 41(ii) to the Financial Information, all the beneficial rights and interests in the Agricultural Lands and the Related Assets are deemed to be owned by Shum Yip Group. As at 31 December 2013, full impairment provision of HK$4,483,000 was made for the Agricultural Lands.

16. PROPERTIES UNDER DEVELOPMENT

Target Group

	As at 31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Land in the PRC held under medium term leases, at cost:			
At beginning of year	493,005	441,057	439,121
Additions	1,930	1,369	4,976,733
Transfer to completed properties held for sale	(77,931)	(6,879)	(804,496)
Exchange realignment	24,053	3,574	9,884
At the end of the year	441,057	439,121	4,621,242
Development expenditure, at cost:			
At beginning of the year	81,846	115,193	327,218
Additions	171,013	271,319	609,360
Transfer to completed properties held for sale	(141,659)	(60,227)	(979,726)
Exchange realignment	3,993	933	43,854
At the end of the year	115,193	327,218	706
	556,250	766,339	4,621,948
Properties under development expected to be recovered:			
Within one year	–	765,649	–
After more than one year	556,250	690	4,621,948
	556,250	766,339	4,621,948

As at 31 December 2011 and 2012, certain of the Target Group's properties under development with a carrying value of HK$555,565,000, HK$765,649,000, respectively, were pledged to secure the bank loans of the Target Group (note 26(a)(i)).

17. COMPLETED PROPERTIES HELD FOR SALE

The Target Group co-developed certain of the properties located at Xiangzhu Garden (香珠 花園), Futian District, Shenzhen, the PRC, with two other real estate developers. As at 31 December 2011, 2012 and 2013, properties of HK$24,393,000, HK$21,260,000 and HK$21,089,000, respectively, located at Xiangzhu Garden were classified by the Target Group under completed properties held for sale. Properties of nil, HK$11,369,000 and HK$11,278,000 as at 31 December 2011 and 2012 and 2013, respectively, located at Xiangzhu Garden were classified by the Target Group under investment properties (note 18). The properties located at Xiangzhu Garden were subject to judicial seizure at the end the Relevant Periods. As at 31 December 2011 and 2012 and 2013, ownership certificates in respect of certain of these properties owned by the Target Group and classified under completed properties held for sale with a carrying value of HK$23,754,000, HK$18,471,000 and HK$18,887,000, respectively, have not yet been issued by the relevant PRC authorities (note 18). Pursuant to the Acquisition Agreement dated 27 January 2014 as detailed in note 34(i) to the Financial Information, any interest in these properties located at Xiangzhu Garden shall be deemed to be owned by Shum Yip Holdings if certain conditions are not satisfied by the Target Group within a specified period of time, further details of which are included in note 34(ii) to the Financial Information.

In addition, the application for ownership certificates of certain of the Target Group's completed properties held for sale with a carrying value of HK$9,438,000, HK$81,978,000 and HK$34,894,000 as at 31 December 2011, 2012 and 2013, respectively, was still in progress. Pursuant to the Acquisition Agreement dated 27 January 2014 as detailed in note 34(i) to the Financial Information, any interest in the properties located at Li Lin Terrace (荔林苑) and Li Cui Court (荔翠閣) with the total carrying amount of HK$1,423,000 as at 31 December 2013, of which the ownership certificates have not yet been issued, shall be deemed to be owned by Shum Yip Holdings if certain conditions are not satisfied by the Target Group within a specified period of time, further details of which are included in note 34(iii) to the Financial Information.

18. INVESTMENT PROPERTIES

Target Group

	As at 31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Carrying amount at 1 January	1,903,549	2,367,230	2,632,721
Net gain from a fair value adjustment recognised in profit or loss	362,049	328,263	262,397
Reclassified from completed properties held for sale	–	33,746	39,268
Disposals	–	(119,452)	–
Exchange realignment	101,632	22,934	63,584
Carrying amount at the end of the year	2,367,230	2,632,721	2,997,970
Unrealised gains for the year included in profit or loss	362,049	327,302	262,397

The Target Group's investment properties are situated in the PRC and are held under medium term leases.

On 5 January 2011, Nongke entered into an agreement with a real estate developer (the "Counterparty"), an independent third party. Pursuant to the agreement, Nongke agreed to exchange certain of its investment properties, which are located at Longxi Garden (龍溪花園), Futian District, Shenzhen, the PRC, amounting to approximately HK$213,612,000, HK$277,390,000 and HK$314,210,000 as at 31 December 2011, 2012 and 2013, respectively, for new properties with total gross floor areas of 8,469.85 square meters to be built by the Counterparty. The new properties will be built at the current location of Longxi Garden upon demolishment of the existing properties owned by Nongke by the Counterparty. On 3 September 2012, Nongke entered into a supplemental agreement with the Counterparty. Pursuant to the supplemental agreement, Nongke agreed to dispose of certain of its buildings under property, plant and equipment, which are also located at Longxi Garden, with carrying amounts of approximately HK$75,000 and HK$77,000 as at 31 December 2012 and 2013, respectively, to the Counterparty for a cash consideration of RMB250,457,000 (note 14). The demolishment of these buildings will be commenced within 30 days after full payment of the RMB250,457,000 by the Counterparty. On 27 September 2012, an advance payment of RMB30,000,000 was received by Nongke. As at the date of this report, the remaining balance of RMB220,457,000 is not paid by the Counterparty, and the timetable for the demolishment of these properties is not determined yet.

Pursuant to the Acquisition Agreement dated 27 January 2014 as detailed in note 34(i) to the Financial Information, the advance payment of RMB30,000,000 and any other amount received by Nongke from the Counterparty shall be refunded to Shum Yip Holdings if the remaining balance of RMB220,457,000 is not fully received by Nongke within a specified period of time, further details of which are included in note 34(i) to the Financial Information.

As at 31 December 2011 and 2012, the Target Group's investment properties with a carrying value of approximately HK$984,542,000 and HK$1,051,741,000 were pledged to secure the bank loans of the Target Group (note 26(a)(ii)).

As detailed in note 17 to the Financial Information, as at 31 December 2012 and 2013, investment properties of HK$11,369,000 and HK$11,278,000, respectively, located at Xiangzhu Garden and owned by the Target Group were subject to judicial seizure. In addition, ownership certificates in respect of these investment properties have not yet been issued by the relevant PRC authorities. Pursuant to the Acquisition Agreement dated 27 January 2014 as detailed in note 34(i) to the Financial Information, any interest in these properties located at Xiangzhu Garden shall be deemed to be owned by Shum Yip Holdings if certain conditions are not satisfied by the Target Group within a specified period of time, further details of which are included in note 34(ii) to the Financial Information.

In addition, the application for ownership certificates of certain of the Target Group's investment properties with a carrying value of HK$2,005,952,000, HK$2,317,568,000 and HK$2,641,240,000 as at 31 December 2011, 2012 and 2013, respectively, was still in progress. Pursuant to the Acquisition Agreement dated 27 January 2014 as detailed in note 34(i) to the Financial Information, any interest in the properties located at Longxi Garden and Xiangli Garden (香荔花園) with the total carrying amount of HK$71,252,000 as at 31 December 2013, of which the ownership certificates have not yet been issued, shall be deemed to be owned by Shum Yip Holdings if certain conditions are not satisfied by the Target Group within a specified period of time, further details of which are included in note 34(iii) to the Financial Information.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 35(i) to the Financial Information. The net surplus arising on the revaluation has been credited to the consolidated statements of profit or loss.

The Target Group's investment properties consist of several commercial properties in Shenzhen, the PRC. The directors of the Target Company determined these investment properties as commercial properties based on the nature, characteristics and risks of each property. The Target Group's investment properties were revalued at 31 December 2011, 2012 and 2013 based on valuation performed by Asset Appraisal Limited, an independent firm of professionally qualified property valuers, at approximately HK$2,367,230,000, HK$2,632,721,000 and HK$2,997,970,000, respectively.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Target Group's investment properties:

	Fair value measurement as at the end of the reporting period using			
Recurring fair value measurement for:	**Quoted prices in active markets (Level 1)** *HK$'000*	**Significant observable inputs (Level 2)** *HK$'000*	**Significant unobservable inputs (Level 3)** *HK$'000*	**Total** *HK$'000*
As at 31 December 2013				
Commercial properties	–	–	2,997,970	2,997,970
As at 31 December 2012				
Commercial properties	–	–	2,632,721	2,632,721
As at 31 December 2011				
Commercial properties	–	–	2,367,230	2,367,230

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation technique	**Significant unobservable inputs**	**Range (weighted average)**
As at 31 December 2013			
Commercial properties	Comparison method	Market unit sale rate (RMB/sq.m)	15,000 – 39,988 (33,490)
As at 31 December 2012			
Commercial properties	Comparison method	Market unit sale rate (RMB/sq.m)	11,000 – 35,585 (31,941)
As at 31 December 2011			
Commercial properties	Comparison method	Market unit sale rate (RMB/sq.m)	10,000 – 30,000 (27,255)

The fair values of investment properties are determined using the comparison method by making references to comparable sale evidence as available in the relevant market. Comparable properties of similar size, character and location are analysed and selected for each investment property in order to arrive at a fair comparison of their fair values. The fair value measurement is positively correlated to the market unit sale rate.

19. INVESTMENTS IN SUBSIDIARIES

	As at 31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Unlisted shares, at cost	15,586	15,586	15,586

Particulars of the subsidiaries of the Target Group as at the end of the Relevant Periods are set out in note 1 to the Financial Information.

20. AVAILABLE-FOR-SALE INVESTMENTS

Target Group

	As at 31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
At cost:			
Unlisted equity investments	–	1,244	–
At fair value:			
Listed equity investments in Mainland China	21,499	22,953	20,469
	21,499	24,197	20,469

The net gain/(loss) in respect of the Target Group's available-for-sale investments recognised in other comprehensive income for the years ended 31 December 2011, 2012 and 2013 amounted to (HK$6,210,000), HK$1,117,000 and (HK$2,251,000), respectively.

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

The unlisted equity investments are stated at cost less any accumulated impairment losses because there are no quoted market prices for these equity investments. In addition, the variability in the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. Accordingly, a reasonable estimate of the fair value cannot be made.

21. BIOLOGICAL ASSETS

The Target Group's total amounts and quantities of the biological assets are as follows:

Target Group

	As at 31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Breeding biological assets	3,987	5,934	6,002
Trading biological assets	9,881	12,143	16,508
	13,868	18,077	22,510

The Target Group's biological assets comprise mainly pigeons and cloned orchid flowers.

The Target Group's biological assets were revalued at the end of each reporting period on a fair value basis. The fair value less estimated point-of-sale costs of the biological assets was determined using the market approach, which was determined based on the most recent market transaction prices.

A reconciliation of the carrying values of the biological assets is as follows:

Breeding biological assets

	As at 31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January	–	3,987	5,934
Purchases	4,652	3,065	2,155
Disposals	(708)	(1,125)	(2,151)
Exchange realignment	43	7	64
	3,987	5,934	6,002

Trading biological assets

	As at 31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January	–	9,881	12,143
Purchases	19,487	28,398	36,252
Sales	(10,571)	(26,535)	(31,882)
Gain/(loss) arising from changes in fair value less costs to sell *(note 8)*	816	165	(294)
Exchange realignment	149	234	289
	9,881	12,143	16,508

22. INVENTORIES

Target Group

	As at 31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	3,749	3,110	3,094
Work in progress	671	682	1,484
Finished goods	1,125	952	2,279
	5,545	4,744	6,857

23. TRADE RECEIVABLES

Target Group

	As at 31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	65,090	179,609	100,716
Impairment	(1,630)	(2,523)	(3,246)
	63,460	177,086	97,470

The Target Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. In view of the aforementioned and the fact that the Target Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the Relevant Periods, based on the contract date and net of provision, is as follows:

Target Group

	As at 31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	15,204	125,809	84,544
One to two years	32,535	33,904	7,963
Two to three years	15,716	17,239	3,356
Over three years	5	134	1,607
	63,460	177,086	97,470

The movements in the provision for impairment of trade receivables are as follows:

Target Group

	As at 31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January	1,454	1,630	2,523
Impairment losses recognised *(note 8)*	157	888	656
Impairment losses reversed *(note 8)*	(54)	(19)	–
Exchange realignment	73	24	67
	1,630	2,523	3,246

As at 31 December 2011, 2012 and 2013, included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$1,630,000, HK$2,523,000 and HK$3,246,000 with a carrying amount before provision of HK$1,630,000, HK$2,523,000 and HK$3,246,000, respectively.

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

Target Group

	As at 31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	63,393	177,049	97,425
Less than one year past due	67	37	45
	63,460	177,086	97,470

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Target Group. Based on past experience, the directors of the Target Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Target Group does not hold any collateral or other credit enhancements over these balances.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Target Group

	As at 31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Prepayments	20,401	24,666	6,244
Prepaid tax	5,894	12	89,137
Deposits and other receivables	9,708	2,431	2,117
	36,003	27,109	97,498

The prepayments as at 31 December 2012 included an amount of HK$18,804,000, which was paid to 深業置地有限公司 (Shum Yip Land Company Limited) ("Shum Yip Land"), a fellow subsidiary of the Target Group, for estate agency services rendered by Shum Yip Land (note 37(a)).

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

25. CASH AND CASH EQUIVALENTS

Target Group

	As at 31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Cash and bank balances	236,001	199,747	790,449
Time deposits	82,772	457,925	1,088,389
	318,773	657,672	1,878,838
Less: Pledged deposits	(16,364)	(17,641)	(17,783)
Restricted cash*	(43,906)	(414,100)	(1,025,015)
Cash and cash equivalents	258,503	225,931	836,040

Target Company

	As at 31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Cash and bank balances	55	50	54

* In accordance with relevant documents issued by the PRC State-Owned Land and Resource Bureau, certain property development companies of the Target Group are required to place in designated bank accounts a certain amount of presale proceeds of properties as guarantee deposits for the construction of related properties. The deposits can only be used for purchases of construction materials and the payments of construction fees of the relevant property projects when approval from the PRC State-Owned Land and Resource Bureau is obtained. These guarantee deposits will only be released after completion of the related pre-sold properties.

All the cash and cash equivalents are denominated in Renminbi ("RMB"). The RMB is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Target Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

26. INTEREST-BEARING BANK LOANS

Target Group

	As at 31 December								
	2011			2012			2013		
	Effective contractual interest rate (%)	Maturity	HK$'000	Effective contractual interest rate (%)	Maturity	HK$'000	Effective contractual interest rate (%)	Maturity	HK$'000
Current									
Bank loans – secured	6.31	2012	37,017	7.32	2013	62,195	–	–	–
Banks loans – unsecured	6.94	2012	37,511	6.46-7.21	2013	36,073	–	–	–
			74,528			98,268			–
Non-current									
Bank loans – secured	7.315-7.6475	2013-2021	525,333	6.765-7.0725	2014-2021	693,785	–	–	–
Banks loans – unsecured	7.315	2013	61,695	–	–	–	–	–	–
			587,028			693,785			–
			661,556			792,053			–

Target Group

	As at 31 December		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Analysed into:			
Bank loans repayable:			
Within one year	74,528	98,268	–
In the second year	97,478	483,877	–
In the third to fifth years	250,482	93,293	–
Over five years	239,068	116,615	–
	661,556	792,053	–

(a) As at 31 December 2011 and 2012 the Target Group's bank loans amounting to HK$562,350,000 and HK$755,980,000, respectively, were secured by:

(i) Certain of the Target Group's properties under development with a net book value of HK$555,565,000 and HK$765,649,000 as at 31 December 2011 and 2012, respectively (note 16);

(ii) Certain of the Target Group's investment properties with a net book value of HK$984,542,000 and HK$1,051,741,000 as at 31 December 2011 and 2012, respectively (note 18); and

(iii) Certain of the Target Group's buildings with a net book value of approximately HK$2,307,000 as at 31 December 2011 (note 14).

(b) As at the end of the Relevant Periods, the carrying amounts of the Target Group's bank loans approximated to their fair values, which have been calculated by discounting the expected future cash flows at the prevailing interest rates.

27. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the Relevant Periods, based on the payment due date, is as follows:

Target Group

	As at 31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	65,224	91,202	4,919,302
One to two years	–	993	641
Two to three years	–	–	54
	65,224	92,195	4,919,997

The trade payables are non-interest-bearing.

Included in the Target Group's trade payables as at 31 December 2013 is an amount of RMB3,633.3 million (equivalent to HK$4,621.2 million) which represented the land premium in respect of a parcel of land located at Hongli Road, Futian District, Shenzhen, the PRC (the "Mingren Land") payable by the Target Group (note 34(vi)).

Included in the Target Group's trade payables as at 31 December 2013 is an amount of HK$9,720,000 due to Shum Yip Land for estate agency services rendered by Shum Yip Land (note 37(a)).

28. OTHER PAYABLES AND ACCRUALS

Target Group

	As at 31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Receipt in advance	58,209	47,637	1,642,091
Other payables	62,625	86,608	97,537
Accruals	10,097	10,530	10,851
Salary payable	58,776	67,321	78,427
	189,707	212,096	1,828,906

Included in the Target Group's other payables is an amount due to the non-controlling shareholders of a subsidiary of the Target Group amounting to HK$10,795,000 and HK$11,667,000 as at 31 December 2012 and 2013, respectively, which is unsecured, interest-free and has no fixed terms of repayment.

29. PROVISION

A construction contractor (the "Construction Contractor") had issued a claim dated 1 August 2002 against Nongke and two other real estate developers, who co-developed certain of the properties located at Xiangzhu Garden (notes 17 and 18) with Nongke, for breach of the terms of a construction contract in relation to the development of Xiangzhu Garden. The Construction Contractor claimed a compensation for construction fee of RMB30,511,011 plus interest against Nongke and the two other real estate developers.

On 21 November 2013, the Shenzhen Intermediate Court made a judgement that one of the real estate developers shall pay the construction fee of RMB26,316,495 and penalty of RMB35,337,790 to the Construction Contractor, and that Nongke and the other real estate developer shall bear joint and several liability for the payment. As at 31 December 2013, provision of RMB61,654,285 (equivalent to approximately HK$78,428,000) was recognised by the Target Group in the consolidated statement of profit or loss. On 2 January 2014, Nongke appealed to the Shenzhen Intermediate Court to overrule the court judgement as abovementioned. As at the date of this report, the case was still subject to the final judgement of the Shenzhen Intermediate Court.

30. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax liabilities:

Target Group

	Revaluation of investment properties *HK$'000*	**Revaluation of available-for-sale investments** *HK$'000*	**Timing difference on revenue recognition** *HK$'000*	**Total** *HK$'000*
At 1 January 2011	383,676	3,736	11,566	398,978
Deferred tax charged to the statement of profit or loss during the year *(note 12)*	90,512	–	1,184	91,696
Deferred tax credited to equity during the year	–	(1,808)	–	(1,808)
Exchange differences	20,944	139	593	21,676
At 31 December 2011 and 1 January 2012	495,132	2,067	13,343	510,542
Deferred tax charged to the statement of profit or loss during the year *(note 12)*	59,672	–	2,896	62,568
Deferred tax charged to equity during the year	–	316	–	316
Exchange differences	4,717	20	142	4,879
At 31 December 2012 and 1 January 2013	559,521	2,403	16,381	578,305
Deferred tax charged to the statement of profit or loss during the year *(note 12)*	86,111	–	5,030	91,141
Deferred tax credited to equity during the year	–	(303)	–	(303)
Exchange differences	13,521	43	448	14,012
At 31 December 2013	659,153	2,143	21,859	683,155

Deferred tax assets:

Target Group

	Tax effect of LAT *HK$'000*	Provisions and accruals *HK$'000*	Unrealised profits *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 1 January 2011	34,319	–	27,045	4,632	65,996
Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 12)*	(419)	–	10,324	96	10,001
Exchange differences	1,664	–	1,573	166	3,403
At 31 December 2011 and 1 January 2012	35,564	–	38,942	4,894	79,400
Deferred tax credited to the statement of profit or loss during the year *(note 12)*	49,414	–	13,747	84	63,245
Exchange differences	872	–	477	41	1,390
At 31 December 2012 and 1 January 2013	85,850	–	53,166	5,019	144,035
Deferred tax credited to the statement of profit or loss during the year *(note 12)*	48,594	19,302	9,605	125	77,626
Exchange differences	3,206	305	847	115	4,473
At 31 December 2013	137,650	19,607	63,618	5,259	226,134

The Target Group has tax losses arising in Mainland China of HK$8,800,000, HK$16,344,000 and HK$45,956,000 as at 31 December 2011, 2012 and 2013, respectively, that will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for years and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the New CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 1 January 2008.

At the end of the Relevant Periods, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Target Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totaled HK$148,063,000, HK$196,137,000 and HK$285,556,000 as at 31 December 2011, 2012 and 2013, respectively.

31. DEFERRED INCOME

As at 31 December 2011, 2012 and 2013, deferred income of HK$8,315,000, HK$14,358,000 and HK$19,535,000, respectively, represented government grants received from the relevant government bodies to support the research and development activities of the agricultural companies of the Target Group. Such deferred income will be credited to the consolidated statement of profit or loss upon fulfillment of certain conditions specified by the government bodies.

32. SHARE CAPITAL

The Target Company was incorporated in the BVI on 20 April 2011 with an authorised share capital of 50,000 shares with no par value. One share of the Target Company was allotted and issued at US$1 on the same date.

33. RESERVES

Target Group

The amounts of the Target Group's reserves and the movements therein for each of the Relevant Periods are presented in the consolidated statements of changes in equity.

(a) Contributed surplus

The contributed surplus of the Target Group represents the capital contributions from the equity holder of the Target Company.

(b) Reserve funds

Pursuant to the relevant laws and regulations in the PRC, a portion of the profits of the Target Company's subsidiaries in the PRC has been transferred to the reserve funds. Reserve funds are non-distributable except in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as paid-in capital.

Target Company

	Total reserve
	HK$000
At 20 April 2011 (date of incorporation)	–
Loss for the period	(84)
At 31 December 2011 and 1 January 2012	(84)
Profit for the year	130
At 31 December 2012 and 1 January 2013	46
Loss for the year	(36)
At 31 December 2013	10

34. CONTINGENT LIABILITIES

(i) Pursuant to an acquisition agreement entered into by Shenzhen Investment Limited ("Shenzhen Investment"), Shum Yip Holdings, Shum Yip Group and Nongke on 27 January 2014 (the "Acquisition Agreement"), Shenzhen Investment has conditionally agreed to acquire the entire issued share capital of the Target Company from Shum Yip Holdings (the "Acquisition").

Pursuant to the Acquisition Agreement, in the event that the remaining balance of RMB220,457,000 in relation to the disposal of certain of the Target Group's buildings as detailed in note 18 is not fully received by Nongke within three years after the completion of the Acquisition, Nongke shall refund the advance payment of RMB30,000,000 and any other amount received from the Counterparty to Shum Yip Holdings.

(ii) Pursuant to the Acquisition Agreement, Shum Yip Holdings and Shenzhen Investment agreed that in the event that any of the following conditions is not satisfied within three years after the completion of the Acquisition, any interest in the properties located at Xiangzhu Garden (notes 17 and 18) shall be deemed to be owned by the Shum Yip Holdings:

(a) Nongke has completed the legal procedures to release all of the properties located at Xiangzhu Garden currently under judicial seizure;

(b) Nongke has obtained the property ownership certificates of all of the properties located at Xiangzhu Garden;

(c) all of the properties located at Xiangzhu Garden shall not be subject to any third party rights and legal proceedings; and

(d) the PRC legal advisers engaged by Shenzhen Investment and Shum Yip Holdings have issued a legal opinion confirming the fulfillment of the conditions mentioned in (a), (b) and (c) above.

(iii) Pursuant to a supplemental acquisition agreement entered into by Shenzhen Investment, Shum Yip Holdings, Shum Yip Group and Nongke on 8 May 2014 (the "Supplemental Acquisition Agreement"), Shum Yip Holdings and Shenzhen Investment agreed that in the event that any of the following conditions is not satisfied within three years after the completion of the Acquisition, any interest in the properties located at Li Lin Terrace, Li Cui Court, Longxi Garden and Xiangli Garden with the total carrying amounts of HK$72,675,000 (notes 17 and 18), of which the ownership certificates have not yet been issued, shall be deemed to be owned by Shum Yip Holdings:

(a) Nongke has obtained the property ownership certificates of all of the properties as abovementioned;

(b) all of the properties as abovementioned shall not be subject to any third party rights and legal proceedings; and

(c) the PRC legal advisers engaged by Shenzhen Investment and Shum Yip Holdings have issued a legal opinion confirming the fulfillment of the conditions mentioned in (a) and (b) above.

(iv) At 31 December 2012 and 2013, the Target Group has given guarantees to a maximum extent of approximately HK$183,122,000 and HK$1,014,063,000, respectively, to banks for housing loans extended by the banks to the purchasers of the Target Group's properties.

Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Target Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Target Group is then entitled to take over the legal title of the related properties. The Target Group's guarantee period commences from the date of grant of the relevant mortgage loan and ends after the buyer of the Target Group's properties obtained the individual property ownership certificate.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty and therefore no provision has been made in connection with the guarantees.

(v) On 10 January 2013, a claim was brought by an independent third party (the "Plaintiff") against Nongke, a real estate developer and another independent third party. Nongke had co-developed certain of the properties located at Xiangzhu Garden (notes 17 and 18) with the real estate developer. The Plaintiff claimed that Nongke, the real estate developer and the independent third party shall bear joint and several liabilities for the repayment of a loan owed to the Plaintiff with a principal amount of RMB11,369,000 and interest of RMB4,471,000. As at the date of this report, the case was still subject to the judgement of the Shenzhen Intermediate Court.

Pursuant to the Acquisition Agreement, Shum Yip Holdings has agreed to indemnify the Target Group for any liabilities and losses incurred by the Target Group in relation to the legal dispute.

(vi) Pursuant to the Supplemental Acquisition Agreement, Shum Yip Holdings and Shenzhen Investment have agreed that if the amount of the adjustment on the land premium of the Mingren Land to be made by the relevant PRC authorities is less than RMB10,000,000, the consideration of the Acquisition as detailed in note 34(i) will be adjusted upwards or downwards by the same amount of the adjustment on the land premium. Shum Yip Holdings and Shenzhen Investment have also agreed that, if the amount of the adjustment on the land premium of the Mingren Land to be made by the relevant PRC authorities is over RMB10,000,000, the adjustment on the consideration of the Acquisition will be further determined based on the results of the valuation to be done. In that case, the amount of the adjustment on the consideration of the Acquisition should not exceed RMB100,000,000.

35. OPERATING LEASE ARRANGEMENTS

(i) As lessor

The Target Group leases its investment properties (note 18 to the Financial Information) under operating lease arrangements, with leases negotiated for terms ranging from two to eighteen years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at the end of the Relevant Periods, the Target Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

Target Group

		As at 31 December	
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	108,934	92,375	96,515
In the second to fifth years, inclusive	337,078	332,247	343,387
After five years	390,799	318,872	326,600
	836,811	743,494	766,502

(ii) As lessee

As at the end of the Relevant Periods, the Target Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Target Group

		As at 31 December	
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	24	–	–

36. CAPITAL COMMITMENTS

The Target Group and the Target Company had the following commitments at the end of the Relevant Periods:

Target Group

	As at 31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Commitments in respect of development costs attributable to properties under development:			
Contracted, but not provided for	429,281	371,946	–
Authorised, but not contracted for	10,576	9,889	9,776
	439,857	381,835	9,776

37. RELATED PARTY TRANSACTIONS

(a) Save as the transactions disclosed in the Financial Information, the Target Group had the following transactions with related parties during the Relevant Periods:

	Year ended 31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Interest income from the ultimate holding company *(note 37(b)(i))*	–	–	30,527
Estate agency fee paid to a fellow subsidiary	–	–	70,220

The estate agency fee paid to a fellow subsidiary was charged at prices based on mutual agreement between the parties.

(b) Outstanding balances with related parties are as follows:

(i) Included in the amount due from the ultimate holding company as disclosed in the consolidated statements of financial position were amounts of HK$246,655,000 and HK$1,399,090,000 as at 31 December 2012 and 2013, respectively, which are unsecured, bear interest ranging from the six-month benchmark lending rate of the People's Bank of China (the "PBOC") to the one-year benchmark lending rate of the PBOC and have no fixed terms of repayment. The remaining amount due from the ultimate holding company is unsecured, interest-free and has no fixed terms of repayment.

(ii) As disclosed in the consolidated statements of financial position, the Target Group had an amount of HK$47,466,000 due to the ultimate holding company as at 31 December 2011. The amount is unsecured, interest-free and has no fixed terms of repayment.

(iii) As disclosed in the consolidated statements of financial position of the Target Group and the statements of financial position of the Target Company, the Target Group and the Target Company had an amount due to the immediate holding company of HK$15,624,000, HK$15,590,000 and HK$15,630,000 as at 31 December 2011 and 2012 and 2013, respectively. The amount is unsecured, interest-free and is repayable on demand.

(iv) Details of the Target Group's prepayment made to a fellow subsidiary as at 31 December 2012 are included in note 24 to the Financial Information.

(v) Details of the Target Group's trade payables due to a fellow subsidiary as at 31 December 2013 are included in note 27 to the Financial Information.

(vi) Details of the Target Group's amount due to non-controlling shareholders of a subsidiary of the Target Group as at the end of the Relevant Periods are included in note 28 to the Financial Information.

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Target Group as at the end of the Relevant Periods are as follows:

Financial assets

	31 December 2011		
	Loans and receivables	**Available for-sale financial assets**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Available-for-sale investments	–	21,499	21,499
Trade receivables	63,460	–	63,460
Deposits and other receivables *(note 24)*	9,708	–	9,708
Due from the ultimate holding company	58,228	–	58,228
Cash and cash equivalents	258,503	–	258,503
Restricted cash	43,906	–	43,906
Pledged deposits	16,364	–	16,364
	450,169	21,499	471,668

Financial assets

	31 December 2012		
	Loans and receivables	**Available for-sale financial assets**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Available-for-sale investments	–	24,197	24,197
Trade receivables	177,086	–	177,086
Deposits and other receivables *(note 24)*	2,431	–	2,431
Due from the ultimate holding company	318,511	–	318,511
Cash and cash equivalents	225,931	–	225,931
Restricted cash	414,100	–	414,100
Pledged deposits	17,641	–	17,641
	1,155,700	24,197	1,179,897

Financial assets

	31 December 2013		
	Loans and receivables	**Available for-sale financial assets**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Available-for-sale investments	–	20,469	20,469
Trade receivables	97,470	–	97,470
Deposits and other receivables *(note 24)*	2,117	–	2,117
Due from the ultimate holding company	1,557,495	–	1,557,495
Cash and cash equivalents	836,040	–	836,040
Restricted cash	1,025,015	–	1,025,015
Pledged deposits	17,783	–	17,783
	3,535,920	20,469	3,556,389

Financial liabilities at amortised cost

	As at 31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	65,224	92,195	4,919,997
Financial liabilities included in other payables and accruals *(note 28)*	121,401	153,929	175,964
Due to the immediate holding company	15,624	15,590	15,630
Due to the ultimate holding company	47,466	–	–
Interest-bearing bank loans	661,556	792,053	–
	911,271	1,053,767	5,111,591

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Target Group's and the Target Company's financial instruments approximate to the fair values.

Management has assessed that the fair values of trade receivables, deposits and other receivables, an amount due from the ultimate holding company, cash and cash equivalents, pledged deposits, restricted cash, trade payables, other payables and an amount due to the ultimate holding company approximated to their respective carrying amounts largely due to the short term maturities of these instruments.

The Target Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of interest-bearing bank loans has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Target Group's own non-performance risk for interest-bearing bank loans as at the end of the Relevant Periods was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices.

The following tables illustrate the fair value measurement hierarchy of the Target Group's financial instruments:

Assets measured at fair value:

Group

	Fair value measurement using			
As at 31 December 2013	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments	20,469	–	–	20,469

As at 31 December 2012	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments	22,953	–	1,244	24,197

As at 31 December 2011	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments	21,499	–	–	21,499

The Target Group did not have any financial liabilities measured at fair value as at 31 December 2011, 2012 and 2013.

The Target Company did not have assets and liabilities for which fair value are disclosed as at 31 December 2011, 2012 and 2013.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments, comprise interest-bearing bank loans, cash and cash equivalents, an amount due to the ultimate holding company and an amount due to the immediate holding company. The main purpose of these financial instruments is to raise finance for the Target Group's operations. The Target Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Target Group mainly performs its risk management through adjustments in its borrowing portfolios which comprise fixed interest rate borrowings and floating interest rate borrowings.

The main risks arising from the Target Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Target Group's exposure to the risk of changes in market interest rates relates primarily to the Target Group's long term debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Target Group's profit before tax.

Target Group increase/(decrease) in profit before tax

	Year ended 31 December 31 2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Change in basis points			
+50 basis points	(2,525)	(3,967)	–
-50 basis points	2,525	3,967	–

Credit risk

The credit risk of the Target Group's financial assets, which comprise trade receivables, deposits and other receivables, an amount due from the ultimate holding company, cash and cash equivalents and available-for-sale financial assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

To manage the risk, deposits are mainly placed with licensed banks which are all high credit quality financial institutions. The Target Group trades only with recognised and creditworthy third parties for the sales of goods. The Target Group has policies in place to ensure that sales are made to purchasers with appropriate financial strength and an appropriate percentage of down payments. The Target Group would not release the property ownership certificates to the buyers before the buyers finally settle the selling price. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts. The Target Group has no significant concentrations of credit risk, with exposure spreading over a number of counterparties and customers.

Further quantitative data in respect of the Target Group's exposure to credit risk arising from trade receivables are disclosed in note 23 to the Financial Information.

Liquidity risk

Liquidity risk arises when the Target Group is unable to meet its current liabilities that fall due. The Target Group's objective is to maintain a balance between continuity of funding and flexibility through the use of short and long term bank loans. Through maintaining a reasonable proportion in its asset and liability structure, the Target Group is able to meet its ongoing financial needs.

The maturity profile of the Target Group's financial liabilities as at the end of the Relevant Periods is as follows:

			As at 31 December 2011			
	On demand	**Within one year**	**One to two years**	**Two to three years**	**Over three years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank loans	–	119,616	138,837	58,124	607,309	923,886
Trade payables	–	65,224	–	–	–	65,224
Financial liabilities included in other payables and accruals	–	121,401	–	–	–	121,401
Due to the ultimate holding company	47,466	–	–	–	–	47,466
Due to the immediate holding company	15,624	–	–	–	–	15,624
Total	63,090	306,241	138,837	58,124	607,309	1,173,601

			As at 31 December 2012			
	On demand	**Within one year**	**One to two years**	**Two to three years**	**Over three years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank loans	–	156,042	527,527	45,142	297,485	1,026,196
Trade payables	–	92,195	–	–	–	92,195
Financial liabilities included in other payables and accruals	–	153,929	–	–	–	153,929
Due to the immediate holding company	15,590	–	–	–	–	15,590
Total	15,590	402,166	527,527	45,142	297,485	1,287,910

	As at 31 December 2013					
	On demand	Within one year	One to two years	Two to three years	Over three years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	–	1,810,053	3,109,944	–	–	4,919,997
Financial liabilities included in other payables and accruals	–	175,964	–	–	–	175,964
Due to the immediate holding company	15,630	–	–	–	–	15,630
Total	15,630	1,986,017	3,109,944	–	–	5,111,591

The maturity profile of the Target Company's financial liabilities as at the end of the Relevant Periods is as follows:

	As at 31 December 2011		
	On demand	Within one year	Total
	HK$'000	*HK$'000*	*HK$'000*
Due to the immediate holding company	15,624	–	15,624
Other payables	–	101	101
Total	15,624	101	15,725

	As at 31 December 2012		
	On demand	Within one year	Total
	HK$'000	*HK$'000*	*HK$'000*
Due to the immediate holding company	15,590	–	15,590

	As at 31 December 2013		
	On demand	Within one year	Total
	HK$'000	*HK$'000*	*HK$'000*
Due to the immediate holding company	15,630	–	15,630

Capital management

The objectives of the Target Group's capital management policy are to ensure the financing capabilities of the Target Group in running its operation on a going concern basis, to maintain an optimal capital structure, to reduce capital cost and to maximise shareholders' value.

The Target Group manages and adjusts its capital structure appropriately according to the specific features of the risks of its assets and the changes in various economic conditions. Through adjustments in dividend distribution, injections and repayments of capital by shareholders or issuance of new shares, the Target Group is able to maintain an optimal capital structure.

The Target Group monitors capital using a gearing ratio, which is net debts divided by equity attributable to owners of the parent. The Target Group's policy is to keep the gearing ratio at a reasonable level. Net debts are interest-bearing bank loans and other payables and accruals less cash and cash equivalents. The gearing ratios as at the end of the reporting periods are as follows:

Target Group

	As at 31 December		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Interest-bearing bank loans *(note 26)*	661,556	792,053	–
Other payables and accruals *(note 28)*	189,707	212,096	1,828,906
Less: Cash and cash equivalents *(note 25)*	(258,503)	(225,931)	(836,040)
Net debts	592,760	778,218	992,866
Equity attributable to owners of the parent	2,211,430	2,731,003	3,773,241
Gearing ratio	26.8%	28.5%	26.3%

41. EVENTS AFTER THE RELEVANT PERIODS

(i) Pursuant to the Acquisition Agreement and the Supplemental Acquisition Agreement entered into by Shenzhen Investment, Shum Yip Holdings, Shum Yip Group and Nongke on 27 January 2014 and 8 May, 2014, respectively, Shenzhen Investment has conditionally agreed to acquire the entire issued share capital of the Target Company from Shum Yip Holdings at a consideration of RMB5,589,000,000 (equivalent to HK$6,955,203,105), subject to adjustments (if any). Approximately 50% of the consideration will be paid by the issue of shares of Shenzhen Investment to Shum Yip Holdings at the date of completion of the Acquisition. The remaining portion of the consideration will be paid by Shenzhen Investment in cash (notes 34(i) and 34(vi)).

(ii) Pursuant to an entrustment agreement regarding the Agricultural Lands and the Related Assets entered into between Nongke and Shum Yip Group on 27 January 2014 (the "Agricultural Land Entrustment Agreement"), Nongke will hold and manage the Agricultural Lands and the Related Assets in accordance with their existing operations. Shum Yip Group shall be entitled to all the economic benefits of the Agricultural Lands and the Related Assets. Nongke is entitled to receive a management fee of RMB1,613,529 per annum for its management services rendered under the Agricultural Land Entrustment Agreement. The term of the Agricultural Land Entrustment Agreement will commence on the completion of the Acquisition and ending on 31 December 2016 or such earlier date as provided under the Agricultural Land Entrustment Agreement. Further details of the Agricultural Land Entrustment Agreement are set out in the announcement of Shenzhen Investment dated 27 January 2014.

(iii) Pursuant to the relevant documents of the Shenzhen Government issued in January 2014 (the "Relevant Government Documents"), the Shenzhen Government has in principle agreed to grant Nongke the rights to the investment and operation management of 農業科普和花卉展示博覽園 (Agricultural Popular Science and Flora Expo) and the social car parking space and certain commercial facilities on a parcel of land located at Futian District, Shenzhen, the PRC (the "Nongke Flora Market"), for a period of 40 Years.

Pursuant to an entrustment agreement regarding the Nongke Flora Market entered into between Nongke and Shum Yip Group on 27 January 2014 (the "NFM Entrustment Agreement"), Shum Yip Group will appoint Nongke (i) to handle the legal procedures with respect to the implementation plan of the investment in the Nongke Flora Market; and (ii) to demolish all the building structures currently erected on the Nongke Flora Market pursuant to the relevant requirements, at the cost of Shum Yip Group. Shum Yip Group shall be entitled to all the income from the investment operation and management of the Nongke Flora Market. Nongke is entitled to receive a management fee of RMB1,000,000 per annum for its management services rendered under the NFM Entrustment Agreement. The term of the NFM Entrustment Agreement will commence on the completion of the Acquisition and ending on 31 December 2016 or such earlier date as provided under the NFM Entrustment Agreement. Further details of the NFM Entrustment Agreement are set out in the announcement of Shenzhen Investment dated 27 January 2014.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group or any of its subsidiaries in respect of any period subsequent to 31 December 2013.

Yours faithfully,
ERNST & YOUNG
Certified Public Accountants
Hong Kong

BUSINESS AND FINANCIAL OVERVIEW

The Target Company, incorporated on 20 April 2011, is an investment holding company and, through the WFOE, controls the Nongke Group. The Target Group, through the Nongke Group, is principally engaged in property development and investment, property management, garden design and construction, manufacture and sale of agricultural products in the PRC.

The Target Group generated revenue of approximately HK$289.4 million, HK$1,070.8 million and HK$2,675.3 million and recorded net profits of approximately HK$282.9 million, HK$492.6 million and HK$965.4 million for the years ended 31 December 2011, 2012 and 2013. The significant increases in revenue and profits during the period under review were mainly attributable to the significant increase in sale of completed properties by the property development segment to be discussed below.

SEGMENTAL ANALYSIS

During the period under review, the revenue model of the Target Group has shifted from one relying on mixed revenue contribution from each of the segments, with stable rental revenue collected from the Target Group's investment properties, to one that focuses on the property development segment. For each of the years ended 31 December 2011, 2012 and 2013, the property investment segment recorded steady segment revenue of approximately HK$128.0 million, HK$138.9 million and HK$144.7 million, respectively, which accounted for approximately 44.2%, 13.0% and 5.4% of the Target Group's total segment revenue during the same period, and recorded segment results (after taking into account the increase in fair value of investment properties) of approximately HK$440.8 million, HK$436.0 million and HK$374.9 million respectively, which accounted for approximately 105.4%, 45.5% and 22.7% of the Target Group's total segment results (after taking into account the increase in fair value of investment properties) during the same period. As at 31 December 2011, 2012 and 2013, the segment assets of the property investment segment were approximately HK$2,469.0 million, HK$2,734.0 million and HK$3,065.2 million, respectively, which accounted for approximately 68.9%, 70.2% and 35.9% of the Target Group's total segment assets (excluding corporate and unallocated assets) at those dates.

The decreasing contribution by the property investment segment was largely overshadowed by the significant increase in sale of completed properties by the property development segment. For each of the years ended 31 December 2011, 2012 and 2013, the property development segment recorded steep increase of revenue of approximately HK$19.5 million, HK$798.0 million and HK$2,334.4 million, respectively, which accounted for approximately 6.7%, 74.5% and 87.3% of the Target Group's total segment revenue during the same period, and recorded segment results of approximately HK$14.3 million, HK$555.8 million and HK$1,322.8 million, respectively, which accounted for approximately 3.4%, 58.0% and 80.1% of the Target Group's total segment results (after taking into account the increase in fair value of investment properties) during the same period. The significant increase in revenue and net profit of the property development segment for the year ended 31 December

2012 was attributable to completion and delivery of 農科商務辦公樓 (Nongke Office Tower*) in the same year. The significant increase in revenue and net profit of the property development segment for the year ended 31 December 2013 was mainly attributable to the sale of 175 units of 天御香山花園 (Tianyu Xiangshan Garden*) with a total GFA of 48,228.0 sq.m. have been sold at a total sale proceeds of HK$2,334.4 million. As at 31 December 2011, 2012 and 2013, the segment assets of the property development segment were approximately HK$1,052.7 million, HK$1,084.2 million and HK$5,397.0 million, respectively, which accounted for approximately 29.4%, 27.9% and 63.1% of the Target Group's total segment assets (excluding corporate and unallocated assets) at those dates.

The remaining segments of the Target Group, i.e. the property management segment, the garden design and construction segment, and the other segment, in terms of its operational scale and profitability have been relatively small and unsatisfactory when compared to the property development and investment segments. As at 31 December 2011, 2012 and 2013, the combined segment assets of the property management segment, the garden design and construction segment, and the other segment were approximately HK$59.6 million, HK$74.8 million and HK$82.5 million respectively, which accounted for approximately 1.7%, 1.9% and 1.0% of the Target Group's total segment assets (excluding corporate and unallocated assets) at those dates. These segments also ran consecutive combined segment losses for the years ended 31 December 2011, 2012 and 2013 of approximately HK$36.8 million, HK$33.6 million and HK$45.8 million respectively. Due to significant investments in related research and developments, the financial performance of these business segments in the past were unsatisfactory. However, the management will conduct a review on such business and operation for the purpose of formulating business plans and strategies with a view to turnaround the business. If it continues to be loss making two years after completion of the transaction, the management would consider to streamline or downsize such operation.

FINANCIAL POSITION

Total assets of the Target Group were approximately HK$3,870.1 million, HK$4,964.7 million and HK$12,216.9 million as at 31 December 2011, 2012 and 2013, respectively, which were mainly made up of (i) investment properties of approximately HK$2,367.2 million, HK$2,632.7 million and HK$2,998.0 million as at 31 December 2011, 2012 and 2013, respectively, the increase of which during the period under review was mainly due to the increase of fair value of the investment properties held by the Target Group with movements caused by reclassification from completed properties held for sale and disposals; (ii) completed properties held for sale of approximately HK$264.3 million, HK$101.8 million and HK$603.9 million as at 31 December 2011, 2012 and 2013, the balance of such properties varies at each of the year ends during the period under review depending on the development schedules of the Target Group and as at 31 December 2013, the majority of such balance was attributable to the unsold units of 天御香山花園 (Tianyu Xiangshan Garden*) amounting to HK$552.5 million; (iii) properties under development of approximately HK$556.3 million, HK$766.3 million and HK$4,621.9 million as at 31 December 2011, 2012 and 2013 respectively, the significant increase in the balance of the properties under development as at 31 December 2013 compared to that of 2012 was mainly due to the recognition of the Land Premium of RMB3,633 million in respect of the Mingren Land in 2013; (iv) cash and cash equivalent (including restricted cash kept in designated bank account representing certain portion of the presale proceeds as required by the relevant land and resources bureau of the PRC) of approximately HK$302.4 million, HK$640.0 million HK$1,861.1 million as at 31 December 2011, 2012 and 2013, respectively, the significant increase of cash balance during the period under review coincided with an equally significant increase in the sale of completed properties by the property development segment as discussed above; and (v) amount due from the ultimate holding company of approximately HK$58.2 million, HK$318.5 million and HK$1,557.5 million as at 31 December 2011, 2012 and 2013, respectively. As discussed in sub-section headed "Financial Information of the Target Group" under the section headed "(C) Information on the Target Group" in the "Letter from the Board" of this circular, pursuant to the Amended Acquisition Agreement, the Vendor has agreed to, and has agreed to procure Shum Yip Group and the Target Group to, fully settle the indebtedness due from the Vendor and its related parties as discussed in paragraph (v) above before Completion.

Total liabilities of the Target Group were approximately HK$1,650.8 million, HK$2,228.0 million and HK$8,441.2 million as at 31 December 2011, 2012 and 2013 respectively which were mainly made up of (i) trade payables of approximately HK$65.2 million, HK$92.2 million and HK$4,920.0 million as at 31 December 2011, 2012 and 2013, respectively, the significant increase in the balance of trade payables as at 31 December 2013 compared to that of 2012 primarily consisted of the Land Premium payable of RMB3,633 million in respect of the Mingren Land which has been recognized as properties under development as discussed above; (ii) other payables and accruals of approximately HK$189.7 million, HK$212.1 million and HK$1,828.9 million as at 31 December 2011, 2012 and 2013 respectively, the significant increase in the balance as at 31 December 2013 compared to that as at 31 December 2012 mainly attributable to receipt in advance for contracted sales of properties; (iii) tax payable of approximately HK$152.4 million, HK$523.4 million and HK$895.5 million as at 31 December 2011, 2012 and 2013, respectively, which mainly consisted of PRC Corporate Income Tax and Land Appreciation Tax payables, with the increase in the balance coincided with the increase in profit before tax and proceeds from the sales of properties during the period under review; and (iv) deferred tax liabilities of approximately HK$510.5 million, HK$578.3 million and HK$683.2 million as at 31 December 2011, 2012 and 2013, respectively, the increase in the balance reflected the deferred tax charges in relation to the revaluation of investment properties during the period under review.

The net asset value of the Target Group was approximately HK$2,219.3 million, HK$2,736.7 million and HK$3,775.7 million as at 31 December 2011, 2012 and 2013, respectively.

LIQUIDITY AND FINANCIAL RESOURCES, GEARING, CHARGE ON ASSETS AND CAPITAL COMMITMENTS

As at 31 December 2011, 2012 and 2013, the Target Group had current ratios of approximately 240.9%, 219.4% and 114.8%, respectively and gearing ratios (defined as total liabilities divided by total assets) of approximately 42.7%, 44.9% and 69.1%, respectively.

During the period under review, the Target Group had utilized the interest-bearing bank loans to finance its property development projects. As at 31 December 2011 and 2012, the Target Group's outstanding interest-bearing bank loans amounted to HK$661.6 million and HK$792.1 million, respectively, of which HK$562.4 million and HK$756.0 million were secured by certain of the Target Group's properties under development (2011: HK$555.6 million; 2012: HK$765.6 million), investment properties (2011: HK$984.5 million; 2012: HK$1,051.7 million) and buildings (2011: HK$2.3 million; 2012: nil), while the remaining loan balances were unsecured. The carrying interest ranged from 6.31% to 7.65% per annum. As at 31 December 2011 and 2012, about 89% and 88% of the outstanding loans were repayable after one year and the rest of the loans are repayable on demand or within a year. The Target Group did not have any bank borrowings as of 31 December 2013.

FOREIGN EXCHANGE RISK

The operations of the principal subsidiaries of the Target Group were principally in the PRC and the principal assets and liabilities of Target Group were denominated in RMB. The Target Group considered that it did not have any material exposure to fluctuations in exchange rate. Therefore, no hedging measures were taken.

COMMITMENTS FOR EXPENDITURE

As at 31 December 2011, 2012 and 2013, the Target Group had capital commitments amounted to HK$439.9 million, HK$381.8 million and HK$9.8 million, respectively for development costs attributable to properties under development which were mainly associated with the construction of 農科商務辦公樓 (Nongke Office Tower*) and 天御香山花園 (Tianyu Xiangshan Garden*). During the period under review, the Target Group mainly funded these commitments through bank borrowings and cash generated from operating activities. As at the Latest Practicable Date, the Target Group had an additional capital commitment amounted to RMB2,444.6 million, being the second instalments of the Land Premium.

CONTINGENT LIABILITIES

Under the Mingren Land Grant Contracts, the initial amount of the second instalment of the Land Premium may be adjusted due to a change in the policy regarding land premium and Zhong Cheng has undertaken to pay the second instalment of the Land Premium as adjusted in case it is so adjusted. Accordingly, pursuant to the Amended Acquisition Agreement, if there is an adjustment to the amount of Land Premium as aforesaid and the amount of adjustment is less than RMB10,000,000, then (i) in the case of an upward adjustment, the Vendor is required to pay the Company the same amount by which the Land Premium is adjusted upwards; or (ii) in the case of a downward adjustment, the Company is required to pay the Vendor the same amount by which the Land Premium is adjusted downwards. The Vendor and the Company have also agreed that, if the amount of adjustment to the Land Premium by the relevant PRC authorities is more than RMB10,000,000, the compensation to be paid by the Vendor to the Company (in the case of an upward adjustment) or by the Company to the Vendor (in the case of a downward adjustment) will be determined based on the results of the valuation to be appraised by an asset valuer in the PRC to be mutually agreed between the Vendor and the Purchaser.

Pursuant to the Amended Acquisition Agreement, in the event that the remaining balance of the Longxi Garden Relocation Fee of approximately RMB220.5 million is not received by Nongke in full within the 3-Year Period, Nongke shall refund a deposit of RMB30.0 million together with any other amount received to the Vendor. Please refer to the sub-section headed "Adjustments to the Consideration" under the section headed "(B) The Acquisition" in the "Letter from the Board" of this circular for further details.

Pursuant to the Amended Acquisition Agreement, in the event that any of the Seized Units Conditions is not satisfied within the 3-Year Period, any benefit or interest received by Nongke in relation to the Seized Units shall be returned to the Vendor. Please refer to the sub-section headed "Adjustments to the Consideration" under the section headed "(B) The Acquisition" in the "Letter from the Board" of this circular for further details.

Pursuant to the Amended Acquisition Agreement, in the event that any of the Li Lin Terrace Units Conditions is not satisfied within the 3-Year Period, any benefit or interest received by Nongke Property in relation to the Li Lin Terrace Units shall be returned to the Vendor. Please refer to the sub-section headed "Adjustments to the Consideration" under the section headed "(B) The Acquisition" in the "Letter from the Board" of this circular for further details.

Pursuant to the Amended Acquisition Agreement, in the event that any of the Xiangli Garden Units Conditions is not satisfied within the 3-Year Period, any benefit or interest received by Nongke Property in relation to the Xiangli Garden Units shall be returned to the Vendor. Please refer to the sub-section headed "Adjustments to the Consideration" under the section headed "(B) The Acquisition" in the "Letter from the Board" of this circular for further details.

Pursuant to the Amended Acquisition Agreement, in the event that any of the Longxi Garden Units Conditions is not satisfied within the 3-Year Period, any benefit or interest received by Nongke in relation to the Longxi Garden Units shall be returned to the Vendor. Please refer to the sub-section headed "Adjustments to the Consideration" under the section headed "(B) The Acquisition" in the "Letter from the Board" of this circular for further details.

At 31 December 2012 and 2013, the Target Group has given guarantees to a maximum extent of approximately HK$183.1 million and HK$1,014.1 million, respectively to banks for housing loans extended by the banks to the purchasers of the Target Group's properties. Please refer to paragraph (iv) in the sub-section headed "Contingent Liabilities" in the Appendix II to this circular for further details.

On 10 January 2013, a claim was brought by an independent third party against Nongke, a real estate developer and another independent third party for the joint and several liabilities for repayment of a loan with principal amount of approximately RMB11.4 million and interest of RMB4.5 million. Please refer to paragraph (v) in the sub-section headed "Contingent Liabilities" in the Appendix II to this circular for further details.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no significant investments or material acquisitions and disposals of subsidiaries and associated companies by the Target Company or its subsidiaries during the three years ended 31 December 2011, 2012 and 2013.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2011, 2012 and 2013, the Target Group had 717, 716 and 789 employees respectively, who were remunerated having regard to the then prevailing employment market in Shenzhen and the performance, experiences and credentials of the relevant employees. The Target Group's subsidiaries which operate in Mainland China participate in the central pension scheme operated by the local municipal government for all of its staff. These subsidiaries are required to contribute 8% to 20% of its payroll costs to the central pension scheme. Total staff costs of the Target Group for the year ended 31 December 2011, 2012 and 2013 were HK$61.8 million, HK$68.2 million and HK$85.8 million respectively.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is a summary of the unaudited pro forma statement of assets and liabilities of the Enlarged Group (the "Unaudited Pro Forma Financial Information") for the purpose of illustration only and does not form part of the accountants' report prepared by the reporting accountants of the Company as set out in Appendix II to the Circular.

The Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed on 31 December 2013 because of its hypothetical nature.

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2013 extracted from the annual results announcement of the Company for the year ended 31 December 2013 and the audited financial information of the Target Group as at 31 December 2013 extracted from the accountants' report on the Target Group as set out in Appendix II to the Circular as if the Acquisition had been completed on 31 December 2013.

	The Group as at 31 December 2013	**The Target Group as at 31 December 2013**	**Pro forma adjustments**		**Pro forma Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	2,697,625	85,557	369,851	*(vii)*	3,153,033
Prepaid land lease payments	45,463	–	–		45,463
Goodwill	322,856	–	–		322,856
Investment properties	15,299,549	2,997,970	–		18,297,519
Investments in associates	5,929,954	–	–		5,929,954
Investments in jointly-controlled entities	343,719	–	–		343,719
Available-for-sale investments	39,790	20,469	–		60,259
Other long term assets	1,584,056	292	224,719	*(iii)*	1,809,067
Breeding biological assets	–	6,002	–		6,002
Deferred tax assets	892,725	226,134	–		1,118,859
Pledged deposits	17,277	–	–		17,277
Total non-current assets	27,173,014	3,336,424	594,570		31,104,008

	The Group as at 31 December 2013 *HK$'000*	The Target Group as at 31 December 2013 *HK$'000*	Pro forma adjustments *HK$'000*	*Notes*	Pro forma Enlarged Group *HK$'000*
NON-CURRENT ASSETS					
CURRENT ASSETS					
Inventories	125,974	6,857	–		132,831
Completed properties held for sale	8,434,699	603,906	1,921,362	*(vii)*	10,959,967
Properties under development	28,356,871	4,621,948	3,162,079	*(vii)*	36,140,898
Trade receivables	416,122	97,470	(9,720)	*(ix)*	503,872
Prepayments, deposits and other receivables	4,117,358	97,498	–		4,214,856
Trading biological assets	–	16,508	–		16,508
Equity investments at fair value through profit or loss	11,011	–	–		11,011
Due from the ultimate holding company	–	1,557,495	–		1,557,495
Pledged deposits	13,594	17,783	–		31,377
Restricted cash	913,383	1,025,015	–		1,938,398
Cash and cash equivalents	6,534,049	836,040	(2,871,287)	*(i)*	4,498,802
	48,923,061	8,880,520	2,202,434		60,006,015
Assets of a disposal group classified as held for sale	795,450	–	–		795,450
Total current assets	49,718,511	8,880,520	2,202,434		60,801,465
CURRENT LIABILITIES					
Interest-bearing bank loans and other borrowings	12,121,869	–	–		12,121,869
Trade payables	1,028,975	4,919,997	(9,720)	*(ii)&(ix)*	5,939,252
Deposits received, other payables and accruals	10,134,523	1,828,906	496,638	*(ii)&(iii) &(iv)&(v)*	12,460,067
Due to the immediate holding company	31,446	15,630	–		47,076
Due to the ultimate holding company	3,898,268	–	–		3,898,268
Provision	–	78,428	–		78,428
Tax payable	3,177,118	895,542	–		4,072,660
	30,392,199	7,738,503	486,918		38,617,620
Liabilities directly associated with the assets classified as held for sale	424,363	–	–		424,363
Total current liabilities	30,816,562	7,738,503	486,918		39,041,983
NET CURRENT ASSETS	18,901,949	1,142,017	1,715,516		21,759,482
TOTAL ASSETS LESS CURRENT LIABILITIES	46,074,963	4,478,441	2,310,086		52,863,490

	The Group as at 31 December 2013 HK$'000	The Target Group as at 31 December 2013 HK$'000	Pro forma adjustments HK$'000	Notes	Pro forma Enlarged Group HK$'000
NON-CURRENT ASSETS					
NON-CURRENT LIABILITIES					
Interest-bearing bank loans and other borrowings	12,167,504	–	–		12,167,504
Due to the ultimate holding company	1,221,024	–	–		1,221,024
Deferred tax liabilities	5,107,089	683,155	2,270,822	*(vii)*	8,061,066
Deferred income	–	19,535	–		19,535
Total non-current liabilities	18,495,617	702,690	2,270,822		21,469,129
Net assets	27,579,346	3,775,751	39,264		31,394,361
EQUITY					
Equity attributable to owners of the parent					
Share capital	269,053	–	53,077	*(i)*	322,130
Reserves	24,423,031	3,773,241	(13,813)	*(viii)*	28,182,459
Proposed final dividend	645,727	–	–		645,727
	25,337,811	3,773,241	39,264		29,150,316
Non-controlling interests	2,241,535	2,510	–		2,244,045
Total equity	27,579,346	3,775,751	39,264		31,394,361

Notes:

(i) In the opinion of the Directors and as announced, the Consideration totaled RMB5,589,000,000 (equivalent to HK$6,955,203,105), subject to change (if any), will be settled by (a) allotting and issuing to Shum Yip Holdings of 1,061,538,935 new Shares by the Company at an issue price of HK$3.276 per Consideration Share, which is equivalent to a consideration of HK$3,477,601,551.06 and represents approximately 50% of the Consideration before any adjustment; and (b) HK$2,871,286,794.34 by way of cash. As to the balance of the Consideration of HK$606,314,759.60, if payable, shall be paid at such time after the Completion of the Acquisition as detailed in notes (ii), (iii), (iv) and (v).

For the purpose of preparing the Unaudited Pro Forma Financial Information, the Acquisition is assumed to have been completed on 31 December 2013 and thus the payment of the cash consideration of HK$2,871,286,794.34, an addition of the fair value of the consideration payable of approximately HK$496,638,000 (notes (iii), (iv) and (v)) and the issuance of 1,061,538,935 new Shares by the Company to Shum Yip Holdings and the relevant share premium are included as a pro forma adjustment.

(ii) Included in the trade payables balance as at 31 December 2013 is an amount of RMB3,633,337,337, which represents the land premium payable for the Mingren Land. Pursuant to the land grant contract of the Mingren Land, the land premium of the Mingren Land may be subject to an adjustment (if any) to be made by the relevant PRC authorities. For the purpose of preparing the Unaudited Pro Forma Financial Information, it is assumed that there is no upward/downward adjustment on the land premium of the Mingren Land payable by the Target Group.

(iii) Pursuant to an agreement entered into between the Target Group and an independent third party property developer (the "Counterparty"), the Target Group agreed to dispose of certain of its buildings classified under property, plant and equipment, which are located at Longxi Garden (龍溪花園), to the Counterparty for a cash consideration of RMB250,457,000. The demolishment of these buildings will be commenced within 30 days after full payment of the RMB250,457,000 by the Counterparty. On 27 September 2012, an advance payment of RMB30,000,000 was received by the Target Group. As at the Latest Practicable Date, the remaining balance of RMB220,457,000 is not paid by the Counterparty, and the timetable for the demolishment of these properties is not determined yet.

Pursuant to the Acquisition Agreement, in the event that the remaining balance of RMB220,457,000 in relation to the disposal of certain of the Target Group's buildings as abovementioned is not fully received by the Target Group within three years after the Completion of the Acquisition, the Target Group shall refund the advance payment of RMB30,000,000 and any other amount received from the Counterparty to Shum Yip Holdings. The Consideration shall be adjusted downward by an amount of RMB250,457,000 such that the Company shall not be obliged to pay the RMB250,457,000 to Shum Yip Holdings.

For the purpose of preparing the Unaudited Pro Forma Financial Information, it is assumed that there is no downward adjustment on the Consideration by assuming that the remaining balance of RMB220,457,000 is received upon three years after the Completion of the Acquisition. The pro forma adjustments on other long term assets of HK$224,719,000 and consideration payable of HK$255,300,000 represent the fair value of the RMB220,457,000 (equivalent to HK$274,347,000) and RMB250,457,000 (equivalent to HK$311,680,000), respectively, as abovementioned after taking into account the effect of discounting by using an effective interest rate of 6.88%. The effective interest for the purpose of preparing the Unaudited Pro Forma Financial Information is determined with reference to the interest rate of the long-term bank borrowings of the Target Group.

(iv) As at 31 December 2013, properties of HK$21,089,000 and HK$11,278,000 located at Xiangzhu Garden (香珠花園) were classified by the Target Group under completed properties held for sale and investment properties, respectively. All these properties were subject to judicial seizure as at the Latest Practicable Date.

Pursuant to the Acquisition Agreement, in the event that any of the conditions, as detailed in note (iii) to the sub-section headed "The Consideration" of the section headed "Letter from the Board" to the Circular, is not satisfied within three years after the Completion of the Acquisition, any interest in the properties located at Xiangzhu Garden as abovementioned shall be deemed to be owned by the Shum Yip Holdings. The Consideration shall be adjusted downward by RMB170,140,000 (equivalent to HK$211,730,000), being the amount of preliminary valuation of these properties, such that the Company shall not be obliged to pay the RMB170,140,000 to Shum Yip Holdings.

For the purpose of preparing the Unaudited Pro Forma Financial Information, it is assumed that there is no downward adjustment on the Consideration by assuming that the conditions as abovementioned are satisfied upon three years after the Completion of the Acquisition. The pro forma adjustment on consideration payable of HK$173,430,000 represent the fair value of the RMB170,140,000 (equivalent to HK$211,730,000) as abovementioned after taking into account the effect of discounting by using an effective interest rate of 6.88%.

(v) As at 31 December 2013, the ownership certificates of the properties of HK$1,423,000 located at Li Lin Terrace (荔林苑) and Li Cui Court (荔翠閣), which were classified by the Target Group as completed properties held for sale, have not yet been issued. The ownership certificates of certain of the properties of HK$71,252,000 located at Longxi Garden and Xiangli Garden (香荔花園), which were classified by the Target Group as investment properties, have not yet been issued.

Pursuant to the Supplemental Acquisition Agreement, in the event that any of the conditions, as detailed in note (iv) to (vi) to the sub-section headed "The Consideration" of the section headed "Letter from the Board" to the Circular, is not satisfied within three years after the Completion of the Acquisition, any interest in the properties as abovementioned shall be deemed to be owned by the Shum Yip Holdings. The Consideration shall be adjusted downward by RMB66,620,000 (equivalent to HK$82,905,000), being the amount of preliminary valuation of these properties, such that the Company shall not be obliged to pay the RMB66,620,000 to Shum Yip Holdings.

For the purpose of preparing the Unaudited Pro Forma Financial Information, it is assumed that there is no downward adjustment on the Consideration by assuming that the conditions as abovementioned are satisfied upon three years after the Completion of the Acquisition. The pro forma adjustment on consideration payable of HK$67,908,000 represent the fair value of the RMB66,620,000 (equivalent to HK$82,905,000) as abovementioned after taking into account the effect of discounting by using an effective interest rate of 6.88%.

(vi) As the Group previously elected to adopt the purchase method in the acquisitions of other subsidiaries under common control, to be consistent, the Group will account for the Acquisition in accordance HKFRS 3 (Revised). For the purpose of preparing the Unaudited Pro Forma Financial Information after the Acquisition, the purchase price allocation is based on the Directors' estimates on the fair value of the identifiable assets and liabilities of the Target Group as at 31 December 2013 and with reference to the professional valuation carried out on 28 February 2014 (as set out in Appendix V) by Asset Appraisal Limited, an independent valuer, on the fair values of the completed properties held for sale, properties under development and buildings under property, plant and equipment held by the Target Group.

(vii) The pro forma adjustments reflect: (a) elimination of the Group's equity interests in the Target Group after the Acquisition; and (b) the recognition of the estimated gain on bargain purchase arising from the Acquisition as calculated below:

	HK$'000
Net assets value of the Target Group as at 31 December 2013	3,775,751
Non-controlling interests	(2,510)
Adjustment on other long term assets *(note (iii))*	224,719
Fair value adjustments on completed properties held for sale, properties under development and buildings under property, plant and equipment *(note a)*	5,453,292
Deferred tax liabilities arising from fair value adjustments on completed properties held for sale, properties under development and buildings under property, plant and equipment (relating to estimated PRC corporate income tax and land appreciation tax) *(note b)*	(2,270,822)
	7,180,430
Gain on a bargain purchase	(334,903)
Satisfied by:	
Consideration Shares	3,477,602
Cash consideration	2,871,287
Fair value of the consideration payable *(notes (iii), (iv) and (v))*	496,638
Fair value of the Consideration	6,845,527

note a: The fair value adjustments of HK$5,453,292,000 represented the difference between the fair value of the properties of HK$13,728,290,000 as at 31 December 2013, with reference to the professional valuation carried out on 28 February 2014 (as set out in Appendix V) by Asset Appraisal Limited, and their carrying amounts of HK$8,274,998,000 as at 31 December 2013.

note b: Deferred tax liabilities of HK$2,270,822,000 included deferred land appreciation tax of HK$1,209,999,000 and deferred corporate income tax of HK$1,060,823,000 related to the fair value adjustments.

The deferred land appreciation tax of HK$1,209,999,000 is calculated at progressive rates ranging from 30% to 60% on the appreciation of land value, being the fair value of the properties as at 31 December 2013 less deductible expenditures including amortisation of land use rights, borrowing costs and property development expenditures pursuant to the relevant PRC LAT regulations.

The deferred corporate income tax of HK$1,060,823,000 is calculated at 25% on the valuation surplus of HK$4,243,293,000, being the fair value adjustment of HK$5,453,292,000 less the deferred land appreciation tax of HK$1,209,999,000.

The actual fair value amounts of the identifiable assets and liabilities of the Target Group and the Consideration Shares at the Completion Date may be substantially different from that used in the preparation of the Unaudited Pro Forma Financial Information. Hence, the actual purchase price allocation may result in different amounts as shown in the Unaudited Pro Forma Financial Information.

(viii) The pro forma adjustment of HK$13,813,000 affecting the reserves is calculated as below:

	HK$'000
Share premium related to the issuance of 1,061,538,935 new Shares by the Company to Shum Yip Holdings *(note (i))*	3,424,525
Elimination of the Group's equity interests in the Target Group after the Acquisition *(note (vii))*	(3,773,241)
Estimated gain on bargain purchase arising from the Acquisition *(note (vii))*	334,903
	(13,813)

(ix) The pro forma adjustment reflects the elimination of trade payable of HK$9,720,000 due to the Group by the Target Group as at 31 December 2013.

2. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report on the unaudited pro forma financial information of the Enlarged Group prepared for the propose of incorporation in this circular, received from the reporting accountants, Ernst & Young.

22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

12 May 2014

The Directors
Shenzhen Investment Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Shenzhen Investment Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), and Shenzhen Bio-Agriculture Company Limited and its subsidiaries (the "Target Group") (together with the Group hereafter collectively referred to as the "Enlarged Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of assets and liabilities of the Enlarged Group (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in notes (i) to (ix) to Appendix IV to the circular of the Company dated 12 May 2014 (the "Circular").

The Pro Forma Financial Information has been compiled by the Directors, for illustrative purpose only, to provide information about how the acquisition of the Target Group by the Company might have affected the financial position of the Group as if the transaction had taken place at 31 December 2013. As part of this process, the audited consolidated statement of financial position of the Group as at 31 December 2013 has been extracted by the Directors from the annual results announcement of the Company for the year ended 31 December 2013 dated 31 March 2014 and the audited financial information of the Target Group as at 31 December 2013 has been extracted by the Directors from the accountants' report on the Target Group as set out in Appendix II to the Circular.

Directors' responsibility for the Pro Forma Financial Information

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

Reporting Accountants' responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "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 the Circular is solely to provide information about how the acquisition of the Target Group by the Company might have affected the financial position of the Group as if the transaction had taken place at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

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

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the 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 purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

ERNST & YOUNG
Certified Public Accountants
Hong Kong

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 28 February 2014 of the property interests held by the Target Group.

Asset Appraisal Limited
中誠達資產評值顧問有限公司
Rm 901 9/F On Hong Commercial Building
No.145 Hennessy Road Wanchai HK
香港灣仔軒尼詩道145號安康商業大廈9樓901室
Tel: (852) 2529 9448 Fax: (852) 3521 9591

12 May 2014

The Board of Directors
Shenzhen Investment Ltd.
8th Floor, New East Ocean Centre
No. 9 Science Museum Road
Tsimshatsui East, Kowloon
Hong Kong

Dear Sirs,

Re: Valuation of various properties in the People's Republic of China (the "PRC")

In accordance with the instructions from **Shenzhen Investment Ltd.** (the "**Company**") to value the property interests (the "**Properties**") of Shenzhen Bio-Agriculture Company Limited (the "**Target Company**") or its subsidiaries (hereinafter together referred to as the "**Target Group**") in the PRC, we confirm that we have inspected the Properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at **28 February 2014** (the "**date of valuation**").

BASIS OF VALUATION

Our valuation of the Properties represents the market value which is defined in the HKIS Valuation Standards (2012 Edition) as "the estimated amount for which an asset or a liability a property 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".

TITLESHIP

We have been provided with copies of legal documents regarding the Properties. However, we have not verified ownership of the Properties and the existence of any encumbrances that would affect their ownership.

We have also relied upon the legal opinion (the "**PRC legal Opinion**") provided by the PRC legal advisers, namely King & Wood Mallesons (the "**PRC Legal Advisers**"), to the Company on the relevant laws and regulations in the PRC, on the nature of the owner's land use rights or leasehold interests in the Properties. Its material content has been summarized in the valuation certificate attached herewith.

VALUATION METHODOLOGY

The Properties have been valued by the comparison method where comparison based on price information of comparable properties. Comparable properties of similar size, character and location are analysed and carefully selected of each property in order to arrive at a fair comparison of capital values.

We have ascribed no commercial value to Property Nos. 5, 13 and 15 on the ground that the Target Group does not have valid land use rights granted by the Government in the properties.

ASSUMPTIONS

Save for the Property Nos. 5, 13 and 15 which have no commercial value to the Target Group, our valuation has been made on the assumption that the owner sells the Properties on the market without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the values of the Properties.

As the Properties are held by the Target Group by means of long term Land Use Rights granted by the Government, we have assumed that the owner has free and uninterrupted rights to use the Properties for the whole of the respective unexpired terms of the land use rights.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have relied to a very considerable extent on the information given by the Company or the Target Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, tenancy and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the site and floor areas in respect of the Properties but have assumed that the floor areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

The Properties was last inspected by Tse Wai Leung on 9 August 2013. We have inspected the exterior and, where possible, the interior of the Properties. However, no structural survey has been made for them. In the course of our inspection, we did not note any apparent defects. We are not, however, able to report whether the buildings and structures inspected by us are free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment.

We must point out that we have not carried out site investigations to determine the suitability of ground conditions or the services for any property development of the Properties. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction period.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the Properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

All monetary sums stated in this report are in Renminbi (RMB).

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited

Tse Wai Leung
MFin MRICS MHKIS RPS(GP)
Director

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, the Hong Kong Institute of Surveyors and a Registered Professional Surveyor in General Practice. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

SUMMARY OF VALUATION

Property	Market Value in Existing State as at 28 February 2014 *(RMB)*
Group I – Properties Held by the Target Group for Sale	
1. 161 residential units of Tianyu Xiangshan Garden Lot No. B302-0041 Nong Xuan Road Futian District Shenzhen, the PRC	1,449,000,000.–
2. 24 residential units in Block 2, 3, 4 and 5 Jun An Court Nongxuan Road Futian District Shenzhen City, the PRC	110,000,000.–
3. 32 commercial units and 33 residential units Xiang Zhu Garden Xianglin Road Futian District Shenzhen City, the PRC	161,000,000.–
4. Unit Nos. 401 to 403 and 405 on Level 4 Unit Nos. 501 to 503 and 505 on Level 5 Nongke Office Tower Lot No. B302-0108 at the junction of Hongli West Road and Nong Xuan Road Futian District Shenzhen, the PRC	58,830,000.–

Property	Market Value in Existing State as at 28 February 2014 *(RMB)*
5. Units B, C and D on 27th Floor and Unit D on 29th Floor Li Cui Court Li Lin Terrace at the junction of Nonglin Road and Hongli West Road Futian District Shenzhen City, the PRC	No commercial Value.–
Sub-total	**1,778,830,000.–**
Group II – Property Held by the Target Group for Future Development	
6. Land Parcel Nos. 2014-002-0007 and 2014-002-0009 Hongli Road Futian District Shenzhen City, the PRC	6,120,000,000.–
Sub-total	**6,120,000,000.–**
Group III – Properties Held by the Target Group for Investment	
7. Unit Nos. 304, 306, 307, 308, 317 and 318 Xiang Zhu Garden Xianglin Road Futian District Shenzhen City, the PRC	9,140,000.–
8. Nos. 101, 102, 201, 207 and 208 Xiangli Oasis Club, Nongfang Road, Futian District Shenzhen City, the PRC	24,330,000.–

Property		Market Value in Existing State as at 28 February 2014 *(RMB)*
9.	Various units in Times Technology Building No. 7028 Shennan Boulevard Futian District Shenzhen City, the PRC	1,845,000,000.–
10.	43 residential units in Block 20, 31, 33 and 35 Longxi Garden, Northeastern junction of Nonglin Road and Zetian Road Futian District Shenzhen City, the PRC	153,950,000.–
11.	32 residential units in Block 2, 3, 5, 6, 8, 9, 10, 12, 14, 17, 18 and 24 Longxi Garden Northeastern junction of Nonglin Road and Zetian Road Futian District Shenzhen City, the PRC	87,270,000.–
12.	Level 1 to 3 Nongke Office Tower Lot No. B302-0108 at the junction of Hongli West Road and Nong Xuan Road Futian District Shenzhen, the PRC	181,410,000.–

Property	Market Value in Existing State as at 28 February 2014 *(RMB)*
13. Various commercial units on level 1 and 2 in Block 5-6 Xiangli Garden in the junction of Xiangzhu Road and Hongli Road Futian District Shenzhen City, the PRC	No Commercial Value.–
Sub-total	**2,301,100,000.–**

Group IV – Properties Held by the Target Group for Self Occupation

14. Unit Nos. 101, 601 and 701 in Block 22 Longxi Garden, Northeastern junction of Nonglin Road and Zetian Road Futian District Shenzhen City, the PRC	12,280,000.–
15. Block T1 to T3 and T5 to T9 Longxi Garden, Northeastern junction of Nonglin Road and Zetian Road Futian District Shenzhen City, the PRC	No commercial value.–

Property	Market Value in Existing State as at 28 February 2014 *(RMB)*
16. Unit Nos. 1 to 5, 22 and 23 on Level 6 and all office units on Level 24 and 25 Times Technology Building No. 7028 Shennan Boulevard Futian District Shenzhen City, the PRC	209,000,000.–
17. Yuanyi Qingbao Shiyan Building Nongke Zhongxin Shennan Avenue Xiangxuan Road Futian District Shenzhen City, the PRC	59,930,000–
18. Level 1 to 4 Block 8 Fuanxi First Lane Biling Road Ping Shan Town Longgang District Shenzhen City, the PRC	1,700,000.–

Property	Market Value in Existing State as at 28 February 2014 *(RMB)*
19. All office units on Level 13 Nongke Office Tower Lot No. B302-0108 at the junction of Hongli West Road and Nong Xuan Road Futian District Shenzhen, the PRC	48,110,000.–
Subtotal	**331,020,000.–**
Grand Total	**10,530,950,000.–**

VALUATION CERTIFICATE

Group I – Property interest held by the Target Group for sale

	Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 28 February 2014 *(RMB)*
1.	161 residential units of of Tianyu Xiangshan Garden Lot No. B302-0041 Nong Xuan Road Futian District Shenzhen, the PRC (深圳市福田農軒路B302-0041地段天御香山花園161個住宅單位)	The property comprises a total of 161 residential units within 7 blocks of 20 to 26-storey residential towers which were completed in 2013. The total gross floor area of the property is 27,929.04 square metres. The property is held for a term of 70 years commencing on 26 February 2008 and expiring on 25 February 2078 for residential use.	The property is currently vacant.	1,449,000,000.–

Notes:

1. Pursuant to a Land Use Right Grant Contract dated 5 March 2008 entered into between the Shenzhen Land Resources and Property Administrative Bureau as Grantor and Shenzhen Nongke Property Development Co. Ltd. (a wholly-owned subsidiary of the Target Company) as Grantee, the land use rights of the subject land parcel (Lot No. B302-0041) with an area of 28,402 square metres were granted by the Grantor to the Grantee for a land use rights term of 70 years commencing on 26 February 2008 and expiring on 25 February 2078 for residential use at a land premium, a land development fund and community facility provision fee of RMB50,702,350, RMB2,865,681 and RMB284,447,636 respectively. Subsequent to the aforesaid Land Use Right Grant Contract, two sets of Supplemental Land Grant Contract were entered by Shenzhen Nongke Property Development Co. Ltd. with the Government on 28 May 2008 and 7 September 2010. As confirmed by the Target Company, The aforesaid land purchase consideration has been settled to the Government as at the date of valuation.

2. As provided in the Supplemental Land Grant Contract dated 7 September 2010, the property development of the subject land parcel should be completed by 9 August 2011. Delay of completion shall be penalized by a fine calculated as follows:

   2.1 equivalent to 5% of the land premium of the subject land parcel if completion delays for a period of not more than 6 month;

   2.2 equivalent to 10% of the land premium of the subject land parcel if completion delays for a period of more than 6 month but not more than 1 year;

   2.3 equivalent to 15% of the land premium of the subject land parcel if completion delays for a period of more than 1 year but not more than 2 years; and

   2.4 re-entry of the subject land parcel by the Government if completion delays for a period of more than 2 years.

3. Pursuant to another Supplemental Land Grant Contract dated 24 November 2011, the Shenzhen Town Planning and Land Resources Committee First Immediate Administration Bureau (深圳市規劃和國土資源委員會第一直屬管理局) approved Shenzhen Nongke Property Development Co. Ltd's application on extension of building covenant. As mentioned in the Supplemental Land Grant Contract, the commencement date and the completion date of the subject development were adjusted to 7 September 2010 and 7 September 2013 respectively. Same penalty clauses as stipulated in the Supplement Land Grant Contract of 7 September 2010 (as mentioned in note 2 above) were applied in case of any further delay of completion. As confirmed by the Target Group, no notice of penalty has been received so far.

4. The receipt of records for completion acceptance of Shenzhen municipality housing construction project of the subject development in the competent authorities has been obtained by the Target Group and as confirmed by the Target Group, the Target Group has not been sanctioned for the delay in completion of the subject development as at the latest practicable date. In addition, under the Acquisition Agreement (the "Acquisition Agreement") entered into on 27 January 2014 amongst the Company, Shum Yip Holdings Company Limited (the "Vendor"), Shum Yip Group Limited and Shenzhen Nongke Holdings Company Limited ("Nongke") as amended and supplemented by the Supplemental Acquisition Agreement dated 8 May 2014 (the "Amended Acquisition Agreement") in respect of the proposed acquisition of the entire issued share capital of the Target Company by the Company, the Vendor has warranted to the Company, inter alia, that the Target Group is, and was, not in breach of any terms, conditions or restrictions of the land use right or land approvals with respect to the relevant properties owned by the Target Group. Further, under the Amended Acquisition Agreement, the Vendor and/or Shum Yip Group have agreed to indemnify the other party for losses, liabilities or expenses, directly or indirectly incurred by such other party, arising from, as a result of or based on its non-compliance of any provision of the Amended Acquisition Agreement. Accordingly, if there are any losses, liabilities or expenses indirectly incurred by the Company as a result of a breach of such warranty before Completion Date, the Vendor is required to indemnify the Company in accordance with the Amended Acquisition Agreement. Therefore, the Directors believe that the possibility that penalties might be imposed on the Target Group due to the delay in completion of the subject development is remote and this issue would not have material adverse impact on the Target Group's operations and the interests of the Company.

5. A Land Use Right Certificate (Ref Shen Fang Di Zhi No. 3000541995) was issued by the Shenzhen Land Resources and Property Administrative Bureau in the name of Shenzhen Nongke Property Development Co. Ltd. and was registered on 2 December 2008.

6. Shenzhen Nongke Property Development Co. Ltd. obtained a Construction Work Permit (Ref No. 44030020110002001) from the Shenzhen City Housing and Construction Bureau on 11 March 2011 for undertaking sub-structure construction work on the subject development site.

7. A Pre-Sale Permit (Ref Shen Fang Xu Zi (2013) Fu Tian No. 003) was issued by the Town Planning and Land Resources Committee No. 1 Administration Bureau (深圳市規劃和國土資源委員會第一直屬管理局) to Shenzhen Nongke Property Development Co. Ltd. on 26 March 2013 by virtue of which the pre-sale of the property has been approved by the Government.

8. As at the valuation date, out of the total 161 residential units of the property with a total gross floor area of 27,929.04 square metres, a total of a total of 122 residential units with a total gross floor area of 23,946.95 square metres have been sold at a total sale proceeds of approximately RMB1,294,000,000. Such sale proceeds have been considered in our valuation of the property.

9. The PRC Legal Opinion is summarized as follows:

   9.1 A Land Use Right Certificate (Ref Shen Fang Di Zhi No. 3000541995) was issued to Shenzhen Nongke Property Development Co. Ltd..

   9.2 A Construction Land Use Planning Permit (Shen Gui Xu Zi 01-2006-0206), a Construction Work Planning Permit, a Construction Work Permit (Shen Gui Tu Jian Xu Zi SZ-2011-0018) have been obtained for the development of the property.

   9.3 A Pre-sale Permit (Shen Fang Xu Zi (2013) Futian No. 003) has been obtained for the sale of the property.

   9.4 As confirmed by the Target Company, the land use rights of the property are free from mortgage, distrain order and any encumbrances.

   9.5 As confirmed by the Target Company, the Target Company is in the process of obtaining the relevant Building and Land Ownership Certificates. There will be no substantial legal impediments for the Target Group to obtain the relevant Building and Land Ownership Certificates if the Target Group can meet all the necessary conditions and requirements under the relevant PRC laws and regulations and undergo all the relevant procedures required by the competent authorities.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 28 February 2014 *(RMB)*
2.	24 residential units in Block 2, 3, 4 and 5 Jun An Court Nongxuan Road Futian District Shenzhen City, the PRC (深圳市福田區農軒路俊安苑2棟, 3棟, 4棟及5棟24個住宅單位) *(see Note 3)*	The property comprises 24 residential units within four blocks of 17-storey residential buildings completed in 2002. The total gross floor area of the property is 3,136.73 square metres. The property is held for a term of 70 years commencing on 30 June 1998 and expiring on 29 June 2068 for residential use.	The property is currently vacant.	110,000,000

Notes:

1. As revealed by 24 sets of Building and Land Ownership Certificate registered either on 17 December 2012 or 26 April 2013 (Ref Shen Fang Di Zi Nos. 3000703685 to 3000703689, 3000703691, 3000718419, 3000718421, 3000718423, 3000718424, 3000718426, 3000718427, 3000718429 to 3000718431, 3000718433 to 3000718435, 3000718437 to 3000718439 and 3000718441 to 3000718443), the property is held by Shenzhen Nongke Group Co., Ltd. (深圳市農科集團有限公司, a wholly-owned subsidiary of the Target Company) for a term of 70 years commencing on 30 June 1998 and expiring on 29 June 2068 for residential use.

2. The property comprises the following units:

   (i) Units 9B, 10A, 12A, 13A, 13B, 15C, 16A, 16B, 17C in Block 2;

   (ii) Units 5A, 5B, 10A, 14B, 15A, 16B, 17A in Block 3;

   (iii) Units 10A, 13A, 16A, 18A in Block 4; and

   (iv) Units 3A, 12B, 14B, 16B in Block 5

3. The PRC Legal Opinion is summarized as follows:

   3.1 24 sets of Building and Land Ownership Certificate (Ref Shen Fang Di Zi No. 3000703685, Shen Fang Di Zi No. 3000703686, Shen Fang Di Zi No. 3000703687, Shen Fang Di Zi No. 3000703688, Shen Fang Di Zi No. 3000703689, Shen Fang Di Zi No. 3000703691, Shen Fang Di Zi No. 3000718419, Shen Fang Di Zi No. 3000718421, Shen Fang Di Zi No. 3000718423, Shen Fang Di Zi No. 3000718424, Shen Fang Di Zi No. 3000718426, Shen Fang Di Zi No. 3000718427, Shen Fang Di Zi No. 3000718429, Shen Fang Di Zi No. 3000718430, Shen Fang Di Zi No. 3000718431, Shen Fang Di Zi No. 3000718433, Shen Fang Di Zi No. 3000718434, Shen Fang Di Zi No. 3000718435, Shen Fang Di Zi No. 3000718437, Shen Fang Di Zi No. 3000718438, Shen Fang Di Zi No. 3000718439, Shen Fang Di Zi No. 3000718441, Shen Fang Di Zi No. 3000718442, Shen Fang Di Zi No. 3000718443 have been issued in the name of Shenzhen Nongke Group Co., Ltd. (深圳市農科集團有限公司).

   3.2 The land use rights of the property have been granted for a term spanning on between 30 June 1998 and 29 June 2068 for residential use.

   3.3 As confirmed by the Target Company, the land use rights of the property are free from mortgage, distrain order and any encumbrances.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 28 February 2014 *(RMB)*
3.	32 commercial units and 33 residential units in Xiang Zhu Garden Xianglin Road Futian District Shenzhen City, the PRC (深圳市福田區香林路香珠花園32個商業單位及33個住宅單位) *(see Note 3)*	The property comprises 32 commercial units and 17 residential units within two blocks of 15-storey residential buildings erected over a 3-storey commercial podium and 16 residential units within two blocks of 10-storey residential buildings completed in about 2009. The total gross floor areas of residential units and the commercial units of the property are 3,311.18 square metres and 3,706.68 square metres respectively. The residential units of the property are held for a land use right term of 70 years commencing on 3 March 1997 and expiring on 2 March 2067. The commercial units of the property are held for a land use right term of 40 years commencing on 3 March 1997 and expiring on 2 March 2047.	As confirmed by the Group, the property is currently vacant.	161,000,000

Notes:

1. As revealed by eight sets of Building and Land Ownership Certificate registered on between 19 December 2011 and 5 January 2012 (Ref Shen Fang Di Zi Nos. 3000675240, 3000675242, 3000675243, 3000675989, 3000676010, 3000676025, 3000676057 and 3000676197), Unit Nos. 1111, 1112, 1309 and 1310 of Block B, Unit Nos. 201 and 901 of Block C, Unit Nos. 503 and 903 of Block D of the property with a total gross floor area of 920.59 square metres are held by Shenzhen Nongke Group Co., Ltd. (深圳市農科集團有限公司, a wholly-owned subsidiary of the Target Company) for a term of 70 years commencing on 3 March 1997 and expiring on 2 March 2067 for residential use.

2. Building and Land Ownership Certificate of the remaining portion of the property have not yet been issued. As confirmed by the Target Group, the remaining portion of the property is involved in litigation and was subject to court distrain order as at the date of valuation. Our valuation has been made on the assumptions that the property is free from any encumbrances (including the court distrain order) and the owner of the property shall have no legal impediment to obtain Building and Land Ownership Certificate for those units without additional land premium or costs of substantial amount.

3. The property comprises the following units:

   (i) Residential unit nos. 1605, 1606, 1608 and 1804 to 1808 in Block A;

   (ii) Residential unit nos. 1111, 1112, 1308 to 1310, 1802, 1803, 1810 and 1811 in Block B;

   (iii) Residential unit nos. 201 and 901 in Block C;

   (iv) Residential unit nos. 203, 204, 303, 304, 403, 404, 503, 504, 603, 604, 903, (703-803) 03, (704-804) 04 and (904-1004) 04 in Block D; and

   (v) Commercial unit nos. 107, 110, 204-209, 214 to 221, 301-303, 305, 309 to 316, 319 to 322 in Block AB;

4. The PRC Legal Opinion is summarized as follows:

   4.1 8 sets of Building and Land Ownership Certificate (Ref Shen Fang Di Zi No. 3000675240, Shen Fang Di Zi No. 3000675242, Shen Fang Di Zi No. 3000675243, Shen Fang Di Zi No. 3000675989, Shen Fang Di Zi No. 3000676010, Shen Fang Di Zi No. 3000676025, Shen Fang Di Zi No. 3000676057 and Shen Fang Di Zi No. 3000676197) have been issued in the name of Shenzhen Nongke Group Co., Ltd. (深圳市農科集團有限公司)

   4.2. The land use rights of the aforesaid 8 units have been granted for a term spanning on between 3 March 1997 and 2 March 2067 for residential use.

   4.3 As confirmed by the Target Company, the land use rights of the aforesaid 8 units are free from mortgage, distrain order and any encumbrances.

   4.4 On 30 August 2013, Shenzhen Nongke Group Co., Ltd. filed a writ to the Shenzhen Futian People's Court and sought confirmation or order from the court on the following matters:

   * the legal interests of the following 32 properties are held by Shenzhen Nongke Group Co., Ltd:

     (1) 1804, 1805, 1806, 1807, 1808 in Block A;

     (2) 1802, 1803, 1810, 1811 in Block B;

     (3) 203, 204, 303, 304, 403, 404, 504, 603, 604, (7-8)03, (7-8)04, (9-10)04 in Block D;

     (4) 107, 204, 205, 206, 219, 305, 309, 316, 319 in Block AB; and

     (5) The Shouceng car parking spaces in Block C and Block D

   * Shenzhen Tai Sheng Enterprise Company (the "Defendant") should provide all necessary assistance to Shenzhen Nongke Group Co., Ltd. for completing title registration of the property in the name of Shenzhen Nongke Group Co., Ltd.; and

   * all legal costs for these proceedings should be borne by Shenzhen Tai Sheng Enterprise Company.

   4.5 At as the date of the PRC Legal Opinion, the aforesaid legal proceedings were in progress.

5. Pursuant to the Amended Acquisition Agreement, the payment of RMB170,140,000 (representing the amount of the value assigned to the Seized Units for the purpose of the Acquisition) is to be withheld by the Company at Completion, and the parties to the Amended Acquisition Agreement have further agreed that, in the event that any of the following conditions: (a) Nongke has completed the legal procedures to release all of the Seized Units; (b) Nongke has obtained the property ownership certificates of all of the Seized Units; (c) all of the Seized Units shall not be subject to any third party rights and legal proceedings; and (d) the PRC legal advisers to be engaged by the Purchaser and the Vendor having issued a legal opinion confirming the fulfillment of the conditions mentioned in (a), (b) and (c) above, is not satisfied within the 3-Year Period, the Consideration shall be adjusted downward by RMB170,140,000, being the amount of the value assigned to the Seized Units, upon the expiry of the 3-Year Period, such that the Company will not be obliged to pay the Vendor for the said RMB170,140,000. Based on the aforesaid, the Directors believe that this issue would not have material adverse impact on the interests of the Company.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 28 February 2014 *(RMB)*
4.	Unit Nos. 401 to 403 and 405 on Level 4 Unit Nos. 501 to 503 and 505 on Level 5 Nongke Office Tower Lot No. B302-0108 at the junction of Hongli West Road and Nong Xuan Road Futian District Shenzhen, the PRC (深圳市福田紅荔西路與農軒路交匯B302-0108地段農科商務辦公樓4層401至403及405單位及5層501至503及505單位)	The property comprises a total of 8 office units on Level 4 and 5 of a 13-storey commercial building completed in 2012. The total gross floor area of the property is 1,730.26 square metres. The property is held for a term of 50 years commencing on 16 November 2006 and expiring on 15 November 2056 for office use.	Level 4 is currently being occupied as property sale office and Level 5 is currently vacant.	58,830,000

Notes:

1. Pursuant to a Land Use Right Grant Contract dated 16 November 2006 entered into between the Shenzhen Land Resources and Property Administrative Bureau as Grantor and Shenzhen Nongke Property Development Co. Ltd. (a wholly-owned subsidiary of the Target Company) as Grantee, the land use rights of the subject land parcel (Lot No. B302-0108) with an area of 7,280.92 square metres were granted by the Grantor to the Grantee for a land use rights term of 50 years commencing on 16 November 2006 and expiring on 15 November 2056 for office use at a land premium, a land development fund and community facility provision fee of RMB9,848,426, RMB753,631 and RMB55,054,119 respectively. Subsequent to the aforesaid Land Use Right Grant Contract, a Supplemental Land Grant Contract was entered by Shenzhen Nongke Property Development Co. Ltd. with the Government on 27 October 2009. As confirmed by the Target Company, the land purchase consideration has been settled in full.

2. A Land Use Right Certificate (Ref Shen Fang Di Zhi No. 3000456406) was issued by the Shenzhen Land Resources and Property Administrative Bureau in the name of Shenzhen Nongke Property Development Co. Ltd. and was registered on 22 January 2007.

3. As mentioned in the Construction Land Use Planning Permit (Ref No. Shen Gui Xu Zhi No. 01-2006-0209) dated 7 June 2006 and the Construction Work Planning Permit (Ref No. Shen Gui Tu Jian Xu Zhi No. ZS-2009-0125) dated 30 October 2009, the approval scheme of the subject development contains the following material parameters:

   3.1 Total Gross Floor Area : 26,705.80 square metres (plus basement area of 9,431 square metres)

   3.2 Use of Building : Office

   3.3 No. of Storey : 13

3.4 Site Coverage : Not more than 40%

3.5 Retail Portion : Not more than 6,000 square metres of the building in term of gross floor area

4. The PRC Legal Opinion is summarized as follows:

4.1 a Land Use Right Certificate (Ref Shen Fang Di Zi No. 3000456406) has been issued in the name of Shenzhen Nongke Property Development Co. Ltd.

4.2 The land use rights of the property have been granted for a land use right term spanning on between 16 November 2006 and 15 November 2056 for commercial/office use.

4.3 As confirmed by the Company, the land use rights of the property are free from mortgage, distrain order and any encumbrances.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 28 February 2014 *(RMB)*
5.	Units B, C and D on 27th Floor and Unit D on 29th Floor, Li Cui Court Li Lin Terrace at the junction of Nonglin Road and Hongli West Road Futian District Shenzhen City, the PRC (深圳市福田區農林路與紅荔西路交匯荔林苑荔翠閣27B, 27C, 27D及29D)	The property comprises 3 residential units on the 27th Floor and 1 residential unit on the 29th Floor within a 31-storey residential building completed in 2000. The total gross floor area of the property is 374.53 square metres. The property is held for a term of 70 years commencing on 11 July 1996 for residential use.	The property is currently vacant.	No commercial value *See Note 3 below*

Notes:

1. As specified in the Building and Land Ownership Certificate (Ref Shen Fang Di Zi No. 3000073525) dated 13 June 2001, the subject land parcel (Lot No. B302-0058) on which the subject development is erected has been jointly held Shenzhen Nongke Property Development Co. Ltd. (formerly known as Shenzhen Agriculture Technology Park Development Co., Ltd. 深圳市農業科技園發展有限公司, a wholly-owned subsidiary of the Target Company) and Shenzhen Chongye Century Investment Co. Ltd. (深圳市創世記投資發展有限公司) for a term of 70 years commencing on 11 July 1996 for residential use.

2. As confirmed by the Target Group, the property constitutes the unsold portion of the flats allocated to and is entirely held by Shenzhen Nongke Property Development Co. Ltd., a wholly-owned subsidiary of the Target Company.

3. As no title certificate has been issued to the property, we have ascribed no commercial value to the property. For indication purpose, the market value of the property (assumed it is issued with title certificate) is measured at RMB10,600,000.

4. The PRC Legal Opinion is summarized as follows:

   As no title certificate has been issued to the property, the legal title to the property cannot be ascertained.

5. Pursuant to the Supplemental Acquisition Agreement entered into among the Company, the Vendor, Nongke and Shum Yip Group Limited on 8 May 2014 (the "Supplemental Acquisition Agreement"), the parties agreed to make certain amendments to the Acquisition Agreement, including the additional adjustment to the Consideration in respect of the Units B, C and D on 27th Floor and Unit D on 29th Floor in Li Cui Court, Li Lin Terrace ("Li Lin Terrace Units"). Under the Supplemental Acquisition Agreement, the payment of RMB10,600,000 (representing the value assigned to the Li Lin Terrace Units for the purpose of the Acquisition) will be withheld by the Company at Completion, and the parties to the Supplemental Acquisition Agreement further agreed that, in the event that any of the following conditions: (a) Shenzhen Nongke Property Development Limited has obtained the property ownership certificates of all of the Li Lin Terrace Units; (b) all of the Li Lin Terrace Units shall not be subject to

any third party rights and legal proceedings; and (c) the PRC legal advisers engaged by the Purchaser and the Vendor having issued a legal opinion confirming the fulfillment of the conditions mentioned in (a) and (b) above, is not satisfied within the 3-Year Period, the Consideration shall be adjusted downward by RMB10,600,000, being the amount of the value assigned to the Li Lin Terrace Units, upon the expiry of the 3-Year Period, such that the Company will not be obliged to pay the Vendor for the said RMB10,600,000. Based on the aforesaid, the Directors believe that this issue would not have material adverse impact on the interests of the Company.

VALUATION CERTIFICATE

Group II – Property Held by the Target Group for Future Development

	Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 28 February 2014 *(RMB)*
6.	Land Parcel Nos. 2014-002-0007 and 2014-002-0009 Hongli Road Futian District Shenzhen City, the PRC Lot Nos. B302-0040 and B302-0116 (深圳市福田區紅荔西路2014-002-0007及2014-002-0009地塊)	The property comprises 2 parcels of land with a total area of 39,157.94 square metres. According to the latest planning approval, Lot No. B302-0040 with an area of 36,192.94 square metres are permitted for a residential/ commercial/hotel development with a planned gross floor area of 238,873 square metres and Lot No. B302-0116 with an area of 2,965 square metres is permitted for a commercial development with a planned gross floor area of 20,459 square metres. The property is held for a land use right term of 40 years commencing on 8 April 2014 and expiring on 7 April 2054.	The property is currently vacant.	6,120,000,000.–

Notes:

1. Pursuant to the Land Grant Contract (Ref. Shen Di He Zi (2014) No. 6004) entered into between the Urban Planning and Land Resources Commission of Shenzhen First Immediate Administration Bureau (深圳市規劃和國土資源委員會第一直屬管理局, the "Grantor") and Shenzhen Shum Yip Zhong Cheng Limited (the "Grantee", an indirect wholly-owned subsidiary of the Target Company) on 15 April 2014, the land use rights of Lot No. B302-0040 of the property with an area of 36,192.94 square metres have been granted by the Grantor to the Grantee for a land use right term of 40 years commencing on 8 April 2014 and expiring on 7 April 2054 for commercial and residential (Class 2) use. As provided in such land grant contract, the total land purchase costs of the property is RMB3,225,732,935 of which RMB1,066,046,468 is payable on 1 June 2014 and the balance is payable on 1 June 2015. Our valuation of the land parcels has been made on the basis that the aforesaid land premium has been settled in full as at the Valuation Date. As revealed from 14 sets of payment receipt all issued by the Guangdong Finance Bureau on 8 April 2014, a total sum of RMB1,066,046,468 of the aforesaid land premium has been settled.

2. Pursuant to another Land Grant Contract (Ref. Shen Di He Zi (2014) No. 6005) entered into between the Urban Planning and Land Resources Commission of Shenzhen First Immediate Administration Bureau (深圳市規劃和國土資源委員會第一直屬管理局, the "Grantor") and Shenzhen Shum Yip Zhong Cheng Limited (the "Grantee") on 15 April 2014, the land use rights of Lot No. B302-0116 of the property with an area of 2,965 square metres have been granted by the Grantor to the Grantee for a land use right term of 40 years commencing on 8 April 2014 and expiring on 7 April 2054 for commercial use. As provided in such land grant contract, the total land purchase costs of the property is RMB407,604,402 of which RMB122,678,201 is payable on 1 June 2014 and the balance is payable on 1 June 2015. Our valuation of the land parcels has been made on the basis that the aforesaid land premium has been settled in full as at the Valuation Date. As revealed from 14 sets of payment receipt all issued by the Guangdong Finance Bureau on 8 April 2014, a total sum of RMB122,678,201 of the aforesaid land premium has been settled.

3. According to the Construction Land Use Planning Permit (Ref Shen Gui Tu Xu No. ZS-2014-0024) issued by the Urban Planning and Land Resources Commission of Shenzhen First Immediate Administration Bureau (深圳市規劃和國土資源委員會第一直屬管理局) on 28 March 2014, Lot No. B302-0040 of the property is subject to the following salient planning conditions:

Land Use	:	Residential (Class 2)/office/commercial
Plot Ratio	:	equal or not more than 6.6
Site Coverage	:	equal or not more than 50%
Building Height	:	equal or not more than 240 metres
Total Gross Floor Area	:	238,873 square metres (including commercial office of 60,628 square metres; commercial apartment of 63,185 square metres; residential area of 78,000 square metres; commercial area of 19,500 square metres; hotel of 7,200 square metres; ancillary kindergarten with 6 classes separately occupying a site area of not less than 1,800 square metres and having a gross floor area of 1,750 square metres; cultural activity room of 1,500; community health service centre of 1,500 square metres; community elderly day care centre of 1,500 square metres; post office of 150 square metres; cable TV sub-centres of 150 square metres; public toilets of 60 square metres; community management office of 300 square metres; convenient service station of 300 square metres; community police station of 50 square metres, 110KV substation of 2,800 square metres (which may be either semi-underground or underground), property service area of 300 square metres and community sports activities area of 1,500 square metres.
Car Parking Space	:	1,035 bays
Greenery Ratio	:	equal or not less than 30%

4. According to the Construction Land Use Planning Permit (Ref Shen Gui Tu Xu No. ZS-2014-0023) issued by the Urban Planning and Land Resources Commission of Shenzhen First Immediate Administration Bureau (深圳市規劃和國土資源委員會第一直屬管理局) on 27 March 2014, Lot No. B302-0116 of the property is subject to the following salient planning conditions:

Land Use	:	Office/commercial
Plot Ratio	:	equal or not more than 6.9
Site Coverage	:	equal or not more than 50%
Building Height	:	equal or not more than 100 metres
Total Gross Floor Area	:	20,459 square metres (including office of 19,919 square metres; commercial area of 500 square metres and property service area of 40 square metres)
Car Parking Space	:	61 bays
Greenery Ratio	:	equal or not less than 30%

5. According to the aforesaid State-owned Land Use Right Contract of Lot No. B302-0040, the community health service centre of 1,500 square metres, the community elderly day care centre of 1,500 square metres, the public toilets of 60 square metres, the community management office of 300 square metres, the convenient service station of 300 square metres and the community police station of 50 square metres to be built within the proposed development on Lot No. 302-0040 of the property shall be surrendered to the Government free of charge. The property service area of 300 square metres to be built on the same development shall be common area to be jointly owned by all owners of the development.

6. According to the aforesaid State-owned Land Use Right Contract of Lot No. B302-0116, the property service area of 40 square metres to be built on the same development shall be common area to be jointly owned by all owners of the development.

7. The PRC Legal Opinion is summarized as follows:

   The Land Grant Contract (Ref. Shen Di He Zi (2014) No. 6004) and the Land Grant Contract (Ref. Shen Di He Zi (2014) No. 6005) entered into by the Urban Planning and Land Resources Commission of Shenzhen First Immediate Administration Bureau (深圳市規劃和國土資源委員會第一直屬管理局, the "Grantor") and Shenzhen Shum Yip Zhong Cheng Limited (the "Grantee") are legally binding. After having obtained all the necessary approval under PRC laws regulations and conducted all the necessary procedures required by the competent authorities, Shenzhen Shum Yip Zhong Cheng Limited could obtain the relevant Land Use Right Certificates.

VALUATION CERTIFICATE

Group III – Properties Held by the Target Group for Investment

	Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 28 February 2014 *(RMB)*
7.	Units 304, 306, 307, 308, 317 and 318 in Xiang Zhu Garden Xianglin Road Futian District Shenzhen City, the PRC (深圳市福田區香林路香珠花園304, 306, 307, 308, 317 及318單位)	The property comprises 6 commercial units within a 3-storey commercial podium completed in about 1998. The total gross floor area of the property is 609.33 square metres. The property is held for a land use right term of 40 years commencing on 3 March 1997 and expiring on 2 March 2047.	The property is currently vacant.	9,140,000.–

Notes:

1. Building and Land Ownership Certificate of the property has not yet been issued. As confirmed by the Target Group, the property is involved in litigation and was subject to court distrain order as at the date of valuation. Our valuation has been made on the assumptions that the property is free from any encumbrances (including the court distrain order) and the owner of the property shall have no legal impediment to obtain Building and Land Ownership Certificate for those units without additional land premium or costs of substantial amount.

2. The PRC Legal Opinion is summarized as follows:

   2.1 In August 2013, Shenzhen Nongke Property Development Limited (深圳市農科房地產開發有限公司, a wholly-owned subsidiary of the Target Company) filed a writ to the Shenzhen Futian People's Court and sought confirmation or order from the court on the following matters:

   * the legal interests of following 22 Properties are held by Shenzhen Nongke Property Development Limited

   (1) 1605, 1606 and 1608 in Block A

   (2) 1308 in Block B; and

   (3) 301 to 304, 306 to 308, 310 to 315, 317, 318, 320, 321 and 322 in Block AB

   * Shenzhen Tai Sheng Enterprise Company (the "Defendant") should provide all necessary assistance to Shenzhen Nongke Group Co., Ltd. for completing title registration of the property in the name of Shenzhen Nongke Group Co., Ltd.; and

   2.2 At as the date of the PRC Legal Opinion, the aforesaid legal proceedings were in progress.

3. Pursuant to the Amended Acquisition Agreement, the payment of RMB170,140,000 (representing the amount of the value assigned to the Seized Units for the purpose of the Acquisition) is to be withheld by the Company at Completion, and the parties to the Amended Acquisition Agreement have further agreed that, in the event that any of the following conditions: (a) Nongke has completed the legal procedures to release all of the Seized Units; (b) Nongke has obtained the property ownership certificates of all of the Seized Units; (c) all of the Seized Units shall not be subject to any third party rights and legal proceedings; and (d) the PRC legal advisers to be engaged by the Purchaser and the Vendor having issued a legal opinion confirming the fulfillment of the conditions mentioned in (a), (b) and (c) above, is not satisfied within the 3-Year Period, the Consideration shall be adjusted downward by RMB170,140,000, being the amount of the value assigned to the Seized Units, upon the expiry of the 3-Year Period, such that the Company will not be obliged to pay the Vendor for the said RMB170,140,000. Based on the aforesaid, the Directors believe that this issue would not have material adverse impact on the interests of the Company.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 28 February 2014 *(RMB)*
8.	Nos. 101, 102, 201, 207 and 208 Xiangli Oasis Club Nongfang Road Futian District Shenzhen City, the PRC (深圳市福田區農坊路香荔綠洲會所101, 102, 201, 207及208號)	The property comprises two commercial units within a 2-storey commercial podium completed in about 2003. The total gross floor area of the property is 2,212.09 square metres. The property is held for a term of 70 years commencing on 18 December 2001 and expiring on 17 December 2071 for club house use.	Portions of the property with a total floor area of 1,668.87 square metres are subject to various tenancies for terms expiring on between 15 August 2013 and 15 August 2014 at a total monthly rent of RMB163,003.68. The remaining portion of the property is being leased out for unspecified lease term at an annual rental of RMB184,000.	24,330,000.–

Notes:

1. As revealed by 5 sets of Building and Land Ownership Certificate (Ref Shen Fang Di Zi Nos. 3000646004, 3000645998, 3000646337, 3000646139 and 3000646136) registered on between 28 January 2011 and 31 January 2011, the property is held by Shenzhen Nongke Property Development Co. Ltd. (深圳市農科房地產開發有限公司, a wholly-owned subsidiary of the Target Company) 深圳市農科集團有限公司 for a term of 70 years commencing on 18 December 2001 and expiring on 17 December 2071 for club house (會所) use.

2. The PRC Legal Opinion is summarized as follows:

   2.1 5 sets of Building and Land Ownership Certificate (Ref Shen Fang Di Zi No. 3000646004, Shen Fang Di Zi No. 3000645998, Shen Fang Di Zi No. 3000646337, Shen Fang Di Zi No. 3000646139 and Shen Fang Di Zi No. 3000646136) have been issued in the name of Shenzhen Nongke Property Development Co. Ltd. (深圳市農科房地產開發有限公司, a wholly-owned subsidiary of the Target Company)深圳市農科集團有限公司

   2.2 The land use rights of the property have been granted for a land use right term spanning on between 18 December 2001 and 17 December 2071 for residential use.

   2.3 As confirmed by the Company, the land use rights of the property are free from mortgage, distrain order and any encumbrances.

   2.4 In November 2011, the Residents' Committee (the "RC") of the subject development sued Shenzhen Nongke Property Development Co. Ltd. and Shenzhen Nongke Group Co. Ltd. on the ground that the property should be used as common facilities for the benefits of the subject development and should not be leased by Shenzhen Nongke Property Development Co. Ltd. and Shenzhen Nongke Group Co. Ltd. for the exclusive use of any third parties. The RC has requested Shenzhen Nongke Property Development Co Ltd and Shenzhen Nongke Group Co. Ltd. to stop infringing the interests of the residents, restore the property into common facilities and to compensate the RC for any damages.

2.5 On 13 February 2012, the People's Court of Futian, Shenzhen has laid down a judgment (Ref ([2011] Shen Fu Fa Min San Chu Zi No. 2509)and ruled that the RC is not eligible to take legal action on behalf of the owners of the subject developments and the prosecution was dismissed.

2.6 On 12 March 2012, the RC appealed to the Intermediate People's Court of Shenzhen against the aforesaid judgment. The judgment from the Intermediate People's Court of Shenzhen (Ref [2012] Shen Zhong Fang Zhong Zi No. 1982) was laid down on 19 December 2013 and revoked the judgment of the People's Court of Futian, Shenzhen. The People's Court of Futian, Shenzhen was ordered to handle the litigation. As at the date of the PRC Legal Opinion, the legal proceedings were not yet completed.

3. Under the Amended Acquisition Agreement, the Vendor has given certain undertakings, and also has agreed to indemnify the Company for losses, liabilities or expenses, directly or indirectly incurred by the Company, arising from, as a result of or based on, certain legal proceedings involving the Target Group. As such, pursuant to the terms of the Amended Acquisition Agreement, the Vendor has agreed to promptly compensate the Company and to indemnify the Company for any other losses, liabilities or expenses incurred by the Purchaser if 深圳市農科房地產開發有限公司 (Shenzhen Nongke Property Development Limited) and Nongke loss the action and are held liable by the court. Therefore, the Directors believe that the legal proceedings with the RC in connection with the property would not have material adverse impact on the Target Group's operations and the interests of the Company.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 28 February 2014 *(RMB)*
9.	Various units in Times Technology Building No. 7028 Shennan Boulevard Futian District Shenzhen City, the PRC. (深圳市福田深南大道7028號時代科技大廈單位) *(see Note 2)*	The property comprises various commercial units within a 28-storey commercial building completed in 2009. The total gross floor area of the property is 52,742.86 square metres. The property is held for a term of 50 years commencing on 19 October 1995 and expiring 18 October 2045 on for office use.	The property is subject to various tenancies expiring on between 14 June 2014 and 27 April 2028 at a total current monthly rent of RMB5,529,323.37 exclusive of management fee and air conditioning charges.	1,845,000,000.–

Notes:

1. As specified in 217 sets of Building and Land Ownership Certificates registered on between 8 July 2011 and 1 August 2011, the property is held by Shenzhen Nongke Property Development Co. Ltd. (深圳市農科房地產開發有限公司, a wholly-owned subsidiary of the Target Company) for a term of 50 years commencing on 19 October 1995 and expiring on 18 October 2045 for office use.

2. The property comprises the following units:

   - Unit Nos. 101 to 103, 105 to 108 on Level 1;
   - Unit Nos. 202 and 203 on Level 2;
   - Unit Nos. 302, 303, 305 to 313, 315 and 316 on Level 3;
   - Unit Nos. 606 to 613, 615 to 621 on Level 6;
   - Unit Nos. 710 to 713, 715 to 720 on Levels 7;
   - Unit Nos. 801 to 803, 805 to 813, 815 to 821 and 823 on Level 8;
   - Unit Nos. 901 to 903, 905 to 913, 915 to 923 on Level 9;
   - Unit Nos. 1010 to 1013, 1015 to 1020 on Level 10;
   - Unit Nos. 1101 to 1103, 1105-1113, 1115 to 1123 on Level 11;
   - Unit Nos. 1201 to 1203, 1205 to 1213, 1215 to 1223 on Level 12;
   - Unit Nos. 1401 to 1403, 1405 to 1413 and 1415 on Level 14;
   - Unit Nos. 1501 to 1503, 1505 to 1513, 1515 and 1516 on Level 15;
   - Unit Nos. 1601 to 1603, 1605 to 1613, 1615 and 1616 on Level 16;
   - Unit Nos. 1701 to 1703, 1705 to 1713, 1715 and 1716 on Level 17;
   - Unit Nos. 1801 to 1803, 1805 to 1813, 1815 and 1816 on Level 18; and
   - Unit Nos. 2001 to 2003, 2005, 2006, 2013, 2015 and 2016 on Level 20.

3. The PRC Legal Opinion is summarized as follows:

3.1 217 sets of Building and Land Ownership Certificate (Ref Shen Fang Di Zi No. 3000661446 to Shen Fang Di Zi No. 3000661485, Shen Fang Di Zi No. 3000661507, Shen Fang Di Zi No. 3000661508 to Shen Fang Di Zi No. 3000661532, Shen Fang Di Zi No. 3000661534 to Shen Fang Di Zi No. 3000661547, Shen Fang Di Zi No. 3000661549 to Shen Fang Di Zi No. 3000661565, Shen Fang Di Zi No. 3000661576, Shen Fang Di Zi No. 3000661578 to Shen Fang Di Zi No. 3000661580, Shen Fang Di Zi No. 3000661582, Shen Fang Di Zi No. 3000661583, Shen Fang Di Zi No. 3000661585 to Shen Fang Di Zi No. 3000661589, Shen Fang Di Zi No. 3000661591 to Shen Fang Di Zi No. 3000661602, Shen Fang Di Zi No. 3000663511 to Shen Fang Di Zi No., 3000663523, Shen Fang Di Zi No. 3000663525, Shen Fang Di Zi No. 3000663526, Shen Fang Di Zi No. 3000663529, Shen Fang Di Zi No. 3000663530, Shen Fang Di Zi No. 3000663532 to Shen Fang Di Zi No. 3000663548, Shen Fang Di Zi No. 3000663891, Shen Fang Di Zi No. 3000663893 to Shen Fang Di Zi No. 3000663895, Shen Fang Di Zi No. 3000663901, Shen Fang Di Zi No. 3000663903 to Shen Fang Di Zi No. 3000663905, Shen Fang Di Zi No. 3000663908, Shen Fang Di Zi No. 3000663910 to Shen Fang Di Zi No. 3000663913, Shen Fang Di Zi No. 3000663915 to Shen Fang Di Zi No. 3000663920, Shen Fang Di Zi No. 3000663922, Shen Fang Di Zi No. 3000663924 to Shen Fang Di Zi No. 3000663926, Shen Fang Di Zi No. 3000663928, Shen Fang Di Zi No. 3000663948 to Shen Fang Di Zi No. 3000663957, Shen Fang Di Zi No. 3000663959 to Shen Fang Di Zi No. 3000663987 have been issued in the name of Shenzhen Nongke Property Development Co. Ltd. (深圳市農科房地產開發有限公司) for office use.

3.2 As confirmed by the Company, the land use rights of the property are free from mortgage, distrain order and any encumbrances.

4. As confirmed by the Target Group, there are a total of 540 car parking spaces on Basement Level 1 to 3 of the subject development possessed by it. In the absence of any title certificate and legal document to prove the Target Group's legal title to these car parking spaces, we have excluded them in the course of our valuation of the property. For indication purpose, the market value of the 540 car parking space as at the valuation date is measured at a sum of RMB70,200,000.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 28 February 2014 *(RMB)*
10.	43 residential units in Block 20, 31, 33 and 35 Longxi Garden, Northeastern junction of Nonglin Road and Zetian Road Futian District Shenzhen City, the PRC (深圳市福田區農林路與澤田路交界東北龍溪花園20, 31, 33及35座43個住宅單位) *(see Note 2)*	The property comprises 43 residential units within four blocks of 4 to 7-storey residential buildings completed in between 1994 to 1996. The total gross floor area of the property is 3,849.9 square metres. The property is held for a term of 70 years commencing on 1 January 1989 and expiring on 31 December 2058 for residential use.	39 residential units of the property with a total gross floor area of 3,470.82 square metres are subject to various tenancies for terms expiring on between 30 April 2014 and 31 January 2015 at a total monthly rent of RMB110,380.	153,950,000.–

Notes:

1. As revealed by 43 sets of Building and Land Ownership Certificates (Ref Shen Fang Di Zi Nos. 3000322508, 3000322509, 3000322518 to 3000322520, 3000322523, 3000322524, 3000322527, 3000322528, 3000322530, 3000322531, 3000322548 to 3000322552, 3000663074, 3000663077, 3000663079, 3000663084, 3000663085, 3000663087, 3000663089, 3000663091 to 3000663093, 3000663095, 3000663097, 3000663099, 3000663102, 3000663209 to 3000663211, 3000663213, 3000663215, 3000663216 and 3000663218 to 3000663224 all registered on 15 March 2005, the subject property with a total gross floor area of 3,849.9 square metres are held by Shenzhen Nongke Group Co., Ltd. (深圳農科集團有限公司, a wholly-owned subsidiary of the Target Company) for a term of 70 years commencing on 1 January 1989 and expiring on 31 December 2058 for residential use.

2. The property comprises the following units:

   (i) Units 403 and 404 in Block 20;

   (ii) Units 101, 103, 201, 503 in Block 31;

   (iii) Units 101, 102, 103, 104, 201, 202, 203, 204, 302, 303, 304, 401, 402, 403, 404, 501, 502, 503, 504, 601, 602, 603 and 604 in Block 33; and

   (iv) Units 103, 203, 204, 303, 304, 403, 404, 503, 504, 603, 604, 702, 703, and 704 in Block 35.

3. The subject development has been the subject of demolition and investment operation by an independent third party property developer namely Zhongzhou Yuehua Investment Limited ("Zhongzhou Yuehua"). On 3 September 2012, Shenzhen Nongke Holdings Company Limited entered into an agreement with Zhongzhou Yuehua, pursuant to which Zhongzhou Yuehua agreed to pay Shenzhen Nongke Holdings Company Limited a total sum of RMB250,457,000 (equivalent to HK$311,818,965, the "Longxi Garden Relocation Fee") for the relocation of certain shops, canteens, community health centers, kindergartens, dormitories and other buildings, structures, appurtenances of the subject development Longxi Garden (including properties numbered 10, 11, 14 and 15 of this valuation report).

4. The PRC Legal Opinion is summarized as follows:

4.1 43 sets of Building and Land Ownership Certificates (Ref Shen Fang Di Zi No. 3000322551, Shen Fang Di Zi No.3000322523, Shen Fang Di Zi No.3000322528, Shen Fang Di Zi No.3000322520, Shen Fang Di Zi No.3000322548, Shen Fang Di Zi No.3000322530, Shen Fang Di Zi No.3000322524, Shen Fang Di Zi No.3000322552, Shen Fang Di Zi No.3000322550, Shen Fang Di Zi No.3000322549, Shen Fang Di Zi No.3000322509, Shen Fang Di Zi No.3000322508, Shen Fang Di Zi No.3000322518, Shen Fang Di Zi No.3000322531, Shen Fang Di Zi No.3000322519, Shen Fang Di Zi No.3000322527, Shen Fang Di Zi No.3000663099, Shen Fang Di Zi No.3000663102, Shen Fang Di Zi No.3000663222, Shen Fang Di Zi No.3000663223, Shen Fang Di Zi No.3000663211, Shen Fang Di Zi No.3000663210, Shen Fang Di Zi No.3000663209, Shen Fang Di Zi No.3000663224, Shen Fang Di Zi No.3000663097, Shen Fang Di Zi No.3000663095, Shen Fang Di Zi No.3000663093, Shen Fang Di Zi No.3000663092, Shen Fang Di Zi No.3000663091, Shen Fang Di Zi No.3000663089, Shen Fang Di Zi No.3000663087, Shen Fang Di Zi No.3000663085, Shen Fang Di Zi No.3000663084, Shen Fang Di Zi No.3000663077, Shen Fang Di Zi No.3000663079, Shen Fang Di Zi No.3000663074, Shen Fang Di Zi No.3000663221, Shen Fang Di Zi No.3000663220, Shen Fang Di Zi No.3000663219, Shen Fang Di Zi No.3000663218, Shen Fang Di Zi No.3000663216, Shen Fang Di Zi No.3000663215 and Shen Fang Di Zi No.3000663213) have been issued in the name of Shenzhen Nongke Group Co., Ltd. (深圳農科集團有限公司).

4.2 The land use rights of the property have been granted for a term spanning on between 1 January 1989 and 31 December 2058 for residential use.

4.3 As confirmed by the Company, the land use rights of the property are free from mortgage, distrain order and any encumbrances.

4.4 According to the relevant provisions of the Shenzhen Urban Renewal Procedures Implementation Rules《深圳市城市更新辦法實施細則》, whether the implementation body of the urban renewal project can be confirmed is subject to several conditions under the PRC laws and regulations, including but not limiting to:

- the planning of the urban renewal project has been approved;
- the removal entity has entered into valid Property Compensation and Relocation Agreements with all interested parties of the properties involved in the urban renewal project; and
- the application for implementation body has been approved by the Urban Renewal Project Authorities.

4.5 The Interim Measures To Strengthen and Improve the Implementation of Urban Renewal (關於加強和改進城市更新實施工作的暫行措施) further provide that the implementation body cannot be confirmed within two years from the publication planning approval date of the particular urban renewal project, the Shenzhen Town Planning and Land Committee (深圳市規劃國土委) can act in accordance with relevant procedures to revise the publicly announced list of urban renewal projects and exclude that urban renewal project from the list.

4.6 As at the date of the PRC Legal Opinion, the Target Company has not yet provided the PRC Legal Adviser with all relevant planning approval document in relation to the urban renewal project for Longxi Garden. As confirmed by the Target Company, only about 30% of the owners of the properties of Longxi Garden have entered into Property Compensation and Relocation Agreements with Zhongzhou Yuehua.

4.7 Based on the above, the PRC Legal Adviser opines that there is possibility for Longxi Garden being excluded from the publicly announced list of urban renewal projects. It is also uncertain whether Shenzhen Nongke Group Co., Ltd. can finally exchange with Zhongzhou Yuehua for the property (by surrendering the subject property and getting back properties of the redevelopment of the urban renewal project at a ratio of 1 to 1.3 square metres in term of gross floor area) in accordance with the terms and conditions of the Property Compensation and Relocation Agreement.

5. According to the agreements in respect of the urban renewal project for Longxi Garden between the Target Group and Zhongzhou Yuehua, Zhongzhou Yuehua, being the applicant of the urban renewal project for the subject development, therefore needs to submit the relevant documents to the authority for approval. As at the latest practicable date, the Target Group has not been informed by Zhongzhou Yuehua that it has completed the submission process of the documents.

6. Pursuant to the Amended Acquisition Agreement, the parties thereto agreed that the payment of the Longxi Garden Relocation Fee of RMB250,457,000 will be withheld by the Company at Completion, and the parties to the Amended Acquisition Agreement have further agreed that, in the event that Shenzhen Nongke Holdings Company Limited has not fully received the balance of the Longxi Garden Relocation Fee (i.e. after deducting the deposit of RMB30,000,000 which had already been received by Shenzhen Nongke Holdings Company Limited) and the full amount of the Longxi Garden Relocation Fee is not accounted for as revenue in accordance with the applicable accounting principles within 3 years after the Completion Date, the consideration will be adjusted downward by an amount of RMB250,457,000, and the Company will not be obliged to pay Shum Yip Holdings Company Limited (the "Vendor") for the said RMB250,457,000 (but will be required to return the said RMB30,000,000 deposit and any amount of the Longxi Garden Relocation Fee received to the Vendor). It is also stipulated under the Amended Acquisition Agreement that (i) if the Target Group could not exchange the agreed proportion of properties in accordance with the agreements with respect to the urban renewal project for Longxi Garden, or not obtain such relevant building and land ownership certificates, or (ii) if any loss is suffered by Nongke as a result of any clam by other owners of Longxi Garden for the Longxi Garden Relocation Fee received by Shenzhen Nongke Holdings Company Limited, the Vendor will be required to indemnify the Company promptly against all such losses incurred by the Company. Based on the aforesaid, the Directors believe that this issue would not have material adverse impact on the interests of the Company. Our valuation of the property has been arrived at without regard to the urban renewal project for Longxi Garden.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 28 February 2014 *(RMB)*
11.	32 residential units in Block 2, 3, 5, 6, 8, 9, 10, 12, 14, 17, 18 and 24 Longxi Garden, Northeastern junction of Nonglin Road and Zetian Road Futian District Shenzhen City, the PRC (深圳市福田區農林路與澤田路交界東北龍溪花園2, 3, 5, 6, 8, 9, 10, 12, 14, 17, 18及24座32個住宅單位) *(see Note 1)*	The property comprises 32 residential units within 12 blocks of 3 to 5-storey residential buildings completed in between 1984 and 1994. The total gross floor area of the property is 2,665.37 square metres. The property is held for a term of 50 years expiring on between 1 January 2039 and 1 July 2041 for residential use.	29 residential units of the property with a total gross floor area of 2,403.36 square metres are subject to various tenancies for terms expiring on between 31 January 2014 and 31 August 2014 at a total monthly rent of RMB79,232.	87,270,000.– *(see Note 4 below)*

Notes:

1. The property comprises Unit Nos. 201 and 302 in Block 2; Unit No. 202 in Block 3; Unit Nos. 301 and 302 in Block 5; Unit Nos. 102 and 201 in Block 6; Unit 202 in Block 8; Unit Nos. 202 and 302 in Block 9; Unit 201 in Block 10; Unit Nos. 101, 102, 201, 202, 301, 302, 401 and 402 in Block 12; Unit Nos. 101, 102, 201, 202, 301, 302, 401 and 402 in Block 14; Unit Nos. 101 and 102 in Block 17; Unit Nos. 201 and 202 in Block 18 and Unit No. 301 in Block 24 of the subject development.

2. As revealed by 25 sets of Building and Land Ownership Certificates (Ref Shen Fang Di Zi Nos. 3000330065, 3000330067 to 3000330077, 3000358300, 3000358301, 3000358315, 3000358316, 3000359167, 3000359173, 3000359174, 3000359176, 3000359178, 3000407192 and 3000459057 to 3000459059) registered on between 10 May 2005 and 16 March 2007, Unit Nos. 201 and 302 in Block 2; Unit No. 202 in Block 3; Unit Nos. 301 and 302 in Block 5; Unit Nos. 102 and 201 in Block 6; Unit 202 in Block 8; Unit Nos. 202 and 302 in Block 9; Unit Nos. 101, 102, 201, 202, 301, 302, 401 and 402 in Block 12; Unit Nos. 101, 201, 202, 301, 302 and 402 in Block 14 and Unit No. 201 in Block 18 of the property with a total gross floor area of 2,100.36 square metres are held by Shenzhen Nongke Group Co., Ltd. (深圳市農科集團有限公司, a wholly-owned subsidiary of the Target Company) for a land use right term expiring on between 1 January 2039 and 1 July 2041 for residential use.

3. As revealed by 5 sets of Building and Land Ownership Certificates (Ref Shen Fang Di Zi Nos. 3000032815, 3000033187, 3000033191, 3000033192 and 3000275386) registered either on 28 April 1999 or 29 April 1999, Unit No. 201 in Block 10; Unit Nos. 101 and 102 in Block 17; Unit No. 202 in Block 18 and Unit No. 301 in Block 24 of the property with a total gross floor area of 398.41 square metres are held by Shenzhen Nongke Group Co., Ltd. (深圳市農科集團有限公司, a wholly-owned subsidiary of the Target Company, former known as 深圳農科中心) for a land use right term expiring on between 5 April 2033 and 1 July 2041 for residential use.

4. Building and Land Ownership Certificates of Unit Nos. 102 and 401 in Block 14 of the property have not yet been issued as at the date of valuation. As no title certificate has been issued to the two units, we have ascribed no commercial value to them. For indication purpose, the market value of the two units (assumed they are issued with title certificate) is measured at RMB5,820,000.

5. The property is being categorized as non-commodity property and is prohibited from being transferred on the market. In determining the market value of the property, we have taken into account the land premium payable to the Government in order to convert the property from non-commodity property into commodity property that can be freely transferred on the market. In view of the prevailing standard land prices laid down by the Land Resources Administration Bureau of Shenzhen, the amount of land premium is estimated at RMB5,074 per square metres (in term of gross floor area). Hence, the total land premium applicable to the property is approximately RMB13,524,000.

6. The subject development has been the subject of demolition and investment operation by an independent third party property developer namely Zhongzhou Yuehua Investment Limited ("Zhongzhou Yuehua"). On 3 September 2012, Shenzhen Nongke Holdings Company Limited entered into an agreement with Zhongzhou Yuehua, pursuant to which Zhongzhou Yuehua agreed to pay Shenzhen Nongke Holdings Company Limited a total sum of RMB250,457,000 (equivalent to HK$311,818,965, the "Longxi Garden Relocation Fee") for the relocation of certain shops, canteens, community health centers, kindergartens, dormitories and other buildings, structures, appurtenances of the subject development Longxi Garden (including properties numbered 10, 11, 14 and 15 of this valuation report).

7. The PRC Legal Opinion is summarized as follows:

   7.1 25 sets of Building and Land Ownership Certificate (Ref Shen Fang Di Zi No. 3000330065, Shen Fang Di Zi No., 3000330067, Shen Fang Di Zi No. 3000330068, Shen Fang Di Zi No. 3000330069, Shen Fang Di Zi No. 3000330070, Shen Fang Di Zi No. 3000330071, Shen Fang Di Zi No. 3000330072, Shen Fang Di Zi No. 3000330073, Shen Fang Di Zi No. 3000330074, Shen Fang Di Zi No. 3000330075, Shen Fang Di Zi No. 3000330076, Shen Fang Di Zi No. 3000330077, Shen Fang Di Zi No. 3000358300, Shen Fang Di Zi No. 3000358301, Shen Fang Di Zi No. 3000358315, Shen Fang Di Zi No. 3000358316, Shen Fang Di Zi No. 3000359167, Shen Fang Di Zi No. 3000359173, Shen Fang Di Zi No. 3000359174, Shen Fang Di Zi No. 3000359176, Shen Fang Di Zi No. 3000359178, Shen Fang Di Zi No. 3000407192, Shen Fang Di Zi No. 3000459057, Shen Fang Di Zi No. 3000459058 and Shen Fang Di Zi No. 3000459059) have been issued in the name of Shenzhen Nongke Group Co., Ltd. (深圳市農科集團有限公司) in relation to 25 units of the property.

   7.2 Another 5 sets of Building and Land Ownership Certificate (Ref Shen Fang Di Zi No. 3000032815, Shen Fang Di Zi No., 3000033187, Shen Fang Di Zi No. 3000033191, Shen Fang Di Zi No. 3000033192 and Shen Fang Di Zi No. 3000275386) have been issued in the name of Shenzhen Nongke Group Co., Ltd. (深圳市農科集團有限公司, a wholly-owned subsidiary of the Target Company, former known as 深圳農科中心) in relation to another 5 units of the property.

   7.3 The land use rights of the aforesaid 30 units of the property have been granted for a term spanning on between 1 January 1989 and 1 July 2041 for residential use.

   7.4 As confirmed by the Company, the land use rights of the aforesaid 30 units of the property are free from mortgage, distrain order and any encumbrances.

   7.5 As no title certificate of Unit Nos. 102 and 401 in Block 14 can be produced to the PRC Legal Advisers, the legal title to the two units of the property cannot be ascertained. As provided in the Property Compensation and Relocation Agreements entered into between the Shenzhen Nongke Group Co., Ltd. and Zhongzhou Yuehua, the parties are entitled to adjust the scope (number of units) and the scale (floor area) of the concerned units if property title of those units is in dispute.

   7.6 According to the relevant provisions of the Shenzhen Urban Renewal Procedures Implementation Rules《深圳市城市更新辦法實施細則》, whether the implementation body of the urban renewal project can be confirmed is subject to several conditions under the PRC laws and regulations, including but not limiting to:

   - the planning of the urban renewal project has been approved;

   - the removal entity has entered into valid Property Compensation and Relocation Agreements with all interested parties of the properties involved in the urban renewal project; and

   - the application for implementation body has been approved by the Urban Renewal Project Authorities.

7.7 The Interim Measures To Strengthen and Improve the Implementation of Urban Renewal (關於加強和改進城市更新實施工作的暫行措施) further provide that if the implementation body cannot be confirmed within two years from the planning approval date of the particular urban renewal project, the Shenzhen Town Planning and Land Committee (深圳市規劃國土委) can act in accordance with relevant procedures to revise the publicly announced list of urban renewal projects and exclude that urban renewal project from the list.

7.8 As at the date of the PRC Legal Opinion, the Target Company has not yet provided the PRC Legal Adviser with all relevant planning approval documents in relation to the urban renewal project for Longxi Garden. As confirmed by the Target Company, only about 30% of the owners of the properties of Longxi Garden have entered into Property Compensation and Relocation Agreements with Zhongzhou Yuehua.

7.9 Based on the above, the PRC Legal Adviser opines that there is possibility for Longxi Garden being excluded from the publicly announced list of urban renewal projects. It is also uncertain whether Shenzhen Nongke Group Co., Ltd. can finally exchange with Zhongzhou Yuehua for the property (by surrendering the subject property and getting back properties of the redevelopment of the urban renewal project at a ratio of 1 to 1.3 square metres in term of gross floor area) in accordance with the terms and conditions of the Property Compensation and Relocation Agreement.

8. According to the agreements in respect of the urban renewal project for Longxi Garden between the Target Group and Zhongzhou Yuehua, Zhongzhou Yuehua, being the applicant of the urban renewal project for the subject development, therefore needs to submit the relevant documents to the authority for approval. As at the latest practicable date, the Target Group has not been informed by Zhongzhou Yuehua that it has completed the submission process of the documents.

9. Pursuant to the Amended Acquisition Agreement, the parties thereto agreed that the payment of the Longxi Garden Relocation Fee of RMB250,457,000 will be withheld by the Company at Completion, and the parties to the Amended Acquisition Agreement have further agreed that, in the event that Shenzhen Nongke Holdings Company Limited has not fully received the balance of the Longxi Garden Relocation Fee (i.e. after deducting the deposit of RMB30,000,000 which has already been received by Shenzhen Nongke Holdings Company Limited) and the full amount of the Longxi Garden Relocation Fee is not accounted for as revenue in accordance with the applicable accounting principles within 3 years after the Completion Date, the consideration will be adjusted downward by an amount of RMB250,457,000, and the Company will not be obliged to pay Shum Yip Holdings Company Limited (the "Vendor") for the said RMB250,457,000 (but will be required to return the said RMB30,000,000 deposit and any amount of the Longxi Garden Relocation Fee received to the Vendor). It is also stipulated under the Amended Acquisition Agreement that (i) if the Target Group could not exchange the agreed proportion of properties in accordance with the agreements with respect to the urban renewal project for Longxi Garden, or not obtain such relevant building and land ownership certificates, or (ii) if any losses is suffered by Nongke as a result of any clam by other owners of Longxi Garden for the Longxi Garden Relocation Fee received by Shenzhen Nongke Holdings Company Limited, the Vendor will be required to indemnify the Company promptly against all such losses incurred by the Company. Based on the aforesaid, the Directors believe that this issue would not have material adverse impact on the interests of the Company. Our valuation of the property has been arrived at without regard to the urban renewal project for Longxi Garden.

10. Pursuant to the Supplemental Acquisition Agreement, the payment of RMB5,820,000 (representing the amount of value to be assigned to Units 102 and 401 in Block 14 in Longxi Garden ("Longxi Garden Units") for the purpose of the Acquisition) will be withheld by the Company at Completion, and the parties to the Supplemental Acquisition Agreement have further agreed that, in the event that any of the following conditions: (a) Nongke has obtained the property ownership certificates of all of Longxi Garden Units; (b) all of the Longxi Garden Units shall not be subject to any third party rights and legal proceedings; and (c) the PRC legal advisers engaged by the Purchaser and the Vendor having issued a legal opinion confirming the fulfillment of the conditions mentioned in (a) and (b) above, is not satisfied within the 3-Year Period, the Consideration shall be adjusted downward by RMB5,820,000, being the amount of value to be assigned to Longxi Garden Units, upon the expiry of the 3-Year Period, such that the Company will not be obliged to pay the Vendor for the said RMB5,820,000. Based on the aforesaid, the Directors believe that this issue would not have material adverse impact on the interests of the Company.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 28 February 2014 *(RMB)*
12.	Level 1 to 3 Nongke Office Tower Lot No. B302-0108 at the junction of Hongli West Road and Nong Xuan Road Futian District Shenzhen, the PRC (深圳市福田紅荔西路與農軒路交匯B302-0108地段農科商務辦公樓1層至及3層)	The property comprises all commercial units on Level 1 to Level 3 of a 13-storey commercial building completed in 2012. The total gross floor area of the property is 5,759.83 square metres. The property is held for a term of 50 years commencing on 16 November 2006 and expiring on 15 November 2056 for office use.	The property is subject to various tenancies for terms expiring on between 14 April 2020 and 30 November 2020 at a current monthly rent of RMB712,657.31 exclusive of management fees.	181,410,000

Notes:

1. Pursuant to a Land Use Right Grant Contract dated 16 November 2006 entered into between the Shenzhen Land Resources and Property Administrative Bureau as Grantor and Shenzhen Nongke Property Development Co. Ltd. (a wholly-owned subsidiary of the Target Company) as Grantee, the land use rights of the subject land parcel (Lot No. B302-0108) with an area of 7,280.92 square metres were granted by the Grantor to the Grantee for a land use rights term of 50 years commencing on 16 November 2006 and expiring on 15 November 2056 for office use at a land premium, a land development fund and community facility provision fee of RMB9,848,426, RMB753,631 and RMB55,054,119 respectively. Subsequent to the aforesaid Land Use Right Grant Contract, a Supplemental Land Grant Contract was entered by Shenzhen Nongke Property Development Co. Ltd. with the Government on 27 October 2009. As confirmed by the Target Company, the land purchase consideration has been settled in full.

2. A Land Use Right Certificate (Ref Shen Fang Di Zhi No. 3000456406) was issued by the Shenzhen Land Resources and Property Administrative Bureau in the name of Shenzhen Nongke Property Development Co. Ltd. and was registered on 22 January 2007.

3. As mentioned in the Construction Land Use Planning Permit (Ref No. Shen Gui Xu Zhi No. 01-2006-0209) dated 7 June 2006 and the Construction Work Planning Permit (Ref No. Shen Gui Tu Jian Xu Zhi No. ZS-2009-0125) dated 30 October 2009, the approval scheme of the subject development contains the following material parameters:

   3.1 Total Gross Floor Area : 26,705.80 square metres (plus basement area of 9,431 square metres)

   3.2 Use of Building : Office

   3.3 No. of Storey : 13

   3.4 Site Coverage : Not more than 40%

   3.5 Retail Portion : Not more than 6,000 square metres of the building in term of gross floor area

4. The PRC Legal Opinion is summarized as follows:

   4.1 a Land Use Right Ownership Certificate (Ref Shen Fang Di Zi No. 3000456406) has been issued in the name of Shenzhen Nongke Property Development Co. Ltd.

   4.2 The land use rights of the property have been granted for a land use right term spanning on between 16 November 2006 and 15 November 2056 for commercial/office use.

   4.3 As confirmed by the Company, the land use rights of the property are free from mortgage, distrain order and any encumbrances.

5. As confirmed by the Target Group, there are a total of 208 car parking spaces on Basement Level 1 and 2 of the subject development possessed by it. In the absence of any title certificate and legal document to prove the Target Group's legal title to these car parking spaces, we have excluded them in the course of our valuation of the property. For indication purpose, the market value of the 208 car parking space as at the valuation date is measured at a sum of RMB22,300,000.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 28 February 2014 *(RMB)*
13.	Various commercial units on level 1 and 2 in Block 5-6 Xiangli Garden in the junction of Xiangzhu Road and Hongli Road Futian District Shenzhen City, the PRC (深圳市福田區香竹路與紅荔路交匯香荔花園5-6棟1及2樓商鋪)	The property comprises two commercial units within a 2-storey commercial podium completed in about 2003. The total gross floor area of the property is 2,560 square metres. The property is held for a term of 70 years commencing on 11 July 1996 and expiring on 10 July 2066 for residential use.	The property is subject to various tenancies for terms expiring on between 19 April 2014 and 31 December 2017 at a current monthly rent of RMB122,297.05 exclusive of management fees.	No commercial Value *See note 3 below*

Notes:

1. Pursuant to the Land Use Right Grant Contract dated 11 July 1996 and the Supplemental Land Use Right Grant Contract dated 25 September 1997, the subject land parcel (Lot No. B302-0032) on which the subject development is erected has been jointly held Shenzhen Nongke Property Development Co. Ltd. (formerly known as Shenzhen Agriculture Technology Park Development Co., Ltd. 深圳市農業科技園發展有限公司, a wholly-owned subsidiary of the Target Company) and Shenzhen Chongye Century Investment Co. Ltd. (深圳市創世記投資發展有限公司) for a term of 70 years commencing on 11 July 1996 for residential use.

2. As confirmed by the Target Group, the property is the unsold portion of the subject development held by the Target Group.

3. As no title certificate has been issued to the property, we have ascribed no commercial value to the property. For indication purpose, the market value of the property (assumed it is issued with title certificate) is measured at RMB50,200,000.

4. The PRC Legal Opinion is summarized as follows:

As no title certificate has been issued to the property, the legal title to the property cannot be ascertained.

5. Pursuant to the Supplemental Acquisition Agreement, the payment of RMB50,200,000 (representing the amount of value to be assigned to various commercial units on levels 1 and 2 in Blocks 5-6 in Xiangli Garden ("Xiangli Garden Units") for the purpose of the Acquisition) will be withheld by the Company at Completion, and the parties to the Supplemental Acquisition Agreement have further agreed that, in the event that any of the Xiangli Garden Units Conditions (namely, the following conditions: (a) Shenzhen Nongke Property Development Limited has obtained the property ownership certificates of all of the Xiangli Garden Units; (b) all of the Xiangli Garden Units shall not be subject to any third party rights and legal proceedings; and (c) the PRC legal advisers engaged by the Purchaser and the Vendor having issued a legal opinion confirming the fulfillment of the conditions mentioned in (a) and (b) above) is not satisfied within the 3-Year Period, the Consideration shall be adjusted downward by RMB50,200,000, being the amount of value to be assigned to Xiangli Garden Units, upon the expiry of the 3-Year Period, such that the Company will not be obliged to pay the Vendor for the said RMB50,200,000. Based on the aforesaid, the Directors believe that this issue would not have material adverse impact on the interests of the Company.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 28 February 2014 *(RMB)*
14.	Unit Nos. 101, 601 and 701 in Block 22 Longxi Garden, Northeastern junction of Nonglin Road and Zetian Road Futian District Shenzhen City, the PRC (深圳市福田區農林路與澤田路交界東北龍溪花園22座101, 601及701住宅單位)	The property comprises 3 residential units within a 7-storey residential building completed in 1994. The total gross floor area of the property is 306.90 square metres. The property is held for a term of 70 years commencing on 1 January 1989 and expiring on 31 December 2058 for residential use.	The property is being occupied by the Target Group as staff quarters.	12,280,000.–

Notes:

1. As revealed by 3 sets of Building and Land Ownership Certificates all registered on 25 July 2011, the property is held by Shenzhen Nongke Group Co., Ltd. (深圳市農科集團有限公司, a wholly-owned subsidiary of the Target Company) for a term of 70 years commencing on 1 January 1989 and expiring on 31 December 2058 for residential use.

2. The subject development has been the subject of demolition and investment operation by an independent third party property developer namely Zhongzhou Yuehua Investment Limited ("Zhongzhou Yuehua"). On 3 September 2012, Shenzhen Nongke Holdings Company Limited entered into an agreement with Zhongzhou Yuehua, pursuant to which Zhongzhou Yuehua agreed to pay Shenzhen Nongke Holdings Company Limited a total sum of RMB250,457,000 (equivalent to HK$311,818,965, the "Longxi Garden Relocation Fee") for the relocation of certain shops, canteens, community health centers, kindergartens, dormitories and other buildings, structures, appurtenances of the subject development Longxi Garden (including properties numbered 10, 11, 14 and 15 of this valuation report).

3. The PRC Legal Opinion is summarized as follows:

   3.1 3 sets of Building and Land Ownership Certificate (Ref Shen Fang Di Zi No. 3000663347, Shen Fang Di Zi No. 3000663367 and Shen Fang Di Zi No. 3000663371) have been issued in the name of Shenzhen Nongke Group Co., Ltd. (深圳市農科集團有限公司).

   3.2 The land use rights of the property have been granted for a term spanning on between 1 January 1989 and 31 December 2058 for residential use.

   3.3 As confirmed by the Company, the land use rights of the property are free from mortgage, distrain order and any encumbrances.

   3.4 According to the relevant provisions of the Shenzhen Urban Renewal Procedures Implementation Rules《深圳市城市更新辦法實施細則》, whether the implementation body of the urban renewal project can be confirmed is subject to several conditions under the PRC laws and regulations, including but not limiting to:

   - the planning of the urban renewal project has been approved;

- the removal entity has entered into valid Property Compensation and Relocation Agreements with all interested parties of the properties involved in the urban renewal project; and

- the application for implementation body has been approved by the Urban Renewal Project Authorities.

3.5 The Interim Measures To Strengthen and Improve the Implementation of Urban Renewal (關於加強和改進城市更新實施工作的暫行措施) further provide that the implementation body cannot be confirmed within two years from the planning approval date of the particular urban renewal project, the Shenzhen Town Planning and Land Committee (深圳市規劃國土委) can act in accordance with relevant procedures to revise the publicly announced list of urban renewal projects and exclude that urban renewal project from the list.

3.6 As at the date of the PRC Legal Opinion, the Target Company has not yet provided the PRC Legal Adviser with all relevant planning approval documents in relation to the urban renewal project for Longxi Garden. As confirmed by the Target Company, only about 30% of the owners of the properties of Longxi Garden have entered into Property Compensation and Relocation Agreements with Zhongzhou Yuehua.

3.7 Based on the above, the PRC Legal Adviser opines that there is possibility for Longxi Garden being excluded from the publicly announced list of urban renewal projects. It is also uncertain whether Shenzhen Nongke Group Co., Ltd. can finally exchange with Zhongzhou Yuehua for the property (by surrendering the subject property and getting back properties of the redevelopment of the urban renewal project at a ratio of 1 to 1.3 square metres in term of gross floor area) in accordance with the terms and conditions of the Property Compensation and Relocation Agreement.

4. According to the agreements in respect of the urban renewal project for Longxi Garden between the Target Group and Zhongzhou Yuehua, Zhongzhou Yuehua, being the applicant of the urban renewal project for the subject development, therefore needs to submit the relevant documents to the authority for approval. As at the latest practicable date, the Target Group has not been informed by Zhongzhou Yuehua that it has completed the submission process of the documents.

5. Pursuant to the Amended Acquisition Agreement, the parties thereto agreed that the Longxi Garden Relocation Fee of RMB250,457,000 will be withheld by the Company at Completion, and the parties to the Amended Acquisition Agreement have further agreed that, in the event that Shenzhen Nongke Holdings Company Limited has not fully received the balance of the Longxi Garden Relocation Fee (i.e. after deducting the deposit of RMB30,000,000 which has already been received by Shenzhen Nongke Holdings Company Limited) and the full amount of the Longxi Garden Relocation Fee is not accounted for as revenue in accordance with the applicable accounting principles within 3 years after the Completion Date, the consideration will be adjusted downward by an amount of RMB250,457,000, and the Company will not be obliged to pay Shum Yip Holdings Company Limited (the "Vendor") for the said RMB250,457,000 (but will be required to return the said RMB30,000,000 deposit and any amount of the Longxi Garden Relocation Fee received to the Vendor). It is also stipulated under the Amended Acquisition Agreement that (i) if the Target Group could not exchange the agreed proportion of properties in accordance with the agreements with respect to the urban renewal project for Longxi Garden, or not obtain such relevant building and land ownership certificates, or (ii) if any loss is suffered by Nongke as a result of any clam by other owners of Longxi Garden for the Longxi Garden Relocation Fee received by Shenzhen Nongke Holdings Company Limited, the Vendor will be required to indemnify the Company promptly against all such losses incurred by the Company. Based on the aforesaid, the Directors believe that this issue would not have material adverse impact on the interests of the Company. Our valuation of the property has been arrived at without regard to the urban renewal project for Longxi Garden.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 28 February 2014 *(RMB)*
15.	Block T1 to T3 and T5 to T9 Longxi Garden, Northeastern junction of Nonglin Road and Zetian Road Futian District Shenzhen City, the PRC (深圳市福田區農林路與澤田路交界東北 龍溪花園T1至T3及T5至T9座)	The property comprises the following 8 blocks of ancillary buildings within a residential estate: **Block** / **Use** / **Gross Floor Area** *(m2)* T1 Garage 987.03 T2 Canteen 335.59 T3 Health Centre 264.31 T5 Kindergarten 956.87 T6 Dormitory 704.28 T7 Dormitory 587.64 T8 Dormitory 507.93 T9 Dormitory 238.36 Total 4,582.11 The property is held for an unspecified land use right term.	The property is being occupied by the Target Group as staff quarters and ancillary facilities.	No commercial value *(see note 1 below)*

Notes:

1. As confirmed by the Target Group, the property has been developed by it for the purpose of providing amenity to the subject residential housing estate and no Building and Land Ownership Certificate has been issued to the property. In the absence of valid title certificate to prove the Target Group 's valid title to the property, we have ascribed no commercial value to the property.

2. The subject development has been the subject of demolition and investment operation by an independent third party property developer namely Zhongzhou Yuehua Investment Limited ("Zhongzhou Yuehua"). On 3 September 2012, Shenzhen Nongke Holdings Company Limited entered into an agreement with Zhongzhou Yuehua, pursuant to which Zhongzhou Yuehua greed to pay Shenzhen Nongke Holdings Company Limited a total sum of RMB250,457,000 (equivalent to HK$311,818,965, the "Longxi Garden Relocation Fee") for the relocation of certain shops, canteens, community health centers, kindergartens, dormitories and other buildings, structures, appurtenances of the subject development Longxi Garden (including properties numbered 10, 11, 14 and 15 of this valuation report).

3. The PRC Legal Opinion is summarized as follows:

   3.1 On 19 April 2010, The First Approval for the Planning Regulated Design of Shenzhen City Urban Renewal Unit in 2010 (《2010年深圳市城市更新單元規劃制定計劃第一批計劃》) was announced by Shenzhen City Planning and Land Resource Committee on its website, among which Longxi Garden is listed in name of Shenzhen City Zhongzhou Yuehua Investment Limited (深圳市中洲粵華投資有限公司).

   3.2 On 13 October 2009, Shenzhen Nongke Group Co., Ltd. and Shenzhen City Yuehua Investment Group Limited (YH Group) entred into an Agreement of Engagement in Longxi Garden Redevelopment (《參與龍溪花園舊改拆遷協議書》) (Agreement), by virture of which Shenzhen Nongke Group Co., Ltd. agreed to engage in the redevelopment project led by YH Group with and compensated for all properties and land in Longxi Garden, while YH Group was responsible for applying for permitted "Relevant Document for Subject Qualification of Longxi Garden Redevelopment" from the Government, carrying out demolition works and all economic and legal liabilities caused by the demolition.

3.3. On 30 August 2012, with written consent from Shenzhen Nongke Group Co., Ltd., YH Group and Shenzhen City Zhongzhou Yuehua Investment Limited (ZY Company) entered into an Agreement Letter (ref: Hui Qian HT-2012-1 (匯簽HT-2012-1)), by virtue of which all rights and obligations in the aforesaid Agreement of the former was transferred to the latter. ZY Company agreed to pay compensation to Shenzhen Nongke Group Co., Ltd. in accordance with the Agreement and would sign another supplemental agreement with Shenzhen Nongke Group Co., Ltd..

3.4 On 3 September 2012, Shenzhen Nongke Group Co., Ltd. and ZY Company entered into a Supplemental Agreement of Agreement of Engagement in Longxi Garden Redevelopment (關於2009年<參與龍溪花園舊改拆遷協議書>之補充協議) (Supplemental Agreement), by virtue of four land parcels and buildings erected on in Longxi Garden (the subject Property) was agreed to be compensated at a total of RMB250,457 million.

3.5 As at the date of Legal Opinion, the Target Group has not provided the ownership certificate of the subject property and as confirmed by the Target Group, some of the owners of units in Longxi Garden submitted their petition for the reason that the common area and facilities were occupied by the Group and required the compensation for common area and facilities to be distributed.

3.6 According to the relevant provisions of the Shenzhen Urban Renewal Procedures Implementation Rules 《深圳市城市更新辦法實施細則》, whether the implementation body of the urban renewal project can be confirmed is subject to several conditions under PRC laws and regulations, including but not limiting to:

- the planning of the urban renewal project has been approved;
- the removal entity has entered into valid Property Compensation and Relocation Agreements with all interested parties of the properties involved in the urban renewal project; and
- the application for implementation body has been approved by the Urban Renewal Project Authorities.

3.7 The Interim Measures To Strengthen and Improve the Implementation of Urban Renewal (關於加強和改進城市更新實施工作的暫行措施) further provide that if the implementation body cannot be confirmed within two years after planning approval date of the particular urban renewal project, Shenzhen Town Planning and Land Committee (深圳市規劃國土委) can act in accordance with relevant procedures to revise the publicly announced list of urban renewal projects and exclude that urban renewal project from the list.

3.8 As at the date of the PRC Legal Opinion, the Target Company has not yet provided the PRC Legal Adviser with all relevant planning approval documents in relation to the urban renewal project for Longxi Garden. As confirmed by the Target Company, only about 30% of the owners of units in Longxi Garden have entered into Property Compensation and Relocation Agreements with Zhongzhou Yuehua.

3.9 Based on the above, the PRC Legal Adviser opines that there is possibility for Longxi Garden being excluded from the publicly announced list of urban renewal projects. It is also uncertain whether Shenzhen Nongke Group Co., Ltd. can finally obtain the compensation at a total of RMB250.457 million in accordance with the terms and conditions of the Property Compensation and Relocation Agreement.

4. According to the agreements in respect of the urban renewal project for Longxi Garden between the Target Group and Zhongzhou Yuehua, Zhongzhou Yuehua, being the applicant of the urban renewal project for the subject development, therefore needs to submit the relevant documents to the authority for approval. As at the latest practicable date, the Target Group has not been informed by Zhongzhou Yuehua that it has completed the submission process of the documents.

5. Pursuant to the Amended Acquisition Agreement, the payment of the Longxi Garden Relocation Fee of RMB250,457,000 will be withheld by the Company at Completion, and the parties to the Amended Acquisition Agreement have further agreed that, in the event that Shenzhen Nongke Holdings Company

Limited does not receive the balance of the Longxi Garden Relocation Fee in full (i.e. after deducting the deposit of RMB30,000,000 which had been received by Shenzhen Nongke Holdings Company Limited) and the total amount of the Longxi Garden Relocation Fee is not accounted for as revenue in accordance with the applicable accounting principles within 3 years after the Completion Date, the consideration will be adjusted downward by an amount of RMB250,457,000, and the Company will not be obliged to pay Shum Yip Holdings Company Limited (the "Vendor") for the said RMB250,457,000 (but will be required to return the said RMB30,000,000 deposit and any amount of the Longxi Garden Relocation Fee received to the Vendor). It is also stipulated under the Amended Acquisition Agreement that (i) if the Target Group could not exchange the agreed proportion of properties in accordance with the agreements with respect to the urban renewal project for Longxi Garden, or not obtain such relevant building and land ownership certificates, or (ii) if any losses is suffered by Nongke as a result of any claim by other owners of Longxi Garden for any of the Longxi Garden Relocation Fee received by Shenzhen Nongke Holdings Company Limited, the Vendor will be required to indemnify the Company promptly against all such losses incurred by the Company. Based on the aforesaid, the Directors believe that this issue would not have material adverse impact on the interests of the Company. Our valuation of the property has been arrived at without regard to the urban renewal project for Longxi Garden.

VALUATION CERTIFICATE

Group IV – Properties Held by the Target Group for Self Occupation

	Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 28 February 2014 *(RMB)*
16.	Unit Nos. 1 to 5, 22 and 23 on Level 6 and all office units on Level 24 and 25 Times Technology Building No. 7028 Shennan Boulevard Futian District Shenzhen City, the PRC (深圳市福田深南大道7028號時代科技大廈6樓01-05,22, 23單元,24樓,25樓)	The property comprises various office units on Level 6, 24 and 25 within a 28-storey commercial building completed in 2009. The total gross floor area of the property is 5,098.81 square metres. The property is held for a term of 50 years commencing on 19 October 1995 and expiring 18 October 2045 on for office use.	The property is being occupied by the Target Group as offices.	209,000,000.–

Notes:

1. As specified in the Building and Land Ownership Certificate dated 11 July 2008, the subject land parcel (Lot No. B302-0027) on which the subject development is erected is held Shenzhen Nongke Group Co., Ltd. (深圳市農科房地產開發有限公司, a wholly-owned subsidiary of the Target Company) for a term of 50 years commencing on 19 October 1995 and expiring 18 October 2045 on for office use.

2. The PRC Legal Opinion is summarized as follows:

   2.1 22 sets of Building Ownership Certificate (Ref Shen Fang Di Zi No.3000663507 to Shen Fang Di Zi No.3000663510, Shen Fang Di Zi No.3000663527, Shen Fang Di Zi No.3000663528, Shen Fang Di Zi No.3000663549, Shen Fang Di Zi No.3000663551 to Shen Fang Di Zi No.3000663553 Shen Fang Di Zi No.3000663929, Shen Fang Di Zi No.3000663931, Shen Fang Di Zi No.3000663933 to Shen Fang Di Zi No.3000663937 and Shen Fang Di Zi No.3000663939 to Shen Fang Di Zi No.3000663943,) have been issued in the name of Shenzhen Nongke Property Development Co., Ltd. (深圳農科房地產開發有限公司) for office use.

   2.2 As confirmed by the Company, the land use rights of the property are free from mortgage, distrain order and any encumbrances.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 28 February 2014 *(RMB)*
17.	Office units on Level 1 to 3 Yuanyi Qingbao Shiyan Building Nongke Zhongxin Shennan Avenue Xiangxuan Road Futian District Shenzhen City, the PRC (深圳市福田區深南大道農科中心園藝情報實驗樓)	The property comprises various office units on Level 1 to 3 within 3-storey office buildings completed in 1993. The total gross floor area of the property is 2,996.35 square metres. The property is held for a term of 50 years commencing on 28 July 1992 and expiring on 27 July 2042 for office use.	The property is occupied by the Group for office purpose.	59,930,000.–

Notes:

1. As revealed by a Building and Land Ownership Certificate (Ref Shen Fang Di Zi No. 3000655017) registered on 17 May 2011, the subject development with a gross floor area of 2,996.35 square metres is held by Shenzhen Nongke Group Co., Ltd. (深圳市農科集團有限公司) for a term of 50 years commencing on 28 July 1992 and expiring on 27 July 2042 for office use.

2. The PRC Legal Opinion is summarized as follows:

   2.1 A Building and Land Ownership Certificate (Ref Shen Fang Di Zi No. 300655017) has been issued in the name of Shenzhen Nongke Group Company (深圳市農科集團公司).

   2.2 The property has been pledged to Agricultural Bank of China Limited Shenzhen Guomao Branch for a loan amount of RMB60,226,635.

   2.3 As confirmed by the Company, the land use rights of the property are free from mortgage, distrain order and any encumbrances.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 28 February 2014 *(RMB)*
18.	Level 1 to 4 Block 8 Fuanxi First Lane Biling Road Ping Shan Town Longgang District Shenzhen City, the PRC (深圳市龍崗區 坪山鎮碧嶺路 福安西一巷8號樓 1至4層)	The property comprises four residential units on Level 1 to 4 within 4-storey residential buildings completed in 1994. The total gross floor area of the property is 452 square metres. The property is held for a term of 70 years commencing on 30 October 1997 and expiring on 29 October 2067 for residential use.	The property is occupied by the Group as a dormitory.	1,700,000.–

Notes:

1. As revealed by four Building and Land Ownership Certificates all registered on 29 October 1998, the subject property with a gross floor area of 452 square metres are held by Shenzhen Nongke Group Company (深圳市農科集團公司, former known as Shenzhen Agricultural Science Research Centre 深圳市農業科學研究中心) for a term of 70 years commencing on 30 October 1997 and expiring on 29 October 2067 for residential use.

2. The PRC Legal Opinion is summarized as follows:

   2.1 4 sets of Building and Land Ownership Certificate (Ref Shen Fang Di Zi No. 6000007693, Shen Fang Di Zi No. 6000007694, Shen Fang Di Zi No. 6000007695 and Shen Fang Di Zi No. 6000007710) have been issued in the name of Shenzhen Agricultural Science Research Centre 深圳市農業科學研究中心).

   2.2 The land use rights of the property have been granted for a land use right term spanning on between 30 October 1997 and 29 October 2067 for residential use.

   2.3 As confirmed by the Company, the land use rights of the property are free from mortgage, distrain order and any encumbrances.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 28 February 2014 *(RMB)*
19.	All office units on Level 13 of Nongke Office Tower Lot No. B302-0108 at the junction of Hongli West Road and Nong Xuan Road Futian District Shenzhen, the PRC (深圳市福田紅荔西路與農軒路交匯B302-0108地段農科商務辦公樓13層)	The property comprises all office units on Level 13 of a 13-storey commercial building completed in 2012. The total gross floor area of the property is 1,266.03 square metres. The property is held for a term of 50 years commencing on 16 November 2006 and expiring on 15 November 2056 for office use.	The property is being occupied by the Target Group as offices.	48,110,000.–

Notes:

1. Pursuant to a Land Use Right Grant Contract dated 16 November 2006 entered into between the Shenzhen Land Resources and Property Administrative Bureau as Grantor and Shenzhen Nongke Property Development Co. Ltd. (a wholly-owned subsidiary of the Target Company) as Grantee, the land use rights of the subject land parcel (Lot No. B302-0108) with an area of 7,280.92 square metres were granted by the Grantor to the Grantee for a land use rights term of 50 years commencing on 16 November 2006 and expiring on 15 November 2056 for office use at a land premium, a land development fund and community facility provision fee of RMB9,848,426, RMB753,631 and RMB55,054,119 respectively. Subsequent to the aforesaid Land Use Right Grant Contract, a Supplemental Land Grant Contract was entered by Shenzhen Nongke Property Development Co. Ltd. with the Government on 27 October 2009. As confirmed by the Target Company, the land purchase consideration has been settled in full.

2. A Land Use Right Certificate (Ref Shen Fang Di Zhi No. 3000456406) was issued by the Shenzhen Land Resources and Property Administrative Bureau in the name of Shenzhen Nongke Property Development Co. Ltd. and was registered on 22 January 2007.

3. As mentioned in the Construction Land Use Planning Permit (Ref No. Shen Gui Xu Zhi No. 01-2006-0209) dated 7 June 2006 and the Construction Work Planning Permit (Ref No. Shen Gui Tu Jian Xu Zhi No. ZS-2009-0125) dated 30 October 2009, the approval scheme of the subject development contains the following material parameters:

   3.1 Total Gross Floor Area : 26,705.80 square metres (plus basement area of 9,431 square metres)

   3.2 Use of Building : Office

   3.3 No. of Storey : 13

   3.4 Site Coverage : Not more than 40%

   3.5 Retail Portion : Not more than 6,000 square metres of the building in term of gross floor area

4. The PRC Legal Opinion is summarized as follows:

   4.1 a Building and Land Ownership Certificate (Ref Shen Fang Di Zi No. 3000456406) has been issued in the name of Shenzhen Nongke Property Development Co. Ltd.

   4.2 The land use rights of the property have been granted for a land use right term spanning on between 16 November 2006 and 15 November 2056 for commercial/office use.

   4.3 As confirmed by the Company, the land use rights of the property are free from mortgage, distrain order and any encumbrances.

The details of Mr. GAO Shengyuan and Dr. WONG Yau Kar, David proposed to be re-elected as Directors at the EGM are set out below:

Mr. GAO Shengyuan, aged 46, joined the Company as the President since 31 January 2013 and was appointed as executive Director since 13 June 2013. He is currently the President of Shum Yip Group and Shum Yip Holdings. He holds a master's degree in Economics from the Zhongnan University of Economics. He had served as a member of district committee and standing committee of Futian District Shenzhen Municipal, the deputy district chief and deputy secretary of Party Committee of the People's Government of Futian District, the deputy district chief of the People's Government of Nanshan District, department chief of Bureau of Finance of Nanshan District, Shenzhen Municipal and the deputy director of Bureau of Finance Budget of Shenzhen Municipal. He has extensive experience in corporate finance management and capital operation. Save as disclosed above, Mr. GAO did not hold any directorships in any other listed public companies in the last three years or any position with the Company or other members of the Group.

Save as disclosed above, Mr. GAO does not have any relationships with any Directors, senior management, substantial or controlling shareholders of the Company.

As at the Latest Practicable Date, Mr. GAO had beneficial interest in an option to subscribe for 1,120,000 Shares at a subscription price of HK$3.16 per Share and an option to subscribe for 7,440,000 Shares at a subscription price of HK$2.85 per Share within the meaning of Part XV of the SFO.

The Company has entered into an appointment letter with Mr. GAO for a term of 3 years commencing from 13 June 2013 which will continue until terminated by either party to the appointment letter at one month's notice. Mr. GAO is also subject to the retirement and re-election provisions in the Articles of Association pursuant to which he shall retire from office at the next following general meeting of the Company following his appointment by the Board and shall then be eligible for re-election. Thereafter, he shall retire from office by rotation at the annual general meeting of the Company. Mr. GAO is currently entitled to receive a basic remuneration of such amount per annum as the Board may determine from time to time under the authority granted by Shareholders at the annual general meeting. In addition, Mr. GAO is entitled to receive discretionary bonuses, share options or other benefits as may be decided by the Board having regard to his performance and duties, the Company's performance and profitability and the prevailing market condition. For the year ending 31 December 2014, a basic remuneration of HK$2,466,666 per annum will be payable to Mr. GAO.

Save as disclosed above, there are no other matters relating to his re-election that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to any requirements of rule 13.51(2) of the Listing Rules.

Dr. WONG Yau Kar, David, aged 56, was appointed as independent non-executive Director. He holds a Ph.D degree in Economics from the University of Chicago. Dr. Wong has extensive experience in manufacturing, direct investment, international trade and corporate finance and is currently the managing director of United Overseas Investments Ltd. Dr. Wong is elected as a Hong Kong deputy of the 12th National People's Congress. Dr. Wong has been actively participating in public services and to name a few, he is currently chairman of the Land and Development Advisory Committee and a committee member of the Exchange Fund Advisory Committee. In 2010, Dr. Wong was appointed as a Justice of Peace (JP) and in 2012, Dr. Wong was awarded a Bronze Bauhinia Star (BBS) for his valuable contribution to the society. Dr. WONG is currently an independent non-executive director of China Windpower Group Ltd. (stock code: 182), Reorient Group Limited (stock code: 376), China Jiuhao Health Industry Corporation Limited (stock code: 419) and Redco Properties Group Limited (stock code: 1622) and a non-executive director of CIAM Group Limited (stock code: 378), all being listed public companies in Hong Kong. Save as disclosed above, Dr. WONG did not hold any directorship in any other listed public company in the last three years or any position with the Company or other members of the Group.

Save as disclosed above, Dr. WONG does not have any relationships with Directors, senior management, substantial or controlling shareholders of the Company.

As at the Latest Practicable Date, Dr. WONG does not have any interests in Shares or underlying Shares within the meaning of Part XV of the SFO.

The Company has entered into an appointment letter with Dr. WONG for a term of 3 years commencing from 13 June 2013 which will continue until terminated by either party to the appointment letter at one month's notice. Dr. WONG is also subject to the retirement and re-election provisions in the Articles of Association pursuant to which he shall retire from office at the next following general meeting of the Company following his appointment by the Board and shall then be eligible for re-election. Thereafter, he shall retire from office by rotation at the annual general meeting of the Company. Dr. WONG is currently entitled to receive a director's fee of HK$380,000 per annum on pro-rata basis. In addition, Dr. WONG is entitled to receive discretionary bonuses, share options or other benefits as may be decided by the Board having regard to his performance and duties, the Company's performance and profitability and the prevailing market condition. For the year ending 31 December 2014, a director's fee of HK$380,000 per annum will be payable to Dr. WONG.

Save as disclosed above, there are no other matters relating to his re-election that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to any requirements of rule 13.51(2) of the Listing Rules.

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The issued capital, paid up capital and the number of issued Shares as at the Latest Practicable Date were, and immediately after the issue of the Consideration Shares (assuming that there will be no change in the issued capital, paid up capital or the number of issued Shares other than as a result of the Acquisition) will be, as follows:

	As at the Latest Practicable Date *HK$*	**Immediately after the issue of the Consideration Shares**
Issued capital	11,235,304,061	14,712,905,612.06
Paid up capital	11,235,304,061	14,712,905,612.06
Number of Shares in issue	5,381,055,305	6,442,594,240

3. DISCLOSURE OF INTERESTS

Interests and short positions of Directors and chief executives in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in the Shares and underlying Shares of the Company:

Name of Director	Capacity	Nature of interests	Number of Shares	Underlying Shares pursuant to share options	Aggregate interests	Percentage of issued voting shares
LU Hua	Beneficial owner	Beneficial interest	1,093,895	13,404,000 *(Note 1)*	14,497,895	0.27
GAO Shengyuan	Beneficial owner	Beneficial interest	–	8,560,000 *(Note 2)*	8,560,000	0.16
MOU Yong	Beneficial owner	Beneficial interest	–	9,262,000 *(Note 3)*	9,262,000	0.17
LIU Chong	Beneficial owner	Beneficial interest	–	9,262,000 *(Note 3)*	9,262,000	0.17
WU Jiesi	Beneficial owner	Beneficial interest	3,400,000	–	3,400,000	0.06
LI Wai Keung	Beneficial owner	Beneficial interest	1,131,866	–	1,131,866	0.02

Notes:

1. Of these share options, 4,016,000 options were granted on 19 July 2010 at an exercise price of HK$2.39 per Share exercisable up to 40% from 19 July 2012 to 18 July 2013, and up to 70% from 19 July 2013 to 18 July 2014, and up to 100% from 19 July 2014 to 18 July 2015; 1,558,000 options were granted on 10 April 2013 at an exercise price of HK$3.16 per Share exercisable from 19 July 2014 to 18 July 2015; and 7,830,000 options were granted on 28 January 2014 at an exercise price of HK$2.85 per Share exercisable up to 40% from 28 January 2016 to 27 January 2017, and up to 70% from 28 January 2017 to 27 January 2018, and up to 100% from 28 January 2018 to 27 January 2019.

2. Of these share options, 1,120,000 options were granted on 10 April 2013 at an exercise price of HK$3.16 per Share exercisable from 19 July 2014 to 18 July 2015; and 7,440,000 options were granted on 28 January 2014 at an exercise price of HK$2.85 per Share exercisable up to 40% from 28 January 2016 to 27 January 2017, and up to 70% from 28 January 2017 to 27 January 2018, and up to 100% from 28 January 2018 to 27 January 2019.

3. Of these share options, 4,016,000 options were granted on 19 July 2010 at an exercise price of HK$2.39 per Share exercisable up to 40% from 19 July 2012 to 18 July 2013, and up to 70% from 19 July 2013 to 18 July 2014, and up to 100% from 19 July 2014 to 18 July 2015; and 5,246,000 options were granted on 28 January 2014 at an exercise price of HK$2.85 per Share exercisable up to 40% from 28 January 2016 to 27 January 2017, and up to 70% from 28 January 2017 to 27 January 2018, and up to 100% from 28 January 2018 to 27 January 2019.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives 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) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Interests and short position of Shareholders (of which a Director or a proposed Director is a director or employee) in the Shares, underlying Shares and debentures of the Company

As at the Latest Practicable Date, the interests and short position of a company (of which a Director or a proposed Director is a director or employee) in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, were as follows:

Name of Director	Name of Shareholder	Capacity of Director in Shareholder	Number of Shares held by Shareholder	Approximate % of issued voting shares
LU Hua	Shum Yip Holdings	Director	3,260,164,941	60.59%
GAO Shengyuan	Shum Yip Holdings	Director	3,260,164,941	60.59%
MOU Yong	Shum Yip Holdings	Director	3,260,164,941	60.59%
HUANG Yige	Shum Yip Holdings	Director	3,260,164,941	60.59%
LIU Chong	Shum Yip Holdings	Vice president	3,260,164,941	60.59%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or a proposed Director was a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

(a) As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2013 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

(b) No contract or arrangement in which any of the Directors was materially interested and which was significant in relation to the business of the Enlarged Group subsisted at the Latest Practicable Date.

5. MATERIAL LITIGATION

(a) On 28 October 1997, Nongke had entered into an agreement with two other real estate developers, 深圳市辰森實業發展有限公司 (Shenzhen Chensen Development Company Limited*, "**Chensen**"), and 深圳泰生實業公司 (Shenzhen Tai Sheng Enterprise Company*, "**Taisheng**") for the joint development of the Xiangzhu Garden. In August 2013,

(i) Nongke commenced a legal proceeding at 深圳市福田區人民法院 (the "**Futian Court**") for a confirmation that 32 of the Seized Units are owned by Nongke and a court order that Taisheng shall assist Nongke to register such 32 units under the name of Nongke; and

(ii) 深圳市農科房地產開發有限公司 (Shenzhen Nongke Property Development Limited*, "**Nongke Property**") commenced three legal proceedings for a confirmation that 33 of the Seized Units are owned by Nongke Property and a court order that Taisheng shall assist Nongke Property to register such 33 units under the name of Nongke Property.

As at the Latest Practicable Date, all the above four proceedings were still pending.

(b) On 14 August 2002, 深圳市中級人民法院 (the "**SZ Intermediate Court**") accepted a legal proceeding commenced by 深圳市建築工程有限公司 (Shenzhen Construction Work Limited*, "**SZ Construction**") against Nongke, Chensen and Taisheng in respect of construction contract disputes. On 31 May 2011, the SZ Intermediate Court directed the Futian Court to handle such proceeding. On 21 November 2013, the Futian Court at the first instance held, among other things, that Taisheng should pay to SZ Construction the construction cost of RMB26,316,495.40 together with the liquidated damages (which should be calculated based on 0.03% of the construction cost per day for the period from 20 August 2001 up to the payment date determined pursuant to the Decision) and therefore Nongke should be jointly liable for the aforesaid payment obligation owed by Taisheng to SZ Construction (the "**Decision**"). On 2 January 2014, Nongke appealed the Decision to the Shenzhen Intermediate Court. As at the Latest Practicable Date, such appeal was still subject to the judgment of the SZ Intermediate Court.

(c) On 10 January 2013, 深圳市盈富房地產開發有限公司 (Shenzhen Yingfu Real Estate Development Limited*, "**Yingfu**") commenced a legal proceeding against Taisheng, 張興展 (an independent third party) and Nongke for a repayment of loan owed by Taisheng and 張興展 to Yingfu together with the accrued interest. According to Yingfo's application to the SZ Intermediate Court made on 11 August 2013 for an increase in the amount of claim together with the interest incurred, Yingfu claimed that Nongke should be jointly liable to repay RMB12,606,338.35 and RMB19,805,672.23 (being part of the principal amount and the accrued interest respectively). As at the Latest Practicable Date, such case was still subject to the judgment of the SZ Intermediate Court.

Save as disclosed above, as at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was pending or threatened against any member of the Enlarged Group.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, Mr. LU Hua, Mr. GAO Shengyuan, Mr. MOU Yong and Mr. HUANG Yige, Directors, were directors of, and Mr. Liu Chong, Director, was the vice president of, both Shum Yip Holdings and Shum Yip Group. Shum Yip Holdings is principally engaged in investment holding and Shum Yip Group is principally engaged in, among others, investment in infrastructure and property development. Therefore, the above Directors were considered to have interest in the businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competed or would be likely to compete, either directly or indirectly, with the business of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or was proposing to enter, into any service contract with any member of the Group which is not expiring or may not be terminated by the relevant member of the Group within one year without payment of any compensation (other than statutory compensation).

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts whose advices and/or reports are contained in this circular:

Name	**Qualification**
Asset Appraisal Limited (“**Asset Appraisal**”)	Professional property valuer
Crosby	A licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Ernst & Young	Certified Public Accountants
King & Wood Mallesons (“**KWM**”)	PRC legal adviser

Each of Asset Appraisal, Crosby, Ernst & Young and KWM (collectively the "**Experts**") has given and has not withdrawn its written consent to the issue of this circular with the inclusion of, where applicable, its letter(s) of advices and/or report(s) and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the Experts:

(a) did not have any shareholding in any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

(b) did not have any direct or indirect interest in any assets which had been, since 31 December 2013 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Enlarged Group) had been entered into by the members of the Enlarged Group after the date being two years immediately preceding the date of the Announcement but on or before the Latest Practicable Date and which are or may be material:

(a) a guarantee dated 28 June 2012 entered into by 深圳市科之谷投資有限公司 (Shenzhen Kezhigu Investment Limited*), a wholly-owned subsidiary of the Company, in favour of a bank in respect of a bank borrowing of a subsidiary of Shum Yip Group in the amount of approximately RMB475 million;

(b) seven sale and purchase agreements all dated 31 July 2012 entered into between 深業泰然(集團)股份有限公司(Shum Yip Terra (Holdings) Co., Ltd.*), a subsidiary of the Company, as vendor and 深圳市吉兆鑫投資有限公司 (Shenzhen Jizhaoxin Investment Limited*), another subsidiary of the Company, as purchaser for the sale and purchase of certain units of Tai Ran Building, Binhe Da Road, Futian District, Shenzhen City, Guangdong Province, the PRC with GFA of 7,885.11 sq.m., the details of which are set out in the announcement of the Company dated 25 February 2013 and 27 March 2013, and the circular of the Company dated 28 March 2013;

(c) a conditional master agreement dated 28 September 2012 between the Company and Coastal Greenland Limited ("**Coastal Greenland**") pursuant to which, among others (i) the Company shall procure Shum Yip Investment (Shenzhen) Co., Ltd. ("**Shum Yip Investment**"), a wholly-owned subsidiary of the Company, to transfer to Shenzhen Coastal Property Investment Limited ("**Shenzhen Coastal**") 30% of the entire equity interests in Huizhou Shum Yip Southern Land Company Limited ("**Huizhou Shum Yip**") (the "**Huizhou Sale Interests**") and a shareholder's loan in the principal amount of approximately RMB195 million owing by Huizhou Shum Yip to Shum Yip Investment, at the total consideration approximately of RMB215 million (the "**Huizhou Disposal**"); and (ii) Coastal Greenland will procure Suzhou Gaotong Information Services and Consultation Ltd. ("**Suzhou Gaotong**") to transfer to Shum Yip Southern Land (Holdings) Co., Ltd. ("**Shum Yip Land**"), a wholly-owned subsidiary of the Company, the entire equity interests of Suzhou New Development Investment Co. Ltd ("**Suzhou New Development**") at the consideration of approximately RMB160 million and Coastal Realty Investment (China) Limited ("**Coastal Realty**") to transfer to Shum Yip Land a shareholder's loan in the principal amount of approximately RMB392 million owing by Suzhou New Development to Suzhou Reality at the consideration of approximately RMB392 million (the "**Suzhou Acquisition**"), details of which are set out in the announcements of the Company dated 28 September 2012 and 3 October 2012;

(d) an agreement (the "**Huizhou Agreement**") dated 16 October 2012 between Shum Yip Investment and Shenzhen Coastal in respect of the Huizhou Disposal;

(e) an agreement (the "**Suzhou Agreement**") dated 16 October 2012 between Shum Yip Land, Suzhou Gaotong and Coastal Realty in respect of the Suzhou Acquisition;

(f) a memorandum of settlement (the "**Memorandum of Settlement**") dated 16 October 2012 between Shum Yip Investment, Suzhou Gaotong, Shum Yip Land, Coastal Realty and Shenzhen Coastal in relation to the payment manner for the Huizhou Disposal and the payment manner for the Suzhou Acquisition;

(g) a guarantee agreement dated 16 October 2012 entered into by the Company guaranteeing the performance of Shum Yip Investment under the Huizhou Agreement and the Memorandum of Settlement, and the performance of Shum Yip Land under the Suzhou Agreement and the Memorandum of Settlement;

(h) an agreement dated 16 October 2012 between Shenzhen Coastal and Shum Yip Land pursuant to which Shenzhen Coastal agreed to pledge to Shum Yip Land the Huizhou Sale Interests after the formal transfer of the Huizhou Sale Interests to Shenzhen Coastal, to secure the obligations of Suzhou Gaotong and Coastal Realty under the Suzhou Agreement;

(i) an agreement dated 17 January 2013 between the Company and Shum Yip Holdings in respect of the acquisition of the entire issued share capital of Shenzhen Silicon Valley Hi-tect Investment Company Limited and a supplemental agreement dated 25 February 2013 thereto, the details of which are set out in the circular of the Company dated 28 March 2013;

(j) an equity interest transfer agreement dated 20 December 2013 entered into between 深業置地有限公司 (Shum Yip Land Company Limited*) and 深圳市地鐵集團有限公司 (Shenzhen Metro Group Co., Ltd.*) in respect of, among others, an acquisition of 深圳市朗通房地產開發有限公司 (Shenzhen Langtong Property Development Co. Limited*) at an aggregate consideration of RMB156,000,000, the details of which are set out in the announcement of the Company dated 20 December 2013;

(k) an equity transfer agreement dated 31 December 2013 entered into between 深業深港(集團)有限公司 (Shum Yip Shumkang (Group) Co. Ltd.*) ("**Shum Yip Shumkang**") as vendor and 深業泰富物流集團股份有限公司 (Shum Yip Taifu Logistics Group Holdings Co. Ltd.*) ("**Shum Yip Taifu Logistics**") as purchaser in relation to the transfer of 36% equity interest in 瀋陽五愛深港客貨總站 (有限公司) (Shenyang Wuai Shenzhen-Hong Kong Passenger Terminus Co. Ltd.*) and the assignment of the shareholder's loan in the amount of RMB84,890,731.88 that was outstanding and owing by Shenyang Wuai to Shum Yip Shumkang as at 31 December 2013 by Shum Yip Shumkang to Shum Yip Taifu Logistics, at an aggregate consideration of RMB228,890,731.88, the details of which are set out in the announcement of the Company dated 31 December 2013;

(l) the equity transfer agreement dated 31 December 2013 entered into between the Company as vendor and Shum Yip Holdings as purchaser in relation to the disposal of 80% equity interest in Shum Yip Shumkang by the Company to Shum Yip Holdings at a consideration of RMB340,208,000, the details of which are set out in the announcement of the Company dated 31 December 2013; and

(m) the Acquisition Agreement;

(n) the Agricultural Land Entrustment Agreement;

(o) the Nongke Flora Market Entrustment Agreement; and

(p) the Supplemental Acquisition Agreement.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays, and public holidays) at the principal place of business of the Company at 8th Floor, New East Ocean Centre, 9 Science Museum Road, Tsimshatsui, Kowloon, Hong Kong; and (ii) on the Company's website (at www.shenzheninvestment.com), from 12 May 2014 up to and including the date of the EGM on 29 May 2014:

(a) the Articles of Association;

(b) the annual report of the Company for the year ended 31 December 2013;

(c) the annual report of the Company for the year ended 31 December 2012;

(d) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" of this circular;

(e) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee of this circular;

(f) the letter of advice from Crosby to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from Independent Financial Adviser" of this circular;

(g) the accountants' report of the Target Group prepared by Ernst & Young, the text of which is set out in Appendix II to this circular;

(h) the report on the unaudited pro forma financial information of the Enlarged Group prepared by Ernst & Young, the text of which is set out in Appendix IV to this circular;

(i) the valuation report on the property interests of the Target Group prepared by Asset Appraisal, the text of which are set out in Appendix V to this circular;

(j) the written consents as referred to under the paragraph headed "Experts and consents" in this appendix;

(k) the material contracts as referred to under the paragraph headed "Material contracts" in this appendix;

(l) the Mingren Land Grant Contracts, the details of which are set out in the section headed "(D) Reasons for and Benefits of the Acquisition and the Non-Exempt Continuing Connected Transactions" in the Letter from the Board of this circular; and

(m) this circular.

11. MISCELLANEOUS

(a) The registered office of the Company is at 8th Floor, New East Ocean Centre, 9 Science Museum Road, Tsimshatsui, Kowloon, Hong Kong.

(b) The share registrar and transfer office of the Company is Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The secretary of the Company is Mr. LEE Ka Sze, Carmelo. He is a solicitor of the High Court of Hong Kong.

(d) Mr. LU Hua, Mr. GAO Shengyuan, Mr. MOU Yong and Mr. HUANG Yige are the directors of the Vendor and Shum Yip Group while Mr. LIU Chong is the vice president of both the Vendor and Shum Yip Group. The registered office of the Vendor is at 8/F, New East Ocean Centre, 9 Science Museum Road, Tsimshatsui, Kowloon, Hong Kong. The registered office of Shum Yip Group is 28th Floor, Shum Yip Centre, Shennan Road East, Shenzhen, the PRC.

(e) In the event of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese text.

深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00604)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("**Meeting**") of Shenzhen Investment Limited (the "**Company**") will be held at Garden Room, 2nd Floor, Hotel Nikko Hong Kong, 72 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong at 10:30 a.m. on Thursday, 29 May 2014 for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

(a) subject to the passing of ordinary resolutions nos. 2 and 3 set out in the notice convening the Meeting, each of the conditional sale and purchase agreement dated 27 January 2014 entered into between the Company as purchaser, Shum Yip Holdings Company Limited (深業(集團)有限公司) (the "**Vendor**") as vendor, 深業集團有限公司 (Shum Yip Group Limited*) ("**Shum Yip Group**") and 深圳市農科集團有限公司 (Shenzhen Nongke Holdings Company Limited*) ("**Nongke**") in respect of the proposed acquisition of the entire issued share capital of Shenzhen Bio-Agriculture Company Limited (深圳生物農業有限公司) (the "**Acquisition Agreement**", a copy of which has been produced before the Meeting marked "**A**" and initialed by the chairman of the Meeting for the purpose of identification) and the supplemental agreement dated 8 May 2014 entered into between the Company, the Vendor, Shum Yip Group and Nongke (the "**Supplemental Acquisition Agreement**", a copy of which has been produced before the Meeting marked "**B**" and initialed by the chairman of the Meeting for the purpose of identification) to supplement and amend the Acquisition Agreement, and all transactions contemplated under each of them and in connection with each of them be and are hereby approved, confirmed and ratified;

(b) the allotment and issue to the Vendor of 1,061,538,935 Consideration Shares (as defined in the circular of the Company dated 12 May 2014 (the "**Circular**", a copy of which has been produced before the Meeting marked "**C**" and initialed by the chairman of the Meeting for the purpose of identification)) credited as fully paid-up at the issue price of HK$3.276 per Consideration Share, as part of the consideration for the Acquisition (as defined in the Circular) pursuant to the Acquisition Agreement as supplemented and amended by the Supplemental Acquisition Agreement, be and is hereby approved; and

(c) the directors of the Company be and are hereby authorised for and on behalf of the Company to sign, execute, perfect, perform and deliver all such other agreements, instruments, deeds and documents and do all such acts or things and take all such steps as they may in their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement or given effect to or otherwise in connection with or incidental to the Acquisition Agreement as supplemented and amended by the Supplemental Acquisition Agreement and all the transactions contemplated thereunder (including without limitation, the allotment and issue of the Consideration Shares) and to agree to such variations, amendments or waivers as are, in the opinion of the directors of the Company, in the interests of the Company."

2. "**THAT**:

(a) subject to the passing of ordinary resolutions nos. 1 and 3 as set out in the notice convening the Meeting, the agreement dated 27 January 2014 entered into between Nongke and Shum Yip Group in respect of the entrustment management arrangements of the Agricultural Land and Related Assets (as defined in the Circular) (a copy of which has been produced before the Meeting marked "**D**" and initialed by the chairman of the Meeting for the purpose of identification) (the "**Agricultural Land Entrustment Agreement**") and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed and the maximum aggregate annual transaction amounts for the transactions contemplated under the Agricultural Land Entrustment Agreement for the three years ending 31 December 2014, 2015 and 2016 of RMB1.1 million, RMB1.7 million and RMB1.7 million respectively be and are hereby approved; and

(b) the directors of the Company be and are hereby authorised for and on behalf of the Company to sign, execute, perfect, perform and deliver all such other agreements, instruments, deeds and documents and do all such acts or things and take all such steps as they may in their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement or given effect to or otherwise in connection with or incidental to the Agricultural Land Entrustment Agreement and all the transactions contemplated thereunder and to agree to such variations, amendments or waivers as are, in the opinion of the directors of the Company, in the interests of the Company."

3. "**THAT**:

(a) subject to the passing of ordinary resolutions nos. 1 and 2 as set out in the notice convening the Meeting, the investment and operations management agreement dated 27 January 2014 entered into between Nongke and Shum Yip Group in respect of the Nongke Flora Market Related Rights (as defined in the Circular) (a copy of which has been produced before the Meeting marked "**E**" and initialed by the chairman of the Meeting for the purpose of identification) (the "**Nongke Flora Market Entrustment Agreement**") and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed and the maximum aggregate annual transaction amounts for the transactions contemplated under the Nongke Flora Market Entrustment Agreement for the three years ending 31 December 2014, 2015 and 2016 of RMB0.7 million, RMB1.0 million and RMB1.0 million respectively be and are hereby approved; and

(b) the directors of the Company be and are hereby authorised for and on behalf of the Company to sign, execute, perfect, perform and deliver all other agreements, instruments, deeds and documents and do all such acts or things and take all such steps as they may in their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement or given effect to or otherwise in connection with or incidental to the Nongke Flora Market Entrustment Agreement and all the transactions contemplated thereunder and to agree to such variations, amendments or waivers as are, in the opinion of the directors of the Company, in the interests of the Company."

4. "**THAT**, Mr. GAO Shengyuan, who retires pursuant to the articles of association of the Company and is eligible for re-election, be and is hereby re-elected as a director of the Company."

5. "**THAT**, Dr. WONG Yau Kar, David, who retires pursuant to the articles of association of the Company and is eligible for re-election, be and is hereby re-elected as a director of the Company."

By Order of the Board
Shenzhen Investment Limited
LU Hua
Chairman

Hong Kong, 12 May 2014

Registered office:
8th Floor, New East Ocean Centre
9 Science Museum Road
Tsimshatsui, Kowloon
Hong Kong

** The English translation is for identification purpose only.*

Notes:

(1) A member of the Company entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote in his/her stead. Votes may be given either personally (or, in the case of a shareholder being a corporation, by its duly authorised representative) or by proxy in accordance with the articles of association of the Company. A proxy need not be a member of the Company.

(2) The instrument appointing a proxy must be in writing under the hand of the appointor or of his/her attorney duly authorised in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorised.

(3) Where there are joint registered holders of any share(s), any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share(s) as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of shareholders of the Company in respect of such share(s) shall alone be entitled to vote in respect thereof.

(4) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be delivered to the office of the Company's share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the Meeting (or any adjournment thereof, as the case may be).

(5) Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

(6) The resolutions as set out in this notice will be decided by way of poll.

(7) To ascertain the shareholders' entitlement to attend and vote at the Meeting, the register of members of the Company will be closed from 27 May 2014 (Tuesday) to 29 May 2014 (Thursday), both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 26 May 2014 (Monday).