**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

**If you have sold or transferred** all your Shares in **Richly Field China Development Limited**, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



RICHLY FIELD

# RICHLY FIELD CHINA DEVELOPMENT LIMITED

*(incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

**(Stock Code: 313)**

# MAJOR TRANSACTION IN RELATION TO PROPOSED ACQUISITION OF 60% OF THE ISSUED SHARE CAPITAL OF KING FUTURE AND ASSIGNMENT OF DEBT

A letter from the Board (as defined herein) is set out on pages 6 to 16 of this circular.

A notice convening the SGM to be held at Ramada Hong Kong Hotel (Jasmine Room 3/F), 308 Des Voeux Road West, Hong Kong, on Thursday, 10 July 2014 at 10:30 a.m. is set out on page SGM-1 of this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries 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 holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof should you so wish.

24 June 2014

# CONTENTS

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

| | |
|---|---|
| "Acquisitions" | the acquisition of the Sale Shares and the Debt pursuant to the terms of the S&P Agreement and the Debt Assignment Agreement |
| "Announcement" | the Company's announcement dated 23 April 2013 in relation to, among others, the Acquisitions |
| "Beijing Shangboya" | 北京尚博雅投資顧問有限公司 (Beijing Shangboya Investment Consulting Company Limited*), a company established in the PRC with limited liability, which is a wholly-owned subsidiary of Beijing Capital Land Limited |
| "Board" | the board of Directors |
| "BVI" | the British Virgin Islands |
| "Company" or "Purchaser" | Richly Field China Development Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the ordinary shares of which are listed on the Stock Exchange |
| "Completion" | completion of the transactions contemplated under the S&P Agreement |
| "Completion Date" | the day within three (3) business days upon all the conditions precedent set out in the S&P Agreement being satisfied |
| "connected persons" | has the meanings ascribed thereto in the Listing Rules |
| "Debt" | the aggregate amount of outstanding loans in the principle amount of RMB101,000,000 together with accrued interests calculated at a simple interest rate of 20% per annum on the outstanding principal amount until the Completion Date, which will be due, owing, outstanding or payable to Beijing Shangboya by Qinhuangdao Outlets on the Completion Date |
| "Debt Assignment" | the assignment of the Debt by Beijing Shangboya to Richly Field BJ pursuant to the Debt Assignment Agreement |

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| "Debt Assignment Agreement" | the debt assignment agreement dated 22 April 2014 entered into among, Qinhuangdao Outlets, Richly Field BJ and Beijing Shangboya in relation to the assignment of the Debt by Beijing Shangboya to Richly Field BJ |
| "Directors" | the director(s) of the Company |
| "Enlarged Group" | the Group immediately after completion of the Acquisitions |
| "First Vendor" | Rueyyuan Holding Company Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Beijing Capital Land Limited, which held four (4) issued share of King Future (representing 40% issued share capital of King Future) as at the Latest Practicable Date |
| "Group" | the Company and its subsidiaries |
| "HKFRSs" | Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Hunan Richly Field" | Hunan Richly Field Outlets Real Estate Limited, a company incorporated in the PRC with limited liability, which is a wholly-owned subsidiary of the Company |
| "independent third party(ies)" | third party(ies) independent of the Company and its connected persons as defined under the Listing Rules |
| "JeShing Group" | 金盛置業投資集團有限公司 (JeShing Real Estate Group Company Limited*), a company established in the PRC with limited liability |
| "King Future" | King Future Limited, a company incorporated in the BVI with limited liability, which was owned as to 40% by the Company, 40% by the First Vendor and 20% by the Second Vendor respectively as at the Latest Practicable Date |

| | |
|---|---|
| "King Future Holdings" | King Future Holdings Limited, a company incorporated in Hong Kong with limited liability, which was wholly-owned by King Future and the immediate holding company of Qinhuangdao Outlets as at the Latest Practicable Date |
| "Latest Practicable Date" | 21 June 2014, being the latest practicable date prior to the printing of this circular ascertaining certain information in this circular |
| "Loan Agreement" | the loan agreement dated 22 April 2014 entered into between Richly Field BJ and JeShing Group in relation to the grant of the Reviving Loan Facility by JeShing Group to Richly Field BJ |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "Parcel Land" | land parcels in the total area of approximately 1,077 mu located at the Golden Coast of Changli County in Qinhuangdao Municipality of Hebei Province, the PRC |
| "PRC" | the People's Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan |
| "Qinhuangdao Outlets" | Qinhuangdao Outlets Real Estate Co., Ltd, a company established in the PRC with limited liability and is wholly-owned by King Future Holdings as at the Latest Practicable Date |
| "Reviving Loan Facility" | the reviving loan facility in the total principal amount of RMB300,000,000 for a term of 3 years at a simple interest rate of 5% per annum granted by JeShing Group to Richly Field BJ pursuant to the terms of the Loan Agreement |

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|---|---|
| "Richly Field BJ" | 裕田幸福城(北京)投資顧問有限公司 (Richly Field (Beijing) Investment Consulting Co., Ltd*), a company incorporated in the PRC with limited liability and a direct wholly-owned subsidiary of the Company |
| "S&P Agreement" | the sales and purchase agreement dated 22 April 2014 entered into among the Company, the First Vendor and the Second Vendor, in relation to sale and purchase of the Sale Shares |
| "Sale Shares" | six (6) ordinary issued shares with par value of US$1 each of King Future legally and beneficially owned by the Vendors, representing an aggregate of 60% issued share capital of King Future, which have been issued and are fully paid as at the date of the S&P Agreement |
| "Second Vendor" | Ever Dynamic Limited, a company incorporated in Hong Kong with limited liability, which held two (2) issued share capital of King Future (representing 20% issued share capital of King Future) as at the Latest Practicable Date |
| "SFO" | the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) |
| "SGM" | the special general meeting of the Company to be convened to, among others, considering and if thought fit, approving the S&P Agreement, the Debt Assignment Agreement and the transactions contemplated thereunder |
| "Share(s)" | share(s) of HK$0.05 each in the issued share capital of the Company |
| "Shareholder(s)" | holder(s) of the Shares |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Target Group" | King Future, King Future Holdings and Qinhuangdao Outlets |
| "Vendors" | the First Vendor and the Second Vendor |
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |

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|---|---|
| "RMB" | Renminbi, the lawful currency of the PRC |
| "US$" | United States dollars, the lawful currency of the United States |
| "mu" | Chinese Arce, one mu equals approximately 666.7 square meters |
| "%" | per cent |

* *For identification purpose only*

RICHLY FIELD

# RICHLY FIELD CHINA DEVELOPMENT LIMITED

*(incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

**(Stock Code: 313)**

*Executive Director:*
Mr. Ma Jun *(Chairman)*

*Non-executive Director:*
Mr. Chen Wei

*Independent non-executive Directors:*
Ms. Hsu Wai Man, Helen
Mr. Chau Shing Yim, David
Mr. Xu Jinghong

*Registered office:*
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

*Principal Office in Hong Kong:*
Suite 506, ICBC Tower
3 Garden Road
Central, Hong Kong

24 June 2014

*To the Shareholders*

Dear Sirs,

## MAJOR TRANSACTION IN RELATION TO PROPOSED ACQUISITION OF 60% OF THE ISSUED SHARE CAPITAL OF KING FUTURE AND ASSIGNMENT OF DEBT

### INTRODUCTION

Reference is made to the Announcement. On 22 April 2014, the Company, the First Vendor and the Second Vendor entered into the S&P Agreement, pursuant to which the Company as the Purchaser conditionally agreed to acquire and the Vendors conditionally agreed to sell the Sale Shares, representing an aggregate of 60% issued share capital of King Future, at a total consideration of RMB20,000,000 (equivalent to approximately HK$24,900,000), which shall be payable in cash.

On 22 April 2014, Qinhuangdao Outlets, Beijing Shangboya and Richly Field BJ (a wholly owned subsidiary of the Company) also entered into the Debt Assignment Agreement, pursuant to which, subject to Completion, Beijing Shangboya agreed to assign the Debt (including the principal amount of RMB101,000,000 (equivalent to approximately HK$127,251,000) and the accrued interest at an annual interest rate of 20% on the outstanding principal amount until the Completion Date) to Richly Field BJ. The consideration for the assignment of the Debt shall be payable by Richly Field BJ to Beijing Shangboya in cash amount equivalent to the Debt.

After Completion, Qinhuangdao Outlets will become an indirect wholly-owned subsidiary of the Company. As one of the applicable percentage ratios in respect of the S&P Agreement and the Debt Assignment Agreement is more than 25% but less than 100%, the entering into of the S&P Agreement and the Debt Assignment Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. As such, the S&P Agreement, the Debt Assignment Agreement and the transactions contemplated thereunder are subject to reporting, announcement and Shareholders' approval requirements under the Listing Rules.

The purpose of this circular is to provide Shareholders with, among other things, details of the terms of the Acquisitions and the transactions contemplated thereunder. The SGM will be convened for the purpose of, among others, considering, and if thought fit, approving the S&P Agreement, the Debt Assignment Agreement and the transactions contemplated thereunder.

**THE S&P AGREEMENT**

Date: 22 April 2014

Parties: (1) the Company, as the Purchaser;

(2) Rueyyuan Holding Company Limited, as the First Vendor; and

(3) Ever Dynamic Limited, as the Second Vendor

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendors and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons as defined under the Listing Rules.

**Subject assets to be acquired**

As at the date of the S&P Agreement, each of the First Vendor and the Second Vendor held four (4) issued shares and two (2) issued shares of King Future, representing 40% and 20% of the issued share capital of King Future, respectively.

Pursuant to the S&P Agreement, the Company as the Purchaser conditionally agreed to acquire and the Vendors conditionally agreed to sell the aggregate six (6) issued shares of King Future, representing an aggregate of 60% of the issued share capital of King Future.

**Consideration and payment terms**

Pursuant to the S&P Agreement, the total consideration for the acquisition of the Sale Shares is RMB20,000,000 (equivalent to approximately HK$24,900,000) which shall be payable by the Company in cash on the Completion Date. Depending upon the then available financial resources of the Company on the Completion Date, the consideration of RMB20,000,000 (equivalent to approximately HK$24,900,000) may be satisfied by the Company by using its internal resources or loans from the Company's related company. In the event that the Company needs to satisfy the consideration by drawing loans from the Company's related company, the Company will comply with the relevant Listing Rules.

RMB10,000,000 (equivalent to approximately HK$12,450,000) was paid into a designated account of the Vendors as a deposit for the Acquisitions on the date of the S&P Agreement. On the Completion Date, the deposit of RMB10,000,000 (equivalent to approximately HK$12,450,000) will be used to set off the total amount of the consideration payable by Richly Field BJ for the assignment of the Debt pursuant to the Debt Assignment Agreement (as detailed in paragraphs headed "The Debt Assignment Agreement" below).

If the S&P Agreement is terminated due to no fault on part of the Company or the Company's designated party, then the Vendors shall refund deposit with no interest to the account designated by the Company within three business days after the date of termination of the S&P Agreement. If the S&P Agreement is terminated due to fault of either the Company or the Company's designated party, then the Vendors shall be entitled to forfeit the deposit. If the S&P Agreement is terminated due to fault of any of the Vendors, then the Vendors shall refund the deposit with no interest together with RMB10,000,000 (equivalent to approximately HK$12,450,000) to the account designated by the Company within three business days after the date of termination of the S&P Agreement.

**Conditions precedent**

Completion will be conditional upon the satisfaction of the following conditions:

(a) the approval by the Shareholders at the SGM (if required by the Listing Rules) or by way of written resolutions, as the case may be, of (i) the acquisition of the Sale Shares pursuant to the S&P Agreement; and (ii) the assignment of the Debt pursuant to the Debt Assignment Agreement; and

(b) the approval from the board of directors of each of the First Vendor and the Second Vendor in respect of the transactions contemplated under the S&P Agreement.

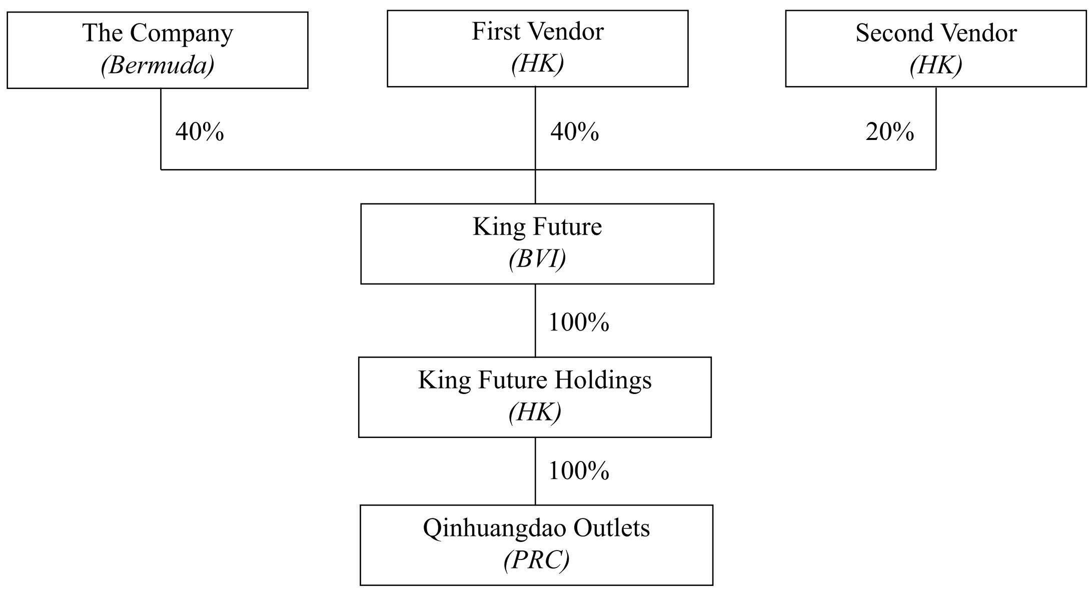
If any of the conditions precedent have not been satisfied on or before 31 August 2014 or any other date as agreed by the parties; then each of the parties may, by giving written notice of other parties, terminate the S&P Agreement, and none of the parties shall have any claims against the other parties.

**Completion**

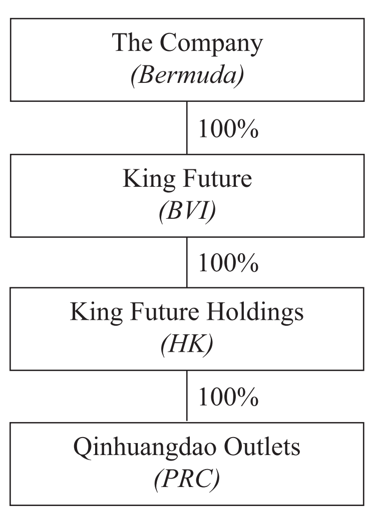
Completion shall take place on the Completion Date. Completion of the S&P Agreement is conditional upon completion of the Debt Assignment Agreement (vice versa).

Upon Completion, Qinhuangdao Outlets will become an indirect wholly-owned subsidiary of the Company. Set out below is the shareholding structure of King Future immediately before and after the Completion.

**Immediately before the Completion**




**Immediately after the Completion**



## THE DEBT ASSIGNMENT AGREEMENT

Date: 22 April 2014

Parties: (1) Qinhuangdao Outlets

(2) Beijing Shangboya; and

(3) Richly Field BJ

To the best of the Director's knowledge, information and belief and having made all reasonable enquiries, Beijing Shangboya and its ultimate beneficial owners are third parties independent of the Company and its connected persons as defined under the Listing Rules.

### Key terms of the Debt Assignment Agreement

As at the date of the Debt Assignment Agreement, Qinhuangdao Outlets owed the Debt to Beijing Shangboya. The Debt is related to outstanding loans to Qinhuangdao Outlets with the principal amount of RMB101,000,000 (equivalent to approximately HK$127,251,000) together with the accrued interest at an annual interest rate of 20%. For reference purpose only, as at 31 March 2014, the outstanding accrued interest on the loans was in the amount of approximately RMB44,368,056 (equivalent to approximately HK$55,949,629).

Pursuant to the Debt Assignment Agreement, subject to the Completion, Beijing Shangboya agreed to assign the Debt to Richly Field BJ. It was agreed that the interest at the interest rate of 20% per annum on the principal amount of RMB101,000,000 (equivalent to approximately HK$127,251,000) would continue to be accrued until the Completion Date. The consideration for the assignment of the Debt shall be payable by Richly Field BJ to Beijing Shangboya in cash amount equivalent to the Debt on the Completion Date.

## INFORMATION OF THE GROUP

The Company is principally engaged in investment holding. The Company through its main subsidiaries is engaged in property development, property management, building construction and maintenance and trading of fashion wears and accessories. Their operations are mainly located in the PRC.

## INFORMATION OF THE VENDORS AND BEIJING SHANGBOYA

Rueyyuan Holding Company Limited, as the First Vendor, is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Beijing Capital Land Limited. It is an investment holding company.

Ever Dynamic Limited, as the Second Vendor, is a company incorporated in Hong Kong with limited liability. It is an investment holding company.

Beijing Shangboya is a company established in the PRC with limited liability and a wholly-owned subsidiary of Beijing Capital Land Limited. It is principally engaged in investment consulting and investment management.

## INFORMATION OF KING FUTURE, KING FUTURE HOLDINGS AND QINHUANGDAO OUTLETS

King Future is an investment holding company incorporated in the BVI with limited liability. As at the date of this announcement, King Future has issued a total ten (10) ordinary issued shares with par value of US$1 each. Each of the Company, the First Vendor and the Second Vendor held four (4) issued shares (representing 40% of the issued share capital), four (4) issued shares (representing 40% of the issued share capital) and two (2) issued shares (representing 20% of the issued share capital) of King Future, respectively.

King Future Holdings is an investment holding company incorporated in Hong Kong with limited liability. King Future owns the entire issued capital of King Future Holdings, which in turn owns the entire equity interest in Qinhuangdao Outlets. Other than investment holding, King Future and King Future Holdings do not carry out any other business activities.

Qinhuangdao Outlets is a company established in the PRC as a wholly-owned foreign enterprise with total registered capital of US$20 million, among which US$4 million has been fully paid up. It is principally engaged in the property development in Qinhuangdao, Hebei Province in the PRC.

## FINANCIAL INFORMATION OF KING FUTURE

The following table is the summary of the consolidated financial statements of King Future for the three years ended 31 March 2012, 2013 and 2014, which were abstracted from Appendix II headed "Financial Information of King Future" to this circular and prepared in accordance with HKFRSs.

| | **Year ended 31 March** | | |
|---|---|---|---|
| | **2012** | **2013** | **2014** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| | *(appro.)* | *(appro.)* | *(appro.)* |
| | *(audited)* | *(audited)* | *(audited)* |
| **Revenue** | – | – | – |
| **Loss before tax** | 4,773 | 1,682 | 17,143 |
| **Loss after tax** | 117,786 | 1,682 | 17,143 |

| | As at 31 March | | |
|---|---|---|---|
| | **2012** | **2013** | **2014** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| | *(appro.)* | *(appro.)* | *(appro.)* |
| | *(audited)* | *(audited)* | *(audited)* |
| **Total assets** | 682,239 | 744,188 | 785,633 |
| **Total liabilities** | 801,016 | 864,717 | 924,436 |
| **Net liabilities** | 118,777 | 120,529 | 138,803 |

## REASONS FOR AND BENEFITS FOR THE ACQUISITIONS

Qinhuangdao Outlets is principally engaged in the property development in Qinhuangdao, Hebei Province in the PRC. As set out in the Company's announcement dated 6 January 2012, the Company made a deemed disposal of 60% interest in Qinhuangdao Outlets to an independent third party.

With the loans and paid-up registered capital contributed by the shareholders of Qinhuangdao Outlets, in February 2012, Qinhuangdao Outlets entered into four state-owned land use rights acquisition agreements (國有建設用地使用權出讓合同) (the "Changli Land Use Rights Sale Contracts") with Land Resources Bureau of Changli County (昌黎縣國土資源局) (the "Changli Land Bureau"), pursuant to which Qinhuangdao Outlets obtained state-owned construction land use rights of the Parcel Land with an area of approximately 1,077 mu.

As set out in the Company's circular dated 28 February 2014, to finance the acquisition of the Parcel Land, the shareholders of Qinhuangdao Outlets arranged loan facilities to Qinhuangdao Outlets in the amount approximately in proportion to their respective shareholding in Qinhuangdao Outlets at an annual simple interest rate of 20%.

The Parcel Land is located at the Golden Coast of Changli County in Qinhuangdao of Hebei Province in the PRC, which is opposite to the Forest Sports Park, to the west of the coastal highway and near the Beidaihe Tourist Resort, a traditional tourist destination in Northern China. Leveraging on the geographical advantage of the Parcel Land, Qinhuangdao Outlets plans to develop on it a large-scale seaside, self-contained holiday complex consisting of shopping, tourism, leisure, holiday and residential elements in one (the "Qinhuangdao Project"). It is expected that the Qinhuangdao Project will be a comprehensive property development project which can enhance the popularity of the surrounding projects to a great extent, and therefore, it has been one of the key projects in Hebei Province and has become a local landmark urban complex project.

All the land acquisition fees in relation to the acquisition of the Parcel Land have been duly paid by Qinhuangdao Outlets. The concept design plan for the Qinhuangdao Project was submitted to Qinhuangdao City Planning Bureau (秦皇島市城鄉規劃局), and as at the Latest Practicable Date, Qinhuangdao Outlets has received the relevant feedback from Qinhuangdao City Planning Bureau. At present, Qinhuangdao Outlets is revising the concept design plan, which will be re-submitted to Qinhuangdao City Planning Bureau for the approval as soon as practicable. In addition, Qinhuangdao Outlets is preparing the environmental assessment report for the Qinhuangdao Project. It is expected that the relevant approvals for the concept design plan and the environmental assessment report for the Qinhuangdao Project will be obtained by the end of July 2014, and thereafter, Qinhuangdao Outlets can obtain the state-owned land use rights certificates for the Parcel Land within the third quarter of 2014. Based on the consultation with the Changli Land Bureau, the Directors understand that the state-owned land use rights certificates will be issued once Qinhuangdao Outlets obtains the approvals for the concept design plan and the environment assessment report from the relevant PRC authorities for the Qinhuangdao Project. In addition, pursuant to the legal opinion provided by Dacheng Law Offices, a PRC law firm, Qinhuangdao Outlets is unlikely to encounter any obstacles in obtaining the land use rights certificates for the Parcel Land as all the land acquisition fees had been fully paid. It is also expected that Qinhuangdao Outlets will obtain the construction work and planning permit within two months after obtaining the land certificates for the Parcel Land.

Based on the existing plan and progress, the Qinhuangdao Project will be developed in three phases. It is planned that (i) the construction work for phase one with construction area of approximately 103,000 square meters (which includes villa, outlet commercial properties and a club house) will commence in the third quarter of 2014 and be completed in the first half of 2016; (ii) the construction work for phase two with construction area of approximately 185,000 square meters (which includes villa, outlet commercial properties, a hotel and residential apartments) will commence in the first quarter of 2016 and be completed in the third quarter of 2017; and (iii) the construction work for phase three with construction area of approximately 213,000 (which includes villa, outlet commercial properties and residential apartments) will commence in the first quarter in 2017 and be completed in the fourth quarter of 2018.

As set out in the Announcement, JeShing Group, an associate of the substantial Shareholder, has been supporting to the Group's business development by provision of the Reviving Loan Facility to the Group by entering into of the Loan Agreement. Pursuant to the Loan Agreement, JeShing Group agreed to grant Richly Field BJ the Reviving Loan Facility in the total amount of RMB300,000,000 for a term of three years at a simple interest rate of 5% per annum. No granting of securities over the assets of the Group in favour of JeShing Group was required for the Reviving Loan Facility. After Completion, Qinhuangdao Outlets will no longer be required to pay the interest to Beijing Shangboya at an annual simple interest rate of 20% on the outstanding principal amount of RMB101,000,000.

As Mr. Wong Hua, who is interested in 26.24% issued share capital of the Company, is also the controlling shareholder of JeShing Group, JeShing Group is therefore a connected person of the Company under the Listing Rules. As such, the entering into of the Loan Agreement constitutes a connected transaction for the Company under Rule 14A.13(2) (b) of the Listing Rules. As the Reviving Loan Facility provided by JeShing Group is for the benefit of the Company and on terms better than normal commercial terms offered to the Group by independent third party financial institutions in the PRC and Hong Kong, given no securities over the assets of the Group were granted, the entering into of the Loan Agreement was exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.65 of the Listing Rules.

The Directors believe that the acquisition of the balance of the 60% issued share capital of King Future which indirectly owns Qinhuangdao Outlets is in line with the Company's business strategy to further the property development of the Parcel Land. With the support of the substantial Shareholder, the Company would be able to expedite the development progress of the Qinhuangdao Project. At present, as the Qinhuangdao Project is still at the early development stage, mainly the directors of the Qinhuangdao Outlets were involved in negotiations of the land acquisition contracts and other preparation works. After Completion and obtaining the state-owned land use rights certificates of the Parcel Land, the Group will recruit additional staff to support development of the Qinhuangdao Project.

The consideration for the Sale Shares and the Debt was determined at after arm's length negotiations among parties having regarded to, among others, (i) the net liabilities position of Qinhuangdao Outlets as at 31 March 2014; (ii) the market value of the Parcel Land , which was in the amount of RMB618,000,000 (equivalent to approximately HK$779,298,000) as at 31 March 2014 (as set out in the valuation report annexed as Appendix IV to this circular); (iii) the outstanding amount and the terms of existing loans from the shareholders of Qinhuangdao Outlets; and (iv) the prospect of the Qinhuangdao Project.

The Directors note that Qinhuangdao Outlets entered into the Changli Land Use Rights Sale Contracts with Changli Land Bureau in relation to the acquisitions of the Parcel Land with total site areas of 717,955 square meters on 2 February 2012. Pursuant to the Land Use Rights Sale Contracts, the construction work for the site area of 1,247.5 square meters shall be commenced on or before 13 October 2012 and completed by 13 October 2013, and total site areas of 716,709.33 square meters shall be commenced on or before 13 October 2012 and completed by 13 October 2014. Any delay in the completion of the construction work without prior approval shall be subject to a daily penalty charged at a rate of the 0.1% on the land premium. As set out in Appendix II to this circular (note 18 to the consolidated financial statements of King Future), Qinhuangdao Outlets has contingent liabilities as it may subject to possible penalty in relation to the delay in the completion of the construction work of the Parcel Land. The estimated quantifiable maximum penalty relating to the site area of 1,247.5 of the Parcel Land was approximately RMB0.18 million (equivalent to approximately HK$0.23 million) payable to Changli Land Bureau as at 30 April 2014. The possible penalty in relation to the delay in the completion of the construction work for the site of 716,709.33 square meters of the Land was unable to be determined as at 30 April 2014. However, as explained in paragraphs headed "Working Capital" in Appendix I headed "Financial Information of the Group" to this circular, the Directors are of the opinion that the crystallisation of such penalty is not probable and will not be demanded.

As the construction work of the Qinhuangdao Project have not completed and no revenue has been generated for the year ended 31 March 2014, King Future incurred loss for the year ended 31 March 2014. The Directors also note the net liabilities position of King Future as at 31 March 2014. As set out in Appendix II to this circular (notes 5 and 15 to the consolidated financial statements of King Future), the net liabilities position of King Future was mainly due to a provision of PRC Enterprise Income Tax in the amount of approximately HK$116 million, which was related to a local government grant to Qinhuangdao Outlets in the amount of approximately HK$466 million (the "Government Grant") to support the infrastructure development for the Qinhuangdao Project. The relevant revenue and profit will be recognised gradually by Qinhuangdao Outlets along with the progress of the infrastructure work of the Qinhuangdao Project according the relevant accounting standards. Further, the Company notes that, as set out in Appendix II to this circular (note 9(b) to the consolidated financial statements of King Future), King Future made impairment in the amount of approximately HK$15.8 million on prepaid land lease payments relating to the Parcel Land. However, having considered the aforesaid Government Grant and the prospect of the Qinhuangdao Project, the Directors consider that the consideration for the Acquisitions is fair and reasonable.

As set out in the accountants' report annexed as Appendix II to this circular, the auditors' opinion has an emphasis of matter regarding the going concern matter of the King Future. After Completion and obtaining the state-owned land use rights certificates for the Parcel Land, the Company intends to pledge the Parcel Land to the PRC bank(s) to obtain bank loan(s) for the development of the Qinhuangdao Project. Based on the existing valuation of the Parcel Land as set out in Appendix IV to this circular, the Company expects that approximately RMB300 million of bank loan(s) can be obtained. In addition, if necessary, the Company can draw the Reviving Loan Facility granted by JeShing Group for the development of the Qinhuangdao Project. The Qinhuangdao Project will be developed in phases and additional cash will be generated from sales of the property of the initial phases for the development of later phases. Therefore, the Directors consider that the going concern matter of the King Future raised by the reporting accountants can be sufficiently addressed.

The Directors consider that terms of the S&P Agreement and the Debt Assignment Agreement (including the consideration for the Sale Shares and the Debt) were based on normal commercial terms and are fair and reasonable, and the Acquisitions have provided a good opportunity for the Company to consolidate the Company's control over Qinhuangdao Outlets at a reasonable price. After Completion, the Company will have more autonomy on the affairs of Qinhuangdao Outlets, which, in the long term, will enhance the Group's overall profitability.

Having considered the aforesaid factors, the Directors are of the opinion that the Acquisitions are in the best interests of the Company and the Shareholders as a whole.

**FINANCIAL IMPACTS OF THE ACQUISITIONS TO THE GROUP**

Upon Completion, King Future will become an wholly-owned subsidiary of the Company and all the financial results of King Future will be consolidated into the Group's financial statements. The unaudited pro forma statement of assets and liabilities of the Enlarged Group as set out in Appendix III to this circular is prepared as if the Completion had taken place on 30 September 2013 to illustrate the effects of the Acquisitions.

As set out in the unaudited pro forma statement of assets and liabilities of the Enlarged Group in Appendix III to this circular, assuming the Acquisitions took place on 30 September 2013, total assets of the Enlarged Group will be increased to approximately HK$3,273,139,000, total liabilities of the Group will be increased to approximately HK$2,866,216,000 and the net assets will be reduced to approximately HK$406,923,000.

## LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the S&P Agreement and the Debt Assignment Agreement is more than 25% but are less than 100%, the entering into of the S&P Agreement and the Debt Assignment Agreement constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. As such, the S&P Agreement, the Debt Assignment Agreement and the transactions contemplated thereunder are subject to reporting, announcement and Shareholders' approval requirements under the Listing Rules.

## SGM

The SGM will be convened for the purpose of, among others, considering, and if thought fit, approving the S&P Agreement, the Debt Assignment Agreement and the transactions contemplated thereunder.

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the transactions contemplated under the S&P Agreement and the Debt Assignment Agreement. As such, no Shareholder would be required to abstain from voting in favour of the resolutions approving the S&P Agreement and the Debt Assignment Agreement and the transactions contemplated thereunder.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon, and deposit it with the Company's branch share registrar in Hong Kong, Tricor Secretaries 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 the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment of it if you so wish.

An announcement will be made by the Company after the SGM regarding the results of the SGM pursuant to the requirements of the Listing Rules.

## RECOMMENDATION

The Board recommends the Shareholders to vote in favour of the resolution to approve the S&P Agreement, the Debt Assignment Agreement and the transactions contemplated thereunder at the SGM as set out in the notice of the SGM.

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

By order of the Board
**Richly Field China Development Limited**
**Ma Jun**
*Chairman*

## THREE YEARS FINANCIAL INFORMATION

The financial information of the Group for the three years ended 31 March 2011, 2012 and 2013 and the six months ended 30 September 2013 have been set out in the Company's annual reports and interim report for the three years ended 31 March 2011, 2012 and 2013 and for the six months ended 30 September 2013, respectively. All of the above reports were published on the website of the Stock Exchange (http://www.hkexnews.com.hk) and the website of the Company (http://www.richlyfieldchina.com). The management discussion and analysis of the Company for the years ended 31 March 2011, 2012 and 2013 and the six months ended 30 September 2013 are disclosed in the published annual reports and the interim report of the Company for the relevant years.

## STATEMENT OF INDEBTEDNESS

As at the close of business on 30 April 2014, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had secured interest-bearing bank borrowings amounted to RMB1.21 billion (equivalent to approximately HK$1.52 billion).

In connection with the bank borrowing in the amount of RMB1.21 billion (equivalent to approximately HK$1.52 billion) (including entrusted loans in the total amount of RMB1.2 billion (equivalent to approximately HK$1.51 billion) (the "Entrust Loans")), land parcels under Hunan Richly Field in the total area of approximately 949,849 square meters and commercial properties under the development with construction area of 98,030 square meters were pledged to the banks.

In connection with the Entrust Loans, Mr. Leung Ho Hing provided a guarantee in favour of the Entrust Loans, and the Company provided a counter-guarantee in favour of Mr. Leung Ho Hing. In addition, the entire equity interest in Hunan Richly Field was pledged to the entrusted bank. Global Outlets Holdings and Richly Field BJ also provided guarantees in relation to the Entrust Loans.

The Enlarged Group has contingent liabilities arising from claims for compensation for failure to deliver the shop premises in one of its property development projects and provisions of HK$1.86 million were recognised in this respect. While leases of compensation for some of the tenants cannot be ascertained (e.g. monthly contingent rental charges over the tenants, which are based on certain percentages of the monthly turnover of the individual outlet shops), no reliable estimation can be made on the quantum of the potential compensation payables for such tenants as at 30 April 2014. No claim for compensation has been lodged against the Enlarged Group as at 30 April 2014.

In addition, as set out in paragraphs headed "Working Capital" below, the Enlarged Group may be subject to a possible penalty in relation to land use rights contracts entered into with Wangcheng Bureau of Land and Resources (望城區國土資源局) ("Wangcheng Land Bureau") and the Changli Land Bureau. As at 30 April 2014, the estimated quantifiable maximum of such penalty were approximately RMB326.80 million (equivalent to approximately HK$411.38 million) and RMB0.18 million (equivalent to approximately HK$0.23 million) (in relation to the site area of 1,247.5 square meters of the Parcel Land) payable to Wangcheng Land Bureau and Changli Land Bureau respectively. Further, pursuant to the Changli Land Use Rights Sale Contracts, the construction work for the total site area of 716,709.33 square meters of the Parcel Land shall be completed by 13 October 2014, and any delay in the completion of the construction work may be subject to a daily penalty of 1‰ of land premium payable to Changli Land Bureau. As at the Latest Practicable Date, the amount of such penalty relating to the possible delay (in relation to the site area of 716,709.33 square meters of the Parcel Land) was unable to be determined. However, as explained in paragraphs headed "Working Capital" below, the Directors are of the opinion that the crystallisation of such penalty is not probable and will not be demanded.

Save as disclosed above, and apart from intra-group liabilities and normal accounts payable in the ordinary course of business of the Enlarged Group, the Enlarged Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, bank loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits or hire purchase commitments, mortgage, charges, guarantees or other material contingent liabilities as at the close of business on 30 April 2014.

## WORKING CAPITAL

Having taken into account the present financial resources available to the Enlarged Group (including internal resources, cash generated and to be generated in the future from the sales of the Enlarged Group's properties, existing available bank facilities and other loan facilities), the Directors are of the view the Enlarged Group will have sufficient working capital to meet its present requirement for at least 12 months from the date of this circular.

Pursuant to two State-owned Construction Land Use Rights Sale Contracts (國有建設用地使用權出讓合同) (the "Wangcheng Land Use Rights Sale Contracts") both entered into between the Wangcheng Land Bureau and Hunan Richly Field dated 28 October 2009 and 19 January 2010 respectively in relation to the acquisition of the land parcels with total area of approximately 1,500 mu in Wangcheng County, Changsha, Hunan Province, the PRC, the construction works for the site area of 406,887 square meters and 651,666 square meters of the land parcels shall be completed on or before 20 August 2012 and 31 December 2012 respectively. In addition, pursuant to the Changli Land Use Rights Sale Contracts entered into between the Changli Land Bureau dated 2 February 2012 in relation to the acquisition of the Parcels Land, the construction work for the site area of 1,247.5 square meters shall be commenced on or before 13 October 2012 and completed by 13 October 2013, and total site areas of 716,709.33 square meters shall be commenced on or before 13 October 2012 and completed by 13 October 2014.

Mainly due to series of adjustment measures and policies launched by the PRC government to control property market in the PRC in 2012, the construction and sales of property under the outlets project under Hunan Richly Field (the "Changsha Outlets Project") and the construction work of Qinhuangdao Project were both behind the original schedules as set out in the Wangcheng Land Use Rights Sale Contracts and the Changli Land Use Rights Sale Contracts respectively. As such, Hunan Richly Field and Qinhuangdao Outlets may be subject to a delay daily penalty of 1‰ of the land premium which is payable to the Wangcheng Land Bureau and Changli Land Bureau. Based on estimation, the quantifiable penalty payable by Hunan Richly Field and Qinhuangdao Outlets to the Wangcheng Land Bureau and Changli Land Bureau may be approximately RMB326.80 million (equivalent to approximately HK$411.38 million) and RMB0.18 million (equivalent to approximately HK$0.23 million) (in relation to the site area of 1,247.5 square meters of the Parcel Land) as at 30 April 2014 respectively (together, the "Possible Penalty").

Given that: (a) the Changsha Outlets Project has already commenced its construction work in the middle of 2010 and the Qinhuangdao Project shall commence its construction work for phase one in the third quarter of 2014, (b) although the construction work for the Changsha Outlets Project was behind the original schedule, it has been continuing progressing, and it is expected that the planning permit for construction work for the Qinhuangdao Project will be obtained in the third quarter of 2014, (c) each of the Changsha Outlets Project and the Qinhuangdao Project is one of the key property development projects in Wangcheng County, Changsha and Changli County, Qinhuangdao City, and both local governments have put emphasize and been supporting to these projects, (d) with the Entrust Loans obtained in the end of 2014 and the Reviving Loan Facility, the Enlarged Group would expedite the construction work and sales of the Changsha Outlets Project and the Qinhuangdao Project, (e) as the Latest Practicable Date, Hunan Richly Field and Qinhuangdao Outlets have not been informed or received any notice from Wangcheng Land Bureau and Changli Land Bureau regarding the Possible Penalty respectively, and (h) the Directors consider that the Enlarged Group can satisfy the pre-agreed requirements of the relevant PRC authorities regarding the timetable and occupancy rate of the Changsha Outlets Project, the Directors have not accounted for the Possible Penalty when considering the sufficiency of working capital of the Enlarged Group for at least 12 months from the date of this circular.

The Directors draw attention to the estimation of the future cash flows of the Enlarged Group as adopted by them regarding cash from additional loans to be obtained in the second half of 2014 and cash to be generated in the future from the sales of the Enlarged Group's properties for the forecast period. In preparing the cash flow forecast, the Directors have assumed that the cash to be generated in the future from the actual sales of properties approximate the cash to be generated in the future from the sales of properties. While the Directors believe that the cash flow forecast is based on their best estimation of the cash from additional loans to be obtained and the sales of properties, should the Enlarged Group could not obtain the additional loans in the second half of 2014 or the cash to be generated in the future from actual sales of properties differ materially from the cash to be generated in the future from the sales estimated by the Directors, it would have effect of increasing or decreasing the working capital to meet its present requirement for at least 12 months from the date of this circular.

## FINANCIAL AND TRADING PROSPECTS

Regarding the Changsha Outlets Project in Changsha, Hunan Province, the PRC, under Hunan Richly Field, approximately over 75% area of phase one of the commercial portion has completed the business invitation. The international cinema has commenced its trial operation. It is anticipated that phase one of the commercial portion of Changsha Outlets Project will fully open to public in October 2014. In the meanwhile, the construction work for phase two small low-rise and high-rise residential departments have already commenced construction work, it is expected that small low-rise departments will be on sale in August 2014, and the high rise departments will commence its sale at the end of 2014 or beginning of 2015.

As for the Qinhuangdao Project, after Completion, the Group will expedite the development progress. It is anticipated that the relevant approvals for concept design plan and environmental assessment report for the Qinhuangdao Project can be obtained by the end of July 2014, after which Qinhuangdao Outlets will obtain the relevant land certificates for the Parcel Land. It is also expected that Qinhuangdao Outlets can obtain the construction work and planning permit within two months after obtaining the land certificates for the Parcel Land. Based on existing plan and progress, the construction work for phase one of the Qinhuangdao Project with construction area of approximately 103,000 square meters will commence in the third quarter of 2014.

After obtaining the construction land use rights in the area of approximately 156 mu in Sanyuan Town, Huailai County, Hebei Province, the PRC, Huailai Dayi Wineries Company Limited* (懷來大一葡萄酒莊有限公司), a 50% owned associate of the Company, intends obtain more land use rights. At the same time, it intends to expand the planting demonstration area and commence the construction work for the club house as and when appropriate.

Globe Outlets Town (Jilin) Limited, a 42%-owned associate of the Company, is in the progress of bidding parcels of land in Shuangyang District, Changchuan, Jilin Province, the PRC. The local government at present is the process of relevant land reposition, and it is anticipated that approximately 462 mu land parcels will open for bid in the second half of 2014.

Differentiation inside the industry will become more prominent, and those enterprises which fail to adapt to the changing market will eventually vanish. In this regard, the Group launched an enhanced development strategy in the second half of 2013 in order to improve its competitive strength. The Group will continue the initiatives which include: first, optimising the Group's product mix by increasing the proportion of fast-moving products for rigid demand in our Changsha Outlets Project; second, building up quality land reserves in Jilin Province for the expansion of the Company's business scale; third, steadily advancing the new business models of residential cum industrial complexes, such as "residential properties + outlets" and "residential properties + tourism" through introduction of partners and adhering to our brand philosophy of "Richly Field Town", so as to provide valuable experience in respect of project development and invitation for investment for other project companies of the Group; fourth, constantly looking for business partners, optimising and improving the Group's management for continuous refinement and standardisation, so as to enhance the Group's value-based operating capability; fifth, strengthening financial management and further optimising the Group's asset and liability structure to enhance liquidity of the Group.

*The following are: A – The text of a report of King Future received from the Company's reporting accountants, Cheng & Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular; and B – Management discussion and analysis on King Future for the relevant period.*

## A. ACCOUNTANTS' REPORT OF KING FUTURE FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2012, 2013 AND 2014

24 June 2014

The Board of Directors
Richly Fields China Development Limited
Suite 506, ICBC Tower
3 Garden Road
Central, Hong Kong

Dear Sirs,

We set out below our report on the financial information of King Future Limited (the "Target Company") and its subsidiaries (collectively referred to as the "Target Group"), including the consolidated statements of financial position of the Target Group as at 31 March 2012, 2013 and 2014, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows of the Target Group for each of the three years ended 31 March 2012, 2013 and 2014 (the "Relevant Periods"), together with the notes thereto (the "Financial Information"), for inclusion in the circular of Richly Fields China Development Limited (the "Company") dated 24 June 2014 (the "Circular") in connection with the proposed acquisition of an aggregate of 60% issue share capital of the Target Company by the Company.

The Target Company was incorporated in the British Virgin Islands with limited liability on 9 June 2010 under the Companies Act 2010.

As at the date of this report, the Target Company has interest in subsidiaries as set out in Note 10 of Section II below. All companies comprising the Target Group have adopted 31 March as their financial year end date.

The consolidated financial statements of the Target Group for each of the years ended 31 March 2012, 2013 and 2014 respectively were audited by us pursuant to separate terms of engagement with the Target Company.

For the purpose of this report, the directors of the Target Company have prepared 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 ("HKICPA"). The Underlying Financial Statements for each of the three years ended 31 March 2012, 2013 and 2014 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 based on the Underlying Financial Statements with no adjustments made thereon.

**DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION**

The directors of the Target Company are responsible for the preparation of the Financial Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the directors of the Target Company 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.

The directors of the Company are responsible for the contents of the Circular in which this report is included.

**REPORTING ACCOUNTANTS' RESPONSIBILITY**

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion and review conclusion 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, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Company and of the Target Group as at 31 March 2012, 2013 and 2014 and of the Target Group's results and cash flows for Relevant Periods then ended.

**EMPHASIS OF A MATTER**

Without qualifying our opinion, we draw attention to note 2.1.2 to the consolidated financial statements of the Target Company which indicates that the Target Group incurred a net loss of HK$17,142,828 (2013: HK$1,681,738 and 2012: HK$117,786,050) for the year ended 31 March 2014, and the Target Group's current liabilities exceeded its current assets by

HK$918,227,572 (2013: HK$857,261,725 and 2012: HK$787,821,325) as at 31 March 2014. On 22 April 2014, a sale and purchase agreement (the "S&P Agreement") entered into between the shareholders of the Target Company, pursuant to which the Company agreed to conditionally acquire an aggregate of 60% issued share capital of King Future Limited, the holding company of Qinhuangdao Outlets Real Estate Co., Ltd ("Qinhuangdao Outlets"). After completion of the S&P Agreement, the companies in the Target Group will become wholly-owned subsidiaries of the Company. In addition, on 22 April 2014, a debt assignment agreement was also entered into in relation to assignment of the outstanding debt of Qinhuangdao Outlets in the principal amount of RMB101,000,000 (equivalent to approximately HK$127,251,563) together with the relevant accrued interest upon completion date of the S&P to the Group (the "Debt Assignment"). The directors of the Target Company consider after completion of the S&P and the Debt Assignment, the Company will continue the financial support to the Target Group.

As at 31 March 2014, the deferred income from a government grant with an aggregate amount of HK$466,187,850 represents cash received from the Changli County Ministry of Finance without conditions to repay. The directors of the Target Company consider the amount to be recognised against the completion of property development project under Qinhuangdao Outlets in the foreseeable future.

Based on the Target Company's estimation of future cash flows of Target Group, after taking into account of the financial support by the Company, the Target Group is able to generate sufficient funds to meet its financial obligations and when they fall due in the foreseeable future.

## I. FINANCIAL INFORMATION

### (a) Consolidated Statement of Profit or Loss

| | Notes | 2012 HK$ | 2013 HK$ | 2014 HK$ |
|---|---|---|---|---|
| | | Year ended 31 March | | |
| **Revenue** | 4 | – | – | – |
| Other income | 4 | 13,524 | 41,450 | 11,252 |
| Administrative expenses | | (4,786,640) | (1,723,188) | (1,346,240) |
| Impairment loss on prepaid land lease payments | 9 (b) | – | – | (15,807,840) |
| **Loss before tax** | 8 | (4,773,116) | (1,681,738) | (17,142,828) |
| Income tax | 5 | (113,012,934) | – | – |
| Loss for the year attributable to owners of the Target Group | | (117,786,050) | (1,681,738) | (17,142,828) |

### (b) Consolidated Statement of Comprehensive Income

| | 2012 HK$ | 2013 HK$ | 2014 HK$ |
|---|---|---|---|
| | Year ended 31 March | | |
| **Loss for the year** | (117,786,050) | (1,681,738) | (17,142,828) |
| **Other comprehensive loss** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on translation of foreign operation | (92,217) | (70,633) | (1,130,953) |
| **Total comprehensive loss for the year attributable to owners of the Target Group** | (117,878,267) | (1,752,371) | (18,273,781) |

## (c) Consolidated Statement of Financial Position

| | | As at 31 March | | |
|---|---|---|---|---|
| | | 2012 | 2013 | 2014 |
| | *Notes* | *HK$* | *HK$* | *HK$* |
| **NON-CURRENT ASSETS** | | | | |
| Property, plant and equipment | *8* | 263,610 | 189,863 | 126,650 |
| Prepaid land lease payments | *9* | 668,780,945 | 736,542,721 | 779,298,000 |
| **Total non-current assets** | | 669,044,555 | 736,732,584 | 779,424,650 |
| **CURRENT ASSETS** | | | | |
| Amount due from a related company | *11* | – | 6,578,271 | 6,075,396 |
| Cash and cash equivalents | *12* | 13,194,812 | 876,890 | 133,225 |
| Total current assets | | 13,194,812 | 7,455,161 | 6,208,621 |
| **CURRENT LIABILITIES** | | | | |
| Deferred income from government grant | *15* | 458,076,857 | 458,371,014 | 466,187,850 |
| Other payables and accruals | | 218,812 | 195,388 | 197,184 |
| Loans from related companies | *13* | 196,956,215 | 260,288,941 | 310,845,037 |
| Amounts due to shareholders | *14* | 31,245,039 | 31,268,789 | 31,289,659 |
| Provision for taxation | | 114,519,214 | 114,592,754 | 115,916,463 |
| Total current liabilities | | 801,016,137 | 864,716,886 | 924,436,193 |
| **Net current liabilities** | | (787,821,325) | (857,261,725) | (918,227,572) |
| **Total assets less current liabilities** | | (118,776,770) | (120,529,141) | (138,802,922) |
| **EQUITY** | | | | |
| **Equity attributable to owners of the Target Group** | | | | |
| Share capital | *16* | 78 | 78 | 78 |
| Reserves | *17* | (118,776,848) | (120,529,219) | (138,803,000) |
| | | (118,776,770) | (120,529,141) | (138,802,922) |

### (d) Consolidated statement of changes in equity

| | Attributable to owners of the Target Group | | | |
|---|---|---|---|---|
| | Share capital | Exchange reserve | Accumulated losses | Total equity |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| **As at 31 March 2011** | 8 | 471,355 | (1,369,936) | (898,573) |
| **Proceeds from share allotment** | 70 | – | – | 70 |
| **Loss for the year** | – | – | (117,786,050) | (117,786,050) |
| **Other comprehensive loss:** | | | | |
| Exchange differences on translation of foreign operations | – | (92,217) | – | (92,217) |
| **As at 31 March 2012 and 1 April 2012** | 78 | 379,138 | (119,155,986) | (118,776,770) |
| **Loss for the year** | – | – | (1,681,738) | (1,681,738) |
| **Other comprehensive loss:** | | | | |
| Exchange differences on translation of foreign operations | – | (70,633) | – | (70,633) |
| **As at 31 March 2013 and 1 April 2013** | 78 | 308,505 | (120,837,724) | (120,529,141) |
| **Loss for the year** | – | – | (17,142,828) | (17,142,828) |
| **Other comprehensive loss:** | | | | |
| Exchange differences on translation of foreign operations | – | (1,130,953) | – | (1,130,953) |
| **As at 31 March 2014** | 78 | (822,448) | (137,980,552) | (138,802,922) |

**(e) Consolidated Statement of Cash Flow**

| | Year ended 31 March | | |
|---|---|---|---|
| | **2012** | **2013** | **2014** |
| | *HK$* | *HK$* | *HK$* |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Loss before tax | (4,773,116) | (1,681,738) | (17,142,828) |
| Adjustments for: | | | |
| Bank interest income | (9,325) | (31,026) | (2,667) |
| Depreciation of property, plant and equipment | 59,483 | 73,916 | 64,660 |
| Impairment loss on prepaid land lease payments | – | – | 15,807,840 |
| | (4,722,958) | (1,638,848) | (1,272,995) |
| (Increase)/Decrease in amounts due from a related company | – | (6,507,884) | 499,204 |
| Recognition of prepaid land lease payments | (576,380,491) | (24,537,461) | (7,639,829) |
| (Decrease)/Increase in other payables and accruals | (394,852) | (23,172) | 5,453 |
| Cash used in operations | (581,498,301) | (32,707,365) | (8,408,167) |
| Tax paid | – | – | – |
| Net cash flows used in operating activities | (581,498,301) | (32,707,365) | (8,408,167) |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Bank interest received | 9,325 | 31,026 | 2,667 |
| Purchases of items of property, plant and equipment | (7,679) | – | – |
| Net cash flow from investing activities | 1,646 | 31,026 | 2,667 |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Repayment of loan to a related company | (38,111,831) | – | – |
| Proceeds of loans from related companies | 178,139,704 | 22,802,355 | – |
| Refund of other tax by government | – | – | 2,507,400 |
| Proceeds from government grant | 452,051,734 | – | – |
| Net cash flow from financing activities | 592,079,607 | 22,802,355 | 2,507,400 |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | 10,582,952 | (9,873,984) | (5,898,100) |
| Cash and cash equivalents at beginning of year | 2,138,475 | 13,194,812 | 876,890 |
| Effect of foreign exchange rate changes, net | 473,385 | (2,443,938) | 5,154,435 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 13,194,812 | 876,890 | 133,225 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | | |
| Cash and cash equivalents | 13,194,812 | 876,890 | 133,225 |

## II. NOTES TO THE FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

The Target Company is a company incorporated in the British Virgin Islands under the Companies Act, 2004 with registered number 1589027 on 9 June 2010. The Registered Office of the Target is P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands.

The Target Company is principally engaged in investment holding and its subsidiaries are principally engaged in property development.

### 2.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA and under the historical cost convention.The preparation of Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 3.

#### 2.1.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Target Company and its subsidiaries (collectively referred to as the "Target Group") for the year ended 31 March 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

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

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

#### 2.1.2 Going concern

As at 31 March 2014, the Target Group's current liabilities exceeded their current assets by HK$918,227,572. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Target Group's and Target Company's abilities to continue as a going concern. The directors are of the opinion that this basis is appropriate because the directors of the Target Company have taken steps to improve the Target Group's liquidity and solvency position. The directors of the Target Company also consider an aggregate amount of HK$127,251,563, which includes principal of HK$86,180,909 and accrued interests of HK$41,070,654, and a current account balance of HK$31,289,659 owed by Qinhuangdao Outlets to the Group as at 31 March 2014, together with the completion of Debt Assignment subsequent to 31 March 2014 would be financial support from the Group.

As at 31 March 2014, the deferred income from a government grant with an aggregate amount of HK$466,187,850 represents cash received from the Changli County Ministry of Finance without conditions to repay. The directors of the Target Company consider the amount to be recognized against the completion of Qinhuangdao Project in the foreseeable future.

Accordingly, it is not necessary to include any adjustments that would be required should the Company fail to continue as a going concern.

Should the Target Group or the Target Company be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the Financial Information.

## 2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Target Group and the Target Company have not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| Amendments to HKFRS 11 | Accounting for Acquisition of Interests in Joint Operation[5] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Investment Entities[1] |
| Amendments to HKAS 19 | Defined Benefit Plans: Employee Contributions[2] |
| Amendments to HKFRS 9 and HKFRS 7 | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3] |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities[1] |
| Amendments to HKAS 36 | Recoverable Amount Disclosures for Non-Financial Assets[1] |
| Amendments to HKAS 39 | Novation of Derivatives and Continuation of Hedge Accounting[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010-2012 Cycle[4] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011-2013 Cycle[2] |
| HKFRS 9 | Financial Instruments[3] |
| HKFRS 14 | Regulatory Deferral Accounts[5] |
| HK(IFRIC) – Int 21 | Levies[1] |
| Amendments to HKAS 16, HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortization[5] |

1 *Effective for annual periods beginning on or after 1st January 2014*

2 *Effective for annual periods beginning on or after 1st July 2014*

3 *Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised*

4 *Effective for annual periods beginning on or after 1st July 2014, with limited exceptions*

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

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which results in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Target Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Target Group expects that these amendments will not have any impact on the Target Group as the Target Company is not an investment entity as defined in HKFRS 10.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Target Group upon adoption on 1 April 2014.

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Target Group has control. The Target Group controls an entity when the Target Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Target Group. They are deconsolidated from the date that control ceases.

The Target Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Target Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Target Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Target group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

**Fair value measurement**

The Target Group measures its financial guarantee 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 Information 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, goodwill and non-current 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 to sell, 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 income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an 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 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 recognized for the asset in prior years.

**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 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 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) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

**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 income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized 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 depreciates them accordingly.

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

| | **Depreciation rates** | **Method** |
|---|---|---|
| Office equipment | 15% to 33% | Straight-line basis |
| Furniture and fixture | 15% to 20% | Straight-line basis |
| Motor vehicles | 20% | Straight-line basis |

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 including 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 year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

**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 profit or loss on the straight-line basis over the lease terms. Where the Target Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Land lease premium under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

**Investments and other financial assets**

***Initial recognition and measurement***

Financial assets within the scope of HKAS 39 are classified as loans and receivables. The Target Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs.

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.

***Subsequent measurement***

The subsequent measurement of financial assets depend 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 discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

**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 derecognised 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, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Target Group's continuing involvement in the asset. 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Group could be required to repay.

**Impairment of financial assets**

The Target Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the 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 individually whether objective evidence of impairment exists 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.

If there is objective evidence that an impairment loss has been incurred, 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 (excluding future credit losses that have not yet 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). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in 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 and all collateral has been realised or has been transferred to the Target Group.

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 write-off is later recovered, the recovery is credited to other expenses in profit or loss.

***Initial recognition and measurement***

Financial liabilities within the scope of HKAS 39 are classified as loans and borrowings. The Target Group determines the classification of its financial liabilities at initial recognition.

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

The Target Group's financial liabilities include trade payables, other payables and accruals, amount due to related parties, financial guarantee contracts, and interest-bearing bank and other borrowings.

***Subsequent measurement***

The subsequent 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 profit or loss when the liabilities are derecognised as well as through the effective interest rate 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 profit or loss.

*Financial guarantee contracts*

Financial guarantee contracts issued by the Target Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Target Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

**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 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 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 bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

**Provisions**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

**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 jurisdictions 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:

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

– when 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, 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 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 on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by the way of a reduced depreciation charge.

**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) from the sale of goods, 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 sold;

(b) from the sale of properties, when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement, and the collectability of related receivables is reasonably assured;

(c) rental income from properties, in the period in which the properties are let and on the straight-line basis over the lease terms;

(d) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" below; and

(e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

**Construction contracts**

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

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.

**Other employee benefits**

***Pension schemes***

The employees of the Target Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal governments. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes.

**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.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalised rate of 20% has been applied to the expenditure on the individual assets.

**Foreign currencies**

These financial statements are 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 entities in the Target Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in 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 determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Target Company at the exchange rates prevailing at the end of the reporting period and, their statement of comprehensive income 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. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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.

The preparation of the Target Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

## 3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Target Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

**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 described below.

***Useful lives of property, plant and equipment***

The Target Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives are different to previously estimated, or will write off or write down technically obsolete or nonstrategic assets that have been abandoned or sold.

***Provision for other receivables***

Provision for other receivables is made based on an assessment of the recoverability of other receivables and the timing of their recovery. The identification of provision for other receivables requires management judgement and estimation. Where the actual outcome or expectation in future is different from the original estimates, such differences will have an impact on the carrying amounts of other receivables and the amount of provision/reversal of provision in the periods in which such estimates have been changed.

**Impairment of non-financial assets (other than goodwill)**

The Target Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

## 4. OTHER INCOME

| | Year ended 31 March | | |
|---|---|---|---|
| | **2012** | **2013** | **2014** |
| | *HK$* | *HK$* | *HK$* |
| Bank interest income | 9,325 | 31,026 | 2,667 |
| Other income | 4,199 | 10,424 | 8,585 |
| | 13,524 | 41,450 | 11,252 |

## 5. INCOME TAX

PRC Enterprise Income Tax ("EIT") has been provided at the rate of 25% (2013: 25% and 2012: 25%) on the estimated assessable profits arising in the PRC during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Target Group operates.

| | **2012** | **2013** | **2014** |
|---|---|---|---|
| | *HK$* | *HK$* | *HK$* |
| Group: | | | |
| Current – PRC | | | |
| Charge for the year | 113,012,934 | – | – |
| Total tax charge for the year | 113,012,934 | – | – |

A provision of PRC EIT in the amount of approximately HK$113 million, which was related to a local government grant to Qinhuangdao Outlets Real Estate Co., Ltd ("Qinhuangdao Outlets") in the amount of approximately HK$458 million, which received during the period from 10 January 2012 to 16 February 2012, to support the infrastructure development for the property development project of Qinhuangdao Outlets.

Current taxation in the statement of financial position represents:

| | **2012** | **2013** | **2014** |
|---|---|---|---|
| | *HK$* | *HK$* | *HK$* |
| Provision for PRC EIT for the year | 114,519,214 | – | – |
| Provisional EIT paid | – | – | – |
| | 114,519,214 | – | – |
| Balance of PRC EIT provision relating to prior years | – | 114,592,754 | 115,916,463 |
| | 114,519,214 | 114,592,754 | 115,916,463 |

| | Year ended 31 March | | |
|---|---|---|---|
| | 2012 | 2013 | 2014 |
| | *HK$* | *HK$* | *HK$* |
| Loss before tax | (4,773,116) | (1,681,738) | (17,142,828) |
| Tax at the statutory tax/applicable tax rates of different jurisdictions | (1,193,279) | (420,434) | (4,285,707) |
| Income not subject to tax | (3,381) | (10,362) | (2,813) |
| Expenses not deductible for tax | 386,864 | 36,861 | 3,951,960 |
| Tax losses not recognised | 809,796 | 393,935 | 336,560 |
| Government grant received subject to EIT in PRC | 113,012,934 | – | – |
| Tax charge for the year | 113,012,934 | – | – |

No provision for Hong Kong profits tax has been made for the years ended 31 March 2014, 2013 and 2012 as the Group did not generate any assessable profits arising in Hong Kong during the year (2013: Nil and 2012: Nil). Taxes on profits assessable in elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

## 6. LOSS ATTRIBUTABLE TO OWNERS OF THE TARGET GROUP

The consolidated loss attributable to owners of the Target Group for the year ended 31 March 2014 includes a loss of HK$18,273,781 (2013: 1,752,371; 2012: 117,878,267) which has been dealt with in the financial statements of the Target Company.

## 7. EMPLOYEE BENEFIT EXPENSE

### Individuals with highest emoluments

There were only 3 staff employed during the period of 2012 to 2014. The emoluments of the only staff was as follows:

| | Year ended 31 March | | |
|---|---|---|---|
| | 2012 | 2013 | 2014 |
| | *HK$* | *HK$* | *HK$* |
| Salaries and other benefits | 290,403 | 658,427 | 449,105 |

## 8. PROPERTY, PLANT AND EQUIPMENT

### – The Target Group

| | Office equipment<br>*HK$* | Motor vehicles<br>*HK$* | Total<br>*HK$* |
|---|---|---|---|
| ***Cost*** | | | |
| At 1 April 2011 | 7,484 | 293,181 | 300,665 |
| Additions | 7,679 | – | 7,679 |
| Exchange realignment | 467 | 14,282 | 14,749 |
| **At 31 March 2012** | 15,630 | 307,463 | 323,093 |
| At 1 April 2012 | 15,630 | 307,463 | 323,093 |
| Exchange realignment | 8 | 161 | 169 |
| **At 31 March 2013** | 15,638 | 307,624 | 323,262 |
| At 1 April 2013 | 15,638 | 307,624 | 323,262 |
| Exchange realignment | 70 | 1,377 | 1,447 |
| **At 31 March 2014** | 15,708 | 309,001 | 324,709 |
| ***Accumulated depreciation*** | | | |
| At 1 April 2011 | – | – | – |
| Depreciation | 1,834 | 57,649 | 59,483 |
| **At 31 March 2012** | 1,834 | 57,649 | 59,483 |
| At 1 April 2012 | 1,834 | 57,649 | 59,483 |
| Depreciation | 4,692 | 69,224 | 73,916 |
| **At 31 March 2013** | 6,526 | 126,873 | 133,399 |
| At 1 April 2013 | 6,526 | 126,873 | 133,399 |
| Depreciation | 3,128 | 61,532 | 64,660 |
| **At 31 March 2014** | 9,654 | 188,405 | 198,059 |
| ***Net carrying amount*** | | | |
| **At 31 March 2014** | 6,054 | 120,596 | 126,650 |
| **At 31 March 2013** | 9,112 | 180,751 | 189,863 |
| **At 31 March 2012** | 13,796 | 249,814 | 263,610 |

All of the Target Group's property, plant and equipment are situated in Mainland China.

**9. PREPAID LAND LEASE PAYMENTS**

| | As at 31 March | | |
|---|---|---|---|
| | **2012** | **2013** | **2014** |
| | *HK$* | *HK$* | *HK$* |
| Carrying amount at 1 April | 72,466,149 | 668,780,945 | 736,542,721 |
| Recognized during the year | 584,987,703 | 66,754,377 | 49,856,745 |
| Impairment loss recognized *(note (b))* | – | – | (15,807,840) |
| Exchange realignment | 11,327,093 | 1,007,399 | 8,706,374 |
| Carrying amount at 31 March | 668,780,945 | 736,542,721 | 779,298,000 |
| Current portion | – | – | – |
| Non-current portion | 668,780,945 | 736,542,721 | 779,298,000 |

The Target Group's leasehold land is situated in Mainland China and is held under the following lease terms:

| | As at 31 March | | |
|---|---|---|---|
| | **2012** | **2013** | **2014** |
| | *HK$* | *HK$* | *HK$* |
| Long term leases | 668,780,945 | 736,542,721 | 779,298,000 |
| Medium term leases | – | – | – |
| | 668,780,945 | 736,542,721 | 779,298,000 |

(a) Based on the consultation with Land Resources Bureau of Changli County, the directors of the Company understand that the state-owned land use rights certificates will be issued once Qinhuangdao Outlets obtains the approvals for the concept design plan and the environment assessment report from the relevant PRC authorities for the property development project of Qinhuangdao Outlets. In addition, pursuant to the legal opinion provided by Dacheng Law Offices, a PRC law firm, the Target Company is unlikely to encounter any obstacles in obtaining the land use right certificates as all the land acquisition fees had been fully paid. The directors of the Target Company considered that the requirement for the approval from the related government authorities does not render significant adverse impact on granting the land use rights. The directors of the Company agree with the view of directors of the Target Company.

(b) The recoverable amount of the Target Group's prepaid lease land payments as at 31 March 2014 has been arrived at on the basis of a valuation carried out by Asset Appraisal Limited, independent qualified professional valuers not connected with the Target Group, at RMB618,000,000 (equivalent to HK$779,298,000) under market value approach. Asset Appraisal Limited is member of The Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

As at 31 March 2014, an impairment loss amounting to RMB12,608,950 (equivalent to HK$15,807,840) have been provided as the carrying amount of the Target Group's prepaid land lease payments in the amount of RMB630,608,950 (equivalent to HK$795,105,840) exceeds its recoverable amount of RMB618,000,000 (equivalent to HK$779,298,000) which was determined by Asset Appraisal Limited, independent qualified professional valuers.

Impairment loss on prepaid land lease payments:

| | **RMB** | **(Equivalent to HK$)** |
|---|---|---|
| Prepaid land lease payments, at cost | 630,608,950 | 795,105,840 |
| Fair value of the four parcel land | 618,000,000 | 779,298,000 |
| Impairment loss recognized | 12,608,950 | 15,807,840 |

**10. INTEREST IN SUBSIDIARIES**

**The Target Company**

| | As at 31 December | | |
|---|---|---|---|
| | **2012** | **2013** | **2014** |
| | *HK$* | *HK$* | *HK$* |
| Unlisted shares, at cost | 78 | 78 | 78 |

Particulars of the subsidiaries as at 31 March 2012, 2013 and 2014 are as follows:

| Name of Companies | Place of incorporation | Particulars of issued/ registered share capital | Percentage of equity attributable to the Target Direct | Indirect | Principal activities |
|---|---|---|---|---|---|
| King Future Holdings Limited | Hong Kong | HK$1 | 100 | – | Investment holding |
| Qinhuangdao Outlets# | The PRC | Registered: US$20,000,000 Paid up: US$4,000,000 | – | 100 | Property development |

# Registered as wholly-owned foreign enterprises under PRC law.

**11. AMOUNT DUE FROM A RELATED COMPANY**

| As at 31 March | | |
|---|---|---|
| **2012** | **2013** | **2014** |
| *HK$* | *HK$* | *HK$* |
| – | 6,578,271 | 6,075,396 |

The balance is related to receipts on behalf from Richly Field (Beijing) Investment Consulting Co., Ltd ("Richly Field BJ"), a company incorporated in the PRC with limited liability and a directly owned subsidiary of the Company.

**12. CASH AND CASH EQUIVALENTS**

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB72,492 (equivalent to HK$91,412) (2013: RMB682,349 (equivalent to HK$850,616); 2012: RMB10,569,800 (equivalent to HK$13,167,484)). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

## 13. LOANS FROM RELATED COMPANIES

| | Notes | 2012<br>HK$ | 2013<br>HK$ | 2014<br>HK$ |
|---|---|---|---|---|
| Beijing Shangboya | (i) (iv) | – | 155,965,866 | 183,593,474 |
| Beijing Xinyuan | (ii) (iv) | 107,366,089 | – | – |
| Richly Field BJ | (iii) (iv) | 89,590,126 | 104,323,075 | 127,251,563 |
| | | 196,956,215 | 260,288,941 | 310,845,037 |

(i) The balance is related to outstanding loans from Beijing Shangboya Investment Consulting Company Limited ("Beijing Shangboya"), a company established in the PRC with limited liability, which is a wholly-owned subsidiary of Beijing Capital Land Limited, which has 40% effective equity interest in the Target Company, with the principal together together with the accrued interest at an annual interest rate of 20%.

(ii) The balance is related to outstanding loans from Beijing Xinyuan Changye Consulting Company Limited ("Beijing Xinyuan"), a company established in the PRC with limited liability, which was a wholly-owned subsidiary of Beijing Capital Land Limited, which has 40% effective equity interest in the Target Company, with the principal together together with the accrued interest at an annual interest rate of 20%.

(iii) The balance is related to outstanding loans from Richly Field BJ, with the principal together with the accrued interest at an annual interest rate of 20%.

(iv) The balances are unsecured, denominated in RMB and matures within a year.

## 14. AMOUNTS DUE TO SHAREHOLDERS

| | Notes | 2012<br>HK$ | 2013<br>HK$ | 2014<br>HK$ |
|---|---|---|---|---|
| – Richly Field China Development Limited | (i) | 31,245,039 | 31,253,289 | 31,245,086 |
| – Sky Speed Holdings Limited | (i)(ii) | – | 15,500 | – |
| – Rueyyuan Holdings Company Limited | (i) | – | – | 44,573 |
| | | 31,245,039 | 31,268,789 | 31,289,659 |

(i) The amounts due to shareholders are interest-free, unsecured, and repayable on demand.

(ii) The party ceased to be shareholder since 2 December 2013.

**15. DEFERRED INCOME FROM GOVERNMENT GRANT**

The balance represents the amount HK$466,187,850 (2013: HK$458,371,014; 2012: HK$458,076,857) granted by the ChangLiXian Ministry of Finance to support the local infrastructure development in the Heibei Province, and is not a loan in nature.

The balance would be released to profit or loss over the completion of the Qinhuangdao Project as income on a systematic basis over the periods that the costs of property development, which it is intended to compensate, are capitalized.

**16. SHARE CAPITAL**

| | As at 31 March | | |
|---|---|---|---|
| | **2012** | **2013** | **2014** |
| | *HK$* | *HK$* | *HK$* |
| Authorised: | | | |
| 10 ordinary shares of US$1 each | 78 | 78 | 78 |
| Issued and fully paid: | | | |
| 10 ordinary shares of US$1 each | 78 | 78 | 78 |

**17. RESERVES**

**The Target Group**

The amounts of the Target Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page II-6.

**18. CONTINGENT LIABILITIES**

Qinhuangdao Outlets has entered into four State-owned Construction Land Use Rights Sale Contracts (the "Land Use Rights Sale Contracts") with Changli Land Bureau in relation to the acquisitions of the four parcels land on Golden Costal Road, Changli County, Qinhuangdao City, Hebei Province, the PRC, with site areas of 717,955 square meters (the "Land") on 2 February 2012.

Qinhuangdao Outlets has contingent liabilities as it may subject to possible penalty in relation to the delay in the completion of the construction work of the Land. Pursuant to the Land Use Rights Sale Contracts, the construction work for the site area of 1,247.5 square meters shall be commenced on or before 13 October 2012 and completed by 13 October 2013, and total site areas of 716,709.33 square meters shall be commenced on or before 13 October 2012 and completed by 13 October 2014. Any delay in the completion of the construction work without prior approval shall be subject to a daily penalty charged at a rate of the 0.1% on the land premium. As at 31 March 2014, the estimated quantifiable maximum penalty relating to the site area of 1,247.5 square meters of the Land was approximately RMB155,000 (equivalent to approximately HK$195,000) payable to Changli Land Bureau. The possible penalty in relation to the delay in the completion of the construction work for the site of 716,709.33 square meters of the Land was unable to be determined as at 31 March 2014. However, the Directors are of the opinion that the crystallisation of such penalty is not probable and will not be demanded.

**19. RELATED PARTY TRANSACTIONS**

**(a)** In addition to the transactions disclosed elsewhere in the financial statements, the Target Group had the following transactions with related parties during the year.

| | As at 31 March | | |
|---|---|---|---|
| | **2012** | **2013** | **2014** |
| | *HK$* | *HK$* | *HK$* |
| Interest expenses in relation to loan payable to | | | |
| – Richly Field BJ | 4,141,434 | 17,037,837 | 17,037,837 |
| – Beijing Xinyuan | 4,465,778 | – | – |
| – Beijing Shangboya | – | 25,179,079 | 25,179,079 |
| | 8,607,212 | 42,216,916 | 42,216,916 |

**(b) Balances with related parties**

Details of the Target Group's balances with its related parties as at the end of the reporting period are included in notes 13 and 14 to the financial statements.

**(c) Key management personnel remuneration**

Total remuneration paid to the key management personnel of the Target Group for the Relevant Periods is provided below.

| | As at 31 March | | |
|---|---|---|---|
| | **2012** | **2013** | **2014** |
| | *HK$* | *HK$* | *HK$* |
| Remuneration | – | – | – |
| | – | – | – |

**20. FINANCIAL INSTRUMENTS BY CATEGORY**

All financial assets and liabilities of the Target Group and the Target Company as at 31 March 2014, 2013 and 2012 are loans and receivables and financial liabilities which are measured at amortised cost.

**21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Target Group's principal financial instruments include amount due from a related company, other payables and accruals, cash and bank balances and other borrowings. Details of the major financial instruments and the Target Group's relevant accounting policies are disclosed in note 2.3 to the financial statements.

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

***Interest rate risk.*** The Target Group's exposure to changes in market interest rates relates primarily to the Target Group's cash and bank balances with floating interest rates. The Target Group has not used any interest rate swaps to hedge its interest rate risk, and will consider hedging significant interest rate risk should the need arise.

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 loss before tax. There is no material impact on other components of the Target Group's equity.

| | **Increase/(decrease) in loss before tax** |
|---|---|
| | *HK$* |
| **2014** | |
| Increase of 100 basis points | (9,522) |
| Decrease of 100 basis points | 9,522 |
| **2013** | |
| Increase of 100 basis points | (109,558) |
| Decrease of 100 basis points | 109,558 |
| **2012** | |
| Increase of 100 basis points | (32,755) |
| Decrease of 100 basis points | 32,755 |

***Foreign currency risk.*** The Target Group's property development business is mainly operated in Mainland China. The RMB is not a freely convertible currency. The PRC government imposes controls on the convertibility of RMB into foreign currencies and in certain cases the remittance of currency out of Mainland China.

The Group currently does not have a foreign currency hedging policy. However, management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities). There is no material impact on other components of the Group's equity.

| | **Increase/(decrease) in rate** | **Increase/(decrease) in loss before tax** |
|---|---|---|
| | | *HK$* |
| **2014** | | |
| If HK$ weakens against RMB | 5% | 4,571 |
| If HK$ strengthens against RMBs | (5%) | (4,571) |
| **2013** | | |
| If HK$ weakens against RMB | 5% | 42,531 |
| If HK$ strengthens against RMBs | (5%) | (42,531) |
| **2012** | | |
| If HK$ weakens against RMB | 5% | 658,374 |
| If HK$ strengthens against RMBs | (5%) | (658,374) |

***Credit risk.*** The credit risk of the Target Group's other financial assets, which comprise cash and cash equivalents, deposits and other receivables arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

***Liquidity risk.*** Management of the Target Group aims to maintain sufficient cash and bank balances and available funding through an adequate amount of committed credit facilities to meet its construction commitments and other business operations.

The maturity profile of the Target Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

**The Target Group**

| | **2014** | | | |
|---|---|---|---|---|
| | **On demand and less than 1 year** | **2-5 years** | **3-5 years** | **Total** |
| Loans from related companies | 310,845,037 | – | – | 310,845,037 |
| Amounts due to shareholders | 31,289,659 | – | – | 31,289,659 |
| Financial liabilities included in other payables and accurals | 197,184 | – | – | 197,184 |
| | 342,331,880 | – | – | 342,331,880 |

| | **2013** | | | |
|---|---|---|---|---|
| | **On demand and less than 1 year** | **2-5 years** | **3-5 years** | **Total** |
| Loans from related companies | 260,288,941 | – | – | 260,288,941 |
| Amounts due to shareholders | 31,268,789 | – | – | 31,268,789 |
| Financial liabilities included in other payables and accurals | 195,388 | – | – | 195,388 |
| | 291,753,118 | – | – | 291,753,118 |

| | **2012** | | | |
|---|---|---|---|---|
| | **On demand and less than 1 year** | **2-5 years** | **3-5 years** | **Total** |
| Loans from related companies | 196,956,215 | – | – | 196,956,215 |
| Amounts due to shareholders | 31,245,039 | – | – | 31,245,039 |
| Financial liabilities included in other payables and accurals | 218,812 | – | – | 218,812 |
| | 228,420,066 | – | – | 228,420,066 |

## 22. CAPITAL MANAGEMENT

The primary objective of the Target Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2014, 2013 and 2012.

The Target Group monitors capital using a gearing ratio, which is debts divided by equity attributable to owners of the parent. The gearing ratios as at the ends of the reporting periods were as follow:

**Group**

| | Year ended 31 March | | |
|---|---|---|---|
| | **2012** | **2013** | **2014** |
| | *HK$* | *HK$* | *HK$* |
| Debts | 228,420,066 | 291,753,118 | 342,331,880 |
| Equity attributable to owners of the parent | 118,776,770 | 120,529,141 | 138,802,922 |
| Gearing ratio | 192% | 242% | 247% |

**23. CAPITAL COMMITMENTS**

| | **2012** | **2013** | **2014** |
|---|---|---|---|
| Contracted for but not provided for in the consolidated financial statements | | | |
| – Capital injection in a PRC subsidiary | 124,480,000 | 124,480,000 | 124,480,000 |

The Target Group has US$16,000,000 outstanding capital required to be injected into Qinhuangdao Outlets which has been over the required timeframe. In accordance to the Law of Foreign Corporations of the PRC, the capital injection for a wholly foreign owned entity is to be fully paid up within 2 years. Failure to conform may lead to penalty or revocation of the business license. The directors are of the opinion that the crystallization of the aforesaid penalty is not probable due to the fact that up to the date of this report, Qinhuangdao Outlets has not been informed or received any notice from the local Trade and Industry Bureau regarding the penalty.

**24. EVENTS AFTER THE REPORTING PERIOD**

After 31 March 2014, the Target Group has no significant event required to disclosed in these financial statements.

## III. SUBSEQUENT FINANCIAL STATEMENTS

No audited Financial Information of the Target Group have been prepared in respect of any period subsequent to 31 March 2014.

Yours faithfully,
**Cheng & Cheng Limited**
*Certified Public Accountants*

## B. MANAGEMENT DISCUSSION AND ANALYSIS ON KING FUTURE FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2012, 2013 AND 2014

*The contents of this part B does not form part of the Accountants' Report as set out in part A of this Appendix.*

**Business review**

***For the year ended 31 March 2012***

During the year, Qinhuangdao Outlets was committed to obtaining the land use rights for the Parcel Land for the property development project in Hebei Province. On 13 January 2012, Qinhuangdao Outlets obtained the land use rights of four construction land parcels (Lot Nos. Changtu (2011) 24, Changtu (2011) 25, Changtu (2011) 26 and Changtu (2011) 27), which cover a total site area of 717,955 square meters (approximately 1,077 mu) listed for auction by the Changli Land Bureau of Qinhuangdao, Hebei Province. Qinhuangdao Outlets entered into the state-owned land use rights acquisition agreements in respect of these four land parcels on 2 February 2012, and fully paid the land premium of RMB527,696,947 before 15 February 2012.

The Parcel Land acquired by Qinhuangdao Outlets will be used for the development of the Qinhuangdao Project, a large-scale self-contained holiday complex. The Parcel Land is located at the Golden Coast of Changli County in Qinhuangdao Municipality, close to the coastal highway and in proximity to Binhai New District, a major development region of Qinhuangdao and Changli County, and lies within the Changli Golden Coast National Nature Preservation Area. This preservation area is the only national marine and natural scene preservation area in northern China, and also a renowned Class A beach resort which has unparalleled tourism value. After completion, the Qinhuangdao Project will become a landmark commercial complex in this area and will enhance the Group's presence in the local area and northern China. During the year, Qinhuangdao Outlets commenced the construction of fences and other pre-construction of the Parcel Land.

***For the year ended 31 March 2013***

During the year, Qinhuangdao Outlets was mainly committed to the justification of the layout planning of and seeking approval for the Qinhuangdao Project. According to the layout plan, the Qinhuangdao Project in general can be summarized as "one theme with three zones". The main theme is the outlets, and the three zones are: Outlets Town (having the Outlets at its core), leisure resorts (consisting of holiday villas, service apartments and retirement apartments) and enterprise leisure base (comprising of enterprise clubs and enterprise leisure base). The project has a site area of 1,077 mu, a plot ratio of 0.7, a greenery ratio of 30% and a total gross floor area of approximately 500,000 sq.m., which will be developed in three phases. Each phase of the Qinhuangdao Project will be developed in a way that both commercial premises and residential properties will be completed simultaneously. Such development mode, coupled with the exploration of local tourist resources, will improve the commercial atmosphere of the commercial premises and boost the sales price of the residential properties, thereby bringing lucrative return for the Group. During the year, Qinhuangdao Outlets commenced construction earthworks of the Parcel Land.

***For the year ended 31 March 2014***

During the year, Qinhuangdao Outlets conducted detailed planning for phase one of the Qinhuangdao Project. Phase one will have a site area of 253 mu and a planned floor area of approximately 102,600 square meters, including the commercial portion of the outlets, plus the holiday villas and a house club. In the meanwhile, Qinhuangdao Outlets accelerated earth backfilling and other pre-construction work. As at 31 March 2014, the earth backfilling of phase one of the Parcel Land had been completed.

**Financial Summary**

Set out below is the financial summary extracted from the accountants' report on King Future for the year ended 31 March 2012, 2013, 2014, respectively:

| | Year ended 31 March | | |
|---|---|---|---|
| | **2012** | **2013** | **2014** |
| | *(appro.)* | *(appro.)* | *(appro.)* |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Turnover | – | – | – |
| Loss before tax | 4,773 | 1,682 | 17,143 |
| Loss after tax | 117,786 | 1,682 | 17,143 |

**Liquidity and financial resources**

The Target Group mainly financed its operations and capital expenditures with the paid-up registered capital and the loan from its shareholders. For the three years ended 31 March 2012, 2013 and 2014, the Target Group employed its funds for its core activities and did not carry out any treasury activities. In the meanwhile, no foreign currency net investments are hedged by currency borrowings and other hedging instruments.

Set out below is a summary of the audited financial information relating to the assets and liabilities of King Future extracted from the accountants' report on King Future as at 31 March 2012, 2013, 2014, respectively:

| | | As at 31 March | | |
|---|---|---|---|---|
| | | **2012** | **2013** | **2014** |
| | | *(appro.)* | *(appro.)* | *(appro.)* |
| | *Note* | *HK$'000* | *HK$'000* | *HK$'000* |
| Total assets | | 682,239 | 744,188 | 785,633 |
| Total cash and bank balance | | 13,195 | 877 | 133 |
| Amounts due to shareholders | | 31,245 | 31,269 | 31,289 |
| Loans from related companies | | 196,956 | 260,289 | 310,845 |
| Total liabilities | | 801,016 | 864,717 | 924,436 |
| Net liabilities | | 118,777 | 120,529 | 138,803 |
| Current ratio | | 0.02 | 0.01 | 0.01 |
| Gearing ratio | *(1)* | 192% | 242% | 247% |

(1) The gearing ratio is calculated on the debts divided by equity attributable to owners of the parent. Debts include other payables and accruals, loans from related companies and amounts due to shareholders.

***As at 31 March 2012***

As at 31 March 2012, the Target Group consolidated audited net liabilities and net current liabilities were HK$118,777,000 and HK$787,821,000, respectively. The Target Group had total cash and bank balances of HK$13,195,000 as at 31 March 2012, and the corresponding current ratio was approximately 0.02 (calculated as a ratio of current assets over current liabilities). As at 31 March 2012, the amounts due to shareholders and loans from related companies were HK$31,245,000 and HK$196,956,000, respectively.

***As at 31 March 2013***

As at 31 March 2013, the Target Group consolidated audited net liabilities and net current liabilities were HK$120,529,000 and HK$857,262,000, respectively. The Target Group had total cash and bank balances of HK$877,000 as at 31 March 2013, and the corresponding current ratio was approximately 0.01 (calculated as a ratio of current assets over current liabilities). As at 31 March 2013, the amounts due to shareholders and loans from related companies were HK$31,269,000 and HK$260,389,000, respectively.

***As at 31 March 2014***

As at 31 March 2014, the Target Group consolidated audited net liabilities and net current liabilities were HK$138,803,000 and HK$918,227,000, respectively. The Target Group had total cash and bank balances of HK$133,000 as at 31 March 2014, and the corresponding current ratio was approximately 0.01 (calculated as a ratio of current assets over current liabilities). As at 31 March 2014, the amounts due to shareholders and loans from related companies were HK$31,289,000 and HK$310,845,000, respectively.

**Material investment, acquisition and disposal of subsidiaries and associates**

There was no significant investment or material acquisition or disposal for each of the three years ended 31 March 2012, 2013 and 2014.

**Number and remuneration of employees**

The Target Group employed 3 people in the PRC as at 31 March 2012, 2013 and 2014, respectively. Total staff costs incurred for the years ended 31 March 2012, 2013 and 2014 were approximately HK$290,403, HK$658,427 and HK$449,105, respectively.

**Pledge of assets**

There was no pledge of assets for each of the three years ended 31 March 2012, 2013 and 2014, respectively.

**Exposure to foreign exchange**

The Target Group prepayments, deposits and other receivables, bank and cash balances, other payables and accruals, loan from a related company and interest-bearing borrowings were mainly denominated in Renminbi. The amount due to the ultimate controlling party was denominated in Hong Kong dollar and hence the King Future, King Future Holdings and Qinhuangdao Outlets had not significant exposure to foreign currency fluctuation.

**Contingent liabilities**

Qinhuangdao Outlets has entered into the Land Use Rights Sale Contracts with Changli Land Bureau in relation to the acquisitions of the Parcel Land with site areas of 717,955 square meters on 2 February 2012.

Qinhuangdao Outlets has contingent liabilities as it may subject to possible penalty in relation to the delay in the completion of the construction work of the Parcel Land. Pursuant to the Land Use Rights Sale Contracts, the construction work for the site area of 1,247.5 square meters shall be commenced on or before 13 October 2012 and completed by 13 October 2013, and total site areas of 716,709.33 square meters shall be commenced on or before 13 October 2012 and completed by 13 October 2014. Any delay in the completion of the construction work without prior approval shall be subject to a daily penalty charged at a rate of the 0.1% on the land premium. As at 31 March 2014, the estimated quantifiable maximum penalty relating to the site area of 1,247.5 of the Parcel Land was approximately RMB155,000 (equivalent to approximately HK$195,000) payable to Changli Land Bureau. The possible penalty in relation to the delay in the completion of the construction work for the site of 716,709.33 square meters of the Parcel Land was unable to be determined as at 31 March 2014. However, the Directors are of the opinion that the crystallisation of such penalty is not probable and will not be demanded.

## 1. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

## A. INTRODUCTION

Set out below is the unaudited pro forma statement of assets and liabilities of the Enlarged Group, which has been prepared in accordance with the Rule 4.29 of the Listing Rules for the purpose of illustrating the effects of the Acquisitions as if the Acquisitions took place on 30 September 2013.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is prepared based on the unaudited consolidated financial information of the Group as at 30 September 2013 as set out in Appendix I to this circular, after making pro forma adjustments relating to the Acquisitions

The accompanying unaudited pro forma statement of assets and liabilities of the Enlarged Group has been prepared based on a number of assumptions, estimates, and uncertainties. Accordingly, unaudited pro forma statement of assets and liabilities of the Enlarged Group does not purport to describe the actual financial position of the Group that would have been attained has the Acquisitions been completed on 30 September 2013, nor purport to predict the Group's future financial position.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group should be read in conjunction with the historical financial information on the Group as set out in Appendix I to this circular, historical financial information of Qinhuangdao Outlets as set out in Appendix II to this circular, historical and other financial information included elsewhere in this circular.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group has been prepared by the Directors for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of financial position of the Group following completion of the Acquisitions.

## B. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 30 SEPTEMBER 2013

| | Consolidated statement of assets and liabilities of the Group as at 30 September 2013 | Audited consolidated statement of assets and liabilities of King Future as at 31 March 2014 | Sub-total | Pro forma adjustments | | | | | | | | Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | *Note 1* | *Note 2* | | *Note 3* | *Note 4* | *Note 5* | *Note 6* | *Note 7* | *Note 8* | *Note 9* | *Note 10* | |
| **Non-current assets** | | | | | | | | | | | | |
| Property, plant and equipment | 4,833 | 127 | 4,960 | | | | | | | | | 4,960 |
| Investment properties | 470,109 | – | 470,109 | | | | | | | | | 470,109 |
| Prepaid land lease payments | 593,217 | 795,198 | 1,388,415 | | (15,900) | | | | | | | 1,372,515 |
| Investment in subsidiaries | – | – | – | 24,900 | | (24,900) | | | | | | – |
| Investment in associates | 43,679 | – | 43,679 | | | | | (31,290) | | | | 12,389 |
| Goodwill | – | – | – | | | 163,703 | | | | | | 163,703 |
| Total non-current assets | 1,111,838 | 795,325 | 1,907,163 | | | | | | | | | 2,023,676 |
| **Current assets** | | | | | | | | | | | | |
| Properties under development | 845,661 | – | 845,661 | | | | | | | | | 845,661 |
| Inventories | 5,927 | – | 5,927 | | | | | | | | | 5,927 |
| Prepayments, deposits and other receivables | 26,820 | – | 26,820 | | | | | | | | | 26,820 |
| Amount due from a related company | | 6,075 | 6,075 | | | | | | | (6,075) | | – |
| Loan to an associate | 116,424 | – | 116,424 | | | | | | (116,424) | | | – |
| Cash and bank balances | 22,322 | 133 | 22,455 | (24,900) | | | | | | | 373,500 | 371,055 |
| Total current assets | 1,017,154 | 6,208 | 1,023,362 | | | | | | | | | 1,249,463 |

| | Consolidated statement of assets and liabilities of the Group as at 30 September 2013 | Audited consolidated statement of assets and liabilities of King Future as at 31 March 2014 | Sub-total | Pro forma adjustments | | | | | | | | Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | *Note 1* | *Note 2* | | *Note 3* | *Note 4* | *Note 5* | *Note 6* | *Note 7* | *Note 8* | *Note 9* | *Note 10* | |
| **Current liabilities** | | | | | | | | | | | | |
| Trade payables | 237,856 | – | 237,856 | | | | | | | | | 237,856 |
| Amount due to a contract customer | 92,301 | – | 92,301 | | | | | | | | | 92,301 |
| Receipts in advance, other payables and accruals | 426,748 | 197 | 426,945 | | | | | | | 6,075 | | 433,020 |
| Interest-bearing bank and other borrowings | 79,203 | – | 79,203 | | | | 182,606 | | | | | 261,809 |
| Provision | 1,096 | 115,916 | 117,012 | | | | | | | | | 117,012 |
| Tax payable | 7,849 | – | 7,849 | | | | | | | | | 7,849 |
| Loan from related parties | – | 310,845 | 310,845 | | | | (182,606) | | (127,252) | | 373,500 | 374,487 |
| Amount due to shareholders | – | 31,290 | 31,290 | | | | | (31,290) | | | | – |
| Deferred income | – | 466,188 | 466,188 | | | | | | | | | 466,188 |
| | 845,053 | 924,436 | 1,769,489 | | | | | | | | | 1,990,522 |
| **Net current assets/(liabilities)** | 172,101 | (918,228) | (746,127) | | | | | | | | | (741,059) |
| **Total assets less current liabilities** | 1,283,939 | (122,903) | 1,161,036 | | | | | | | | | 1,282,617 |
| **Non-current liabilities** | | | | | | | | | | | | |
| Interest-bearing borrowings | 875,694 | – | 875,694 | | | | | | | | | 875,694 |
| | 875,694 | – | 875,694 | | | | | | | | | 875,694 |
| **Net Assets/(liabilities)** | **408,245** | **(122,903)** | **285,342** | | | | | | | | | **406,923** |

*Notes:*

1. The unadjusted consolidated statement of assets and liabilities of the Group as at 30 September 2013 is extracted from the consolidated statement of financial position of the Group as set out in the interim report of the Company as at 30 September 2013.

2. The consolidated statement of assets and liabilities of King Future as at 31 March 2014 is extracted from the audited financial statements of King Future as set out in Appendix II to this circular.

3. The adjustment reflects the consideration for the Sale Shares in the amount of RMB20,000,000 (equivalent to approximately HK$24,900,000), which shall be payable in cash.

4. The adjustment reflects the amount of the impairment loss recognised on the prepaid land lease payments.

As set out in valuation report (annexed as Appendix IV to this circular) which is prepared by a Hong Kong independent valuer by using market value approach, the fair value of the Parcel Land was RMB618,000,000 (equivalent to approximately HK$779,298,000) as at 31 March 2014, which was treated as the reference for the calculation of impairment of goodwill.

The recoverable amount of prepaid land lease premium has been determined by the Group management based on market value of land use right of similar locations. As recoverable amount has been reduced to RMB618,000,000 (equivalent to approximately HK$779,298,000), impairment loss of RMB12,609,000 (equivalent to approximately HK$15,900,000) was recognised.

| **The fair value adjustment comprise:** | *RMB'000* | **(Equivalent** *to HK$'000)* |
|---|---|---|
| Prepaid land lease payments, at cost | 630,609 | 795,198 |
| Fair value of the Parcel Land | (618,000) | (779,298) |
| Impairment loss recognised | 12,609 | 15,900 |

5. The fair value of the net liabilities of King Future was estimated to be approximately HK$138,803,000. The determination of goodwill is calculated below.

**Cost of investment:**

| | *HK$'000* |
|---|---|
| **Consideration transferred:** | |
| Cash consideration | 24,900 |
| Deemed gain/loss on disposal on the 40% issued share capital of King Future | – |
| | 24,900 |
| **Less:** | |
| Net liabilities of the Target Group as at 31 March 2014 | (122,903) |
| Effect of impairment loss of cost of the parcel land | (15,900) |
| | (138,803) |
| **Goodwill** | 163,703 |

The recoverable amount of the cash generating unit in the Qinhuangdao Outlets has been determined based on value in use calculation using cash flow projections based on financial budgets approved by senior management covering a 5-year period. The discount rate applied to cash flow projections is 20%.

The Group management's determined budgeted growth rate and gross profit margin based on past performance and market expectation.

The goodwill of HK$163.7 million is resulted from the acquisition of the 60% issued share capital of King Future. The recoverable amount from the cash generating unit in Qinhuangdao Outlets, which has been assessed by the reporting accountants of the Company, is above its carrying amount as at the date of the accountants' report (annexed as Appendix III to this circular), therefore no impairment of goodwill is required.

6. The adjustment reflects the assignment of the Debt in the amount of RMB145,594,000 (equivalent to approximately HK$182,606,000) owed to Beijing Shangboya by Qinhuangdao Outlets as at 31 March 2014 pursuant to the terms of the Debt Assignment Agreement.

7. The adjustment represents elimination of inter-company balances owed to the Group by the Target Group in amount of approximately HK$31,290,000.

8. The adjustment represents elimination of inter-company balances of RMB100,913,000 (equivalent to approximately HK$127,252,000) owed to the Group by the Target Group as at 31 March 2014.

9. The adjustment represents elimination of inter-company balances of RMB4,818,000 (equivalent to HK$6,075,000) owned by the Group to the Target Group as at the year ended date of King Future.

10. The adjustments represents the Reviving Loan Facility obtained under the Loan Agreement in amount of RMB300,000,000 (equivalent to approximately HK$373,500,000).

11. No adjustment is required for the gain/loss on deemed disposal of King Future which is arrived at the carrying amount of HK$ Nil.

## C. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 30 SEPTEMBER 2013

*The following is the text of a report received from the Company's reporting accountants, Cheng & Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*

## INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of Richly Field China Development Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Richly Field China Development Limited (the "Company") and its subsidiaries (hereinafter collectively referred to the "Group") immediately after the completion of Acquisition as defined below by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 September 2013 and for the six months ended 30 September 2013, and related notes as set out in Appendix III to the circular dated 24 June 2014 (the "Circular") issued by the Company (the "Unaudited Pro Forma Financial Information") in connection with the acquisition of 60% equity interest in King Future Limited (the "Target Company", together with its subsidiaries, referred to as the "Target Group") by the Group (the "Acquisition"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in section headed "Introduction" in Section A of Appendix III to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group's financial position as at 30 September 2013 as if the transaction had taken place at 30 September 2013. As part of this process, information about the Group's financial position has been extracted by the Directors from the Company's published interim report for the period ended 30 September 2013.

**Directors' responsibility for the Unaudited Pro Forma Financial Information**

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

**Reporting Accountant's responsibilities**

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

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

For 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 Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Acquisition, and to obtain sufficient appropriate evidence about whether:

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

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the Acquisition in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

**Opinion**

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
**Cheng & Cheng Limited**
*Certified Public Accountants*
Hong Kong

*The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Ltd., an independent valuer, in connection with its valuation as at 31 March 2014 of the Property.*

Asset Appraisal Limited
中誠達資產評值顧問有限公司

Rm 901, 9/F., On Hong Commercial Building
145 Hennessy Road, Wanchai, Hong Kong
香港灣仔軒尼詩道145號
安康商業大廈9字樓901室
Tel : (852) 2529 9448 Fax : (852) 3521 9591

24 June 2014

**The Board of Directors**
**Richly Field China Development Limited**
Suite 506, ICBC Tower
3 Garden Road, Central
Hong Kong

Dear Sirs,

**Re: Valuation of Four Parcels of Land on Golden Coastal Road, Changli County, Qinhuangdao City, Qinhuangdao City, Hebei Province, the People's Republic of China**

In accordance with the instructions from **Richly Field China Development Limited** (referred to as the "Company") to value the captioned property interests (referred to as the "Property") held by the Company or its subsidiaries (altogether referred to as the "Group") situated in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections of the Property, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at **31 March 2014** (the "date of valuation").

**Basis of Valuation**

Our valuation of the Property represents the market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion".

**Valuation Methodology**

The Property is currently four parcels of land and is held by the Group for future development. We have selected the Comparison Method to value the Property as this method is best suit for valuing land parcels having adequate market transaction data for comparison purpose. Comparison based on prices realised or market prices of comparable properties has been made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital value.

**Assumptions**

Our valuation has been made on the assumption that the owner sells the Property on the market in its existing state without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect its value.

For the Property which is held by the Company by means of long term Land Use Rights granted by the Government, we have assumed that the Company or his successor-in-title has free and uninterrupted rights to use the Property for the whole of the unexpired term of its land use rights. We have also assumed that the Property can be freely transferred on the market free from any land premium or expenses of substantial amount payable to the Government.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

**Titleship**

We have been provided with copies of legal documents regarding the Property. However, we have not verified ownership of the Property and the existence of any encumbrances that would affect ownership of the Property.

We have also relied upon the legal opinion provided by the PRC legal advisers, namely Dacheng Law Offices (大成律師事務所), to the Company on the relevant laws and regulations in the PRC, on the nature of land use rights in the Property.

**Limiting Conditions**

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value. Our valuation have been made on the assumption that the seller sells the Property on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the Property.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the site area in respect of the Property but have assumed that the site 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 Property was lasted inspected on 28 April 2014 by Mr. Or Kin Kwan Stanley who is a holder of a Higher Certificate in Valuation and Property Management from the Hong Kong Polytechnic University and has over 10 years of experience in valuation of properties in Hong Kong and in the PRC. However, 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 thereon. 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 Property, we have complied with all the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities on the Main Board 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 on Properties (2012 Edition) published by The Hong Kong Institute of Surveyors.

Unless otherwise stated, all monetary sums stated in this report are in Renminbi (RMB).

Our valuation certificate is attached herewith.

Yours faithfully,
for and on behalf of
**Asset Appraisal Ltd.**

**Tse Wai Leung**
*MFin BSc MRICS MHKIS RPS(GP)*
*Director*

*Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor in General Practice and a qualified real estate appraiser in the PRC. 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.*

## VALUATION CERTIFICATE

### Property interests held by the Group for future development

| Property | Description and tenure | Particulars of occupancy | Market Value in Existing state as at 31 March 2014 *RMB* |
|---|---|---|---|
| Four Parcels of Land on Golden Coastal Road, Changli County, Qinhuangdao City, Hebei Province the PRC.<br><br>(Lot Nos. Changtu (2011) 24, Changtu (2011) 25, Changtu (2011) 26 and Changtu (2011) 27) | The Property comprises four parcels of land abutting on Golden Coastal Road with a total area of 717,955.03 square metres.<br><br>The land parcels are planned for tourism/resort development. Upon completion, the maximum permissible gross floor area of the Property is 502,566.58 square metres.<br><br>The Property is held for a term of 40 years commencing from the handover of the land parcels from the Government to the Grantee. | As at the date of our inspection, the Property was vacant. | 618,000,000 |

*Notes:*

1. Pursuant to four sets of State-owned Construction Land Use Rights Grant Contract all entered into between the Changli County Land Resources Administration Bureau (昌黎縣國土資源局) ("the Bureau") and Qinhuangdao Outlets Real Estate Co., Ltd. (秦皇島奧特萊斯置業有限公司), an indirect 40%-owned subsidiary of the Company on 2 February 2012, the latter agreed to acquire the land use rights of the Property from the Bureau at a total consideration of RMB527,696,947. As confirmed by the Company, the aforesaid consideration has been fully settled.

2. As revealed from the aforesaid State-owned Construction Land Use Rights Grant Contract, the Property is subject to the following material development conditions:

| | | |
|---|---|---|
| Total Site Area | : | 717,955.03 square metres |
| Land Use | : | Tourism/resort |
| Plot Ratio | : | ≦ 0.7 |
| Site Coverage | : | ≦25% of Site Area |
| Greenery Coverage | : | ≧35% of Site Area |
| Building Covenant | : | Building construction of a portion of the Property with a land area of 1,245.70 square metres shall be completed on or before 13 October 2013 whilst building construction of the remaining portion of the Property shall be completed on or before 13 October 2014 |

3. The status of the title and grant of major approvals and licences in accordance with the information provided by the Company and the opinion of the Company's legal advisers on the PRC law is as follows:

| | | |
|---|---|---|
| Land Use Rights Contract | : | Yes |
| Land Use Rights Certificate | : | No (As advised by the Company, it has completed all necessary procedures (except for the approvals for the concept design plan from the Qinhuangdao City Planning Bureau and the environmental assessment report) for the application of issuing the Land Use Rights Certificate for the Property and the Land Use Rights Certificate is expected to be obtained in the third quarter of this year.) |
| Planning Permit for Construction Land | : | Yes |

4. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the followings:

i. Pursuant to the State-owned Construction Land Use Rights Grant Contract, portion of the land use rights in the Property with an area of 1,247.50 square metres have been granted to Qinhuangdao Outlets Real Estate Co., Ltd. for tourism/resort uses for a term of 40 years at a land premium of RMB915,590 which has been settled in full.

ii Pursuant to another State-owned Construction Land Use Rights Grant Contract, another portion of the land use rights in the Property with an area of 106,320.84 square metres have been granted to Qinhuangdao Outlets Real Estate Co., Ltd. for tourism/resort uses for a term of 40 years at a land premium of RMB78,145,817 which has been settled in full.

iii. Pursuant to another State-owned Construction Land Use Rights Grant Contract, another portion of the land use rights in the Property with an area of 63,319.68 square metres have been granted to Qinhuangdao Outlets Real Estate Co., Ltd. for tourism/resort uses for a term of 40 years at a land premium of RMB46,539,965 which has been settled in full.

iv. Pursuant to another State-owned Construction Land Use Rights Grant Contract, remaining portion of the land use rights in the Property with an area of 547,068.81 square metres have been granted to Qinhuangdao Outlets Real Estate Co., Ltd. for tourism/resort uses for a term of 40 years at a land premium of RMB402,095,575 which has been settled in full.

v. The application for the Land Use Rights Certificate for the Property is in progress and Qinhuangdao Outlets Real Estate Co., Ltd. does not have any legal impediment in obtaining the Land Use Rights Certificate for the Property.

vi. The Property is free from any seizure order, mortgage and any other encumbrances.

vii. As provided in the State-owned Construction Land Use Rights Grant Contract as mentioned in (i) above, the Grantee agreed to commence building construction work for a portion of the Property with an area of 1,247.50 square metres on or before 13 October 2012 and to complete the construction work by 13 October 2013. As provided in the State-owned Construction Land Use Rights Grant Contracts as mentioned in (ii) to (iv) above, the Grantee agreed to commence building construction work for the remaining portion of the Property on or before 13 October 2012 and to complete the construction work by 13 October 2014. In case where the building covenants could not commence construction work on or before 31 October 2012, he should apply for extension 30 days in advance. In any event, the extension cannot be more than 1 year. Any delay in work commencement or work completion without prior approval shall be subject to a daily penalty charged at a rate of 0.1% on the land premium. In addition, the Grantee may also subject to rectification actions, warning, punishment or even re-entry order from the Government under the PRC Town and Rural State-Owned Land Use Right Grant and Transfer Provisional Law (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) if it is not developed in accordance with the land grant conditions and the relevant town planning controls.

viii. up to the date of the PRC Legal Opinion, the permitted completion dates of the aforesaid building covenants have been lapsed and the construction work of the Property was not yet completed. Qinhuangdao Outlets Real Estate Co., Ltd. has not applied to the Changli County Land Resources Administration Bureau for extension of the construction period of the building covenants. Up to now, Qinhuangdao Outlets Real Estate Co., Ltd. has not received any objection from the Changli County Land Resources Administration Bureau against the delay in construction work start and deferral of the construction work completion of the Property.

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

## 2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, none of the Directors, the chief executive and their associates, had any interests or short positions in any shares, underlying shares or debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies.

## 3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following persons (other than any Directors or chief executive of the Company), were substantial shareholders (as defined in the Listing Rules) of the Company or had interests and short positions of persons in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholder required to be kept by the Company under section 336 of the SFO were as follows:

### Long positions

***Ordinary shares of HK$0.05 each of the Company***

| Name of director | Capacity | Number of issued ordinary shares and unlisted underlying shares held/interested | Approximate aggregate percentage of the issued share capital of the Company |
|---|---|---|---|
| Sino Dynamics Investments Ltd *(Note 1)* | Beneficial owner | 1,395,000,000 | 15.65% |
| He Dazhao *(Note 1)* | Interest of controlled corporation | 1,395,000,000 | 15.65% |
| Fine Bliss Ltd *(Note 2)* | Beneficial owner | 2,340,000,000 | 26.24% |
| Complete Power International Limited *(Note 2)* | Interest of controlled corporation | 2,340,000,000 | 26.24% |
| Good Moral Enterprises Limited *(Note 2)* | Interest of controlled corporation | 2,340,000,000 | 26.24% |
| Wang Hua *(Note 2)* | Interest of controlled corporation | 2,340,000,000 | 26.24% |

*Notes:*

(1) According to the Disclosure of Interests, Sino Dynamics Investments Limited, which is the registered holder of 1,395,000,000 Shares, is wholly owned by Mr. He Dazhao. Accordingly, Mr. He Dazhao is deemed to be interested in 1,395,000,000 Shares under the SFO.

(2) According to the Disclosure of Interests, Fine Bliss Ltd is the registered holder of 2,340,000,000 Shares. Wang Hua owns the entire issued share capital of Completed Power International Limited which owns 73.31% issued share capital of Good Moral Enterprises Limited which, in turn, owns the entire issued share capital of Fine Bliss Limited. Accordingly, Wang Hua is deemed to be interested in 2,340,000,000 Shares under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company are not aware of any other persons who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

## 4. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of the Directors and their respective associates has interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Enlarged Group.

## 5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2013, the date to which the latest published audited accounts of the Company were made up.

## 6. LITIGATION

As at the Latest Practicable Date, none of the Company or any of its subsidiaries has received notice of any litigation or arbitration proceedings pending or threatened against the Company or any of the subsidiaries of the Company.

## 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 the Company or its subsidiaries which is not expiring or may not be terminated by the Company within a year without payment of any compensation (other than statutory compensation).

## 8. DIRECTORS' AND SUPERVISORS' INTEREST IN ASSETS OR CONTRACTS

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

As at the Latest Practicable Date, none of the Directors was materially interested, either directly or indirectly, in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group.

## 9. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, were entered into by the members of the Group within two years preceding the Latest Practicable Date and are or may be material:

1. the acquisition agreement dated 7 November 2012 (the "Acquisition Agreement") entered into between Richly Field BJ and Zhongrong International Trust Company Limited ("Zhongrong Trust") in relation to the acquisition of 49.25% equity interest in Hunan Richly Field at a cash consideration of RMB224 million;

2. the debt confirmation agreement dated 7 November 2012 entered into between Richly Field BJ and Zhongrong Trust confirming the total debt in the amount of RMB224 million (the "Debt") owned by Richly Field BJ to Zhongrong Trust as a result of entering into of the Acquisition Agreement;

3. the debt assignment agreement dated 13 November 2012 entered into amongst Richly Field BJ, Zhongrong Trust and China Orient Asset Management Corporation in relation to assignment of the Debt at a cash consideration of RMB224 million, details of which were set out in the Company's circular dated 31 March 2014;

4. the debt restructuring agreement dated 13 November 2012 entered into between Richly Field BJ and China Orient Asset Management Corporation in relation to restructuring of the Debt in the amount of RMB224 million, details of which were set out in the Company's circular dated 31 March 2014;

5. the second supplemental loan agreement dated 9 January 2014 entered into between Qinhuangdao Outlets and Richly Field BJ in relation to the continuation of the provision of a loan facility in the amount of approximately RMB96,163,646 to Qinhuangdao Outlets at a simple interest rate of 20% per annum, details of which were set out in the Company's announcements dated 9 January 2014 and 14 January 2014 and the Company's circular dated 28 February 2014.

6. the supplemental loan agreement dated 2 May 2013 entered into between Qinhuangdao Outlets and Richly Field BJ in relation to the continuation of the provision of a loan facility in the amount of approximately RMB82,305,143 to Qinhuangdao Outlets at a simple interest rate of 20% per annum, details of which were set out in the Company's announcement dated 3 May 2013; and

7. the supplemental engagement letter dated 24 October 2013 entered into between the Company and Asian Capital (Corporate Finance) Limited ("Asian Capital"), pursuant to which, the Company agreed to remunerate Asian Capital the fee in the total amount of HK$3 million by way of issue of 34,090,000 new Shares at the price of HK$0.088 per Share to Asian Capital for its advisory services in relation to the resumption of trading in the Shares on the Stock Exchange, details of which were set out in the Company's announcement dated 24 October 2013;

8. the S&P Agreement;

9. the Debt Assignment Agreement; and

10. the Loan Agreement.

## 10. EXPERTS AND CONSENTS

The following is the qualification of the experts who had given opinion or advice which is contained in this circular:

| Name | Qualifications |
|---|---|
| Cheng & Cheng Limited | Certified Public Accountants, Hong Kong |
| Asset Appraisal Limited | Chartered Surveyor |

As at the Latest Practicable Date, Cheng & Cheng Limited and Asset Appraisal Limited have given and has not withdrawn their written consent to the issue of this circular with the inclusion herein of their letters and references to their name in the form and context in which they respectively appear.

Cheng & Cheng Limited and Asset Appraisal Limited do not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Cheng & Cheng Limited and Asset Appraisal Limited do not have any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

## 11. MISCELLANEOUS

(1) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The principal place of business of the Company in Hong Kong is at Suite 506, ICBC Tower, 3 Garden Road, Central, Hong Kong. The branch share registrar and transfer office of the Company is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(2) The company secretary of the Company is Ms. Lo Yuen Mei. Ms. Lo Yuen Mei is a member of The Hong Kong Institute of Certified Public Accountants.

(3) The principal share registrar of the Company is Appleby Management (Bermuda) Limited at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

(4) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

**12. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of the Company at Suite 506, ICBC Tower, 3 Garden Road, Central, Hong Kong during normal business hours up to and including the date of the SGM (and any adjournment thereof):

(a) the memorandum and articles of association of the Company;

(b) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;

(c) the accountants' report on King Future, the text of which is set out in Appendix II of this circular;

(d) the written consents referred to under the section headed "Experts and Consents" in this Appendix;

(e) the annual reports of the Company for each of the three years ended 31 March 2011, 2012 and 2013;

(f) the interim report of the Company for the six months ended 30 September 2013;

(g) a circular of the Company dated 28 February 2014 regarding the continuation of the provision of a loan facility in the amount of approximately RMB96,163,647 at a simple interest rate of 20% per annum by Richly Field BJ to Qinhuangdao Outlets;

(h) a circular of the Company dated 31 March 2014 regarding major and connected transaction in relation to the acquisition of 49.25% of the equity interest in Hunan Richly Field at a cash consideration of RMB224 million; and

(i) this circular.

RICHLY FIELD

# RICHLY FIELD CHINA DEVELOPMENT LIMITED

*(incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

**(Stock Code: 313)**

## NOTICE OF THE SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (the "**SGM**") of Richly Field China Development Limited (the "**Company**") will be held at Ramada Hong Kong Hotel (Jasmine Room 3/F), 308 Des Voeux Road West, Hong Kong, on Thursday, 10 July 2014 at 10:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as an ordinary resolution of the Company by way of poll:

### ORDINARY RESOLUTIONS

"**THAT**:

(a) the sale and purchase agreement dated 22 April 2014 entered into among the Company, Rueyyuan Holding Company Limited and Ever Dynamic Limited (the "**S&P Agreement**") (A copy of which marked "A" and signed by the Chairman of the meeting for the purposes of identification was tabled at the meeting) and the transactions contemplated thereunder, be and are hereby approved and confirmed;

(b) the debt assignment agreement dated 22 April 2014 entered into among Qinhuangdao Outlets Real Estate Co. Ltd, Richly Field (Beijing) Investment Consulting Co., Ltd and Beijing Shangboya Investment Consulting Company Limited (the "**Debt Assignment Agreement**") (A copy of which marked "B" and signed by the Chairman of the meeting for the purposes of identification was tabled at the meeting) and the transactions contemplated thereunder, be and are hereby approved and confirmed; and

(c) any one of the directors ("**Directors**") of the Company be and is authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as they consider necessary, appropriate, desirable and expedient for the purposes of giving effect to or in connection with the S&P Agreement and the Debt Assignment Agreement and all transactions contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those provided in the S&P Agreement and the Debt Assignment Agreement) as are, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole."

By order of the board of directors of
**Richly Field China Development Limited**
**Ma Jun**
*Chairman*

Hong Kong, 24 June 2014

*Registered Office:*
Canon's Court
22 Victoria Street,
Hamilton HM12
Bermuda

*Principal Place of Business in Hong Kong:*
Suite 506, ICBC Tower
3 Garden Road
Central, Hong Kong

*Notes:*

1. A member entitled to attend and vote at the SGM is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy need not be member of the Company.

2. A form of proxy for the meeting is enclosed. In order to be valid, the form of proxy must be deposited to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.

3. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting convened and in such event, the form of proxy shall be deemed to be revoked.

4. Where there are any joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the name stands first on the registrar of members of the Company in respect of the joint holding.