



**WEIYE HOLDINGS LIMITED**  
**偉業控股有限公司\***

*(Incorporated in the Republic of Singapore with limited liability)*

Stock Code: 1570

**LISTING BY WAY OF  
INTRODUCTION**

**Sole Sponsor**

**CLC** CLC INTERNATIONAL LIMITED  
創 僑 國 際 有 限 公 司

*\* For identification purpose only*

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## IMPORTANT

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**IMPORTANT: If you are in any doubt about the contents of this listing document, you should obtain independent professional advice.**



### **WEIYE HOLDINGS LIMITED** **偉業控股有限公司\***

*(Incorporated in the Republic of Singapore with limited liability)*

### **LISTING BY WAY OF INTRODUCTION ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED** Stock Code: 1570

#### **Sole Sponsor**



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This listing document is published in connection with the listing by way of introduction on the Main Board of The Stock Exchange of Hong Kong Limited of the Shares of Weiye Holdings Limited, a company that is presently listed on the Singapore Exchange Securities Trading Limited. This listing document contains particulars given in compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) for the purpose of giving information with regard to our Company and subsidiaries.

**This listing document does not constitute an offer of, nor is it calculated to invite offers for, Shares or other securities of our Company, nor have any such Shares or other securities been allotted with a view to any of them being offered for sale to or subscription by members of the public. No new Shares will be allotted to and issued in connection with, or pursuant to, this listing document.**

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this listing document, including the risk factors set out in the section headed "Risk Factors" in this listing document. Information regarding the proposed arrangements for the listing of, and dealings and settlement of dealings in, our Shares following the Introduction is set out in the section headed "Listings, Registration, Dealings and Settlement" in this listing document.

\* For identification purpose only

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## EXPECTED TIMETABLE

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*If there is any change to the following expected timetable of the Introduction, we will issue an announcement to be published on the websites of our Company ([www.weiyeholdings.com](http://www.weiyeholdings.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).*

Commencement of investor education activities as described in the section headed “Listings, Registration, Dealings and Settlement” in this listing document from . . . . . Tuesday, 29 March 2016<sup>(note)</sup>

- posting on our Company’s website of information fact sheet about our Company, historical financial information and Share transfer procedures
- dissemination of electronic copies of this listing document through the respective websites of our Company at [www.weiyeholdings.com](http://www.weiyeholdings.com), the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the SGX-ST at [www.sgx.com](http://www.sgx.com)
- making available for collection of physical copies of this listing document

Daily announcement released on the respective websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the SGX-ST at [www.sgx.com](http://www.sgx.com), disclosing the previous day closing price (in both Singapore dollars and Hong Kong dollars for reference) of our Shares on the SGX-ST, and developments and updates, if any, with regard to the bridging arrangements described in the section headed “Listings, Registration, Dealings and Settlement” in this listing document on . . . . . Friday, 1 April, Monday, 4 April and Tuesday, 5 April, 2016 and not later than 8:30 a.m. on Wednesday, 6 April 2016

Dealings in our Shares on the Stock Exchange to commence on . . . . . Wednesday, 6 April 2016

*Note:*

All dates and times refer to Hong Kong local date and time, except as otherwise stated.

Particulars of the Introduction are set out in the section headed “Information about this listing document and the Introduction” in this listing document.

Our Company will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) if there is any change in the above expected timetable of the Introduction.

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*We have not authorised anyone to provide you with information that is different from what is contained in this listing document. Any information or representation not made in this listing document must not be relied on by you as having been authorised by us, our Directors, our Sole Sponsor, any of their respective directors or any other persons or parties involved in the Introduction.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this listing document. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide whether you want to invest in the Shares. There are risks associated with any investment. Some of the particular risks in investing in the Shares are set out in the section headed "Risk Factors" in this listing document. You should read that section carefully before you decide to invest in the Shares.*

*Prospective investors and/or Shareholders should refer to the section headed "Summary of the Constitution of our Company and Salient Provisions of the Laws of Singapore" as set out in Appendix IV to this listing document for details of the salient provisions of the laws of Singapore applicable to the Shareholders in Hong Kong. Laws and regulations of Singapore differ in some respects from comparable laws and regulations of Hong Kong and prospective investors and/or Shareholders should consult their own legal advisers for specific legal advice concerning their legal obligations in Singapore.*

### **BUSINESS OVERVIEW**

We are a property developer in the PRC which focuses on developing residential projects. Our revenue derived from the Property Development Business accounted for a substantial portion of our total revenue during the Track Record Period. For the years ended 31 December 2013, 2014 and 2015, our revenue derived from the Property Development Business represented approximately 94.9%, 94.6% and 93.8% of our total revenue, respectively. Apart from our Property Development Business, we also engage in Equipment Manufacturing Business, carrying out the design, manufacture and sales of clean room equipment, HVAC products and air purifiers, and sales and installation of cooling towers, mainly in Singapore and other South-east Asian countries. For the years ended 31 December 2013, 2014 and 2015, our revenue derived from the Equipment Manufacturing Business represented approximately 5.1%, 5.4% and 6.2% of our total revenue, respectively.

Our Company had been listed on the SGX-Sesdaq since 2002 and was subsequently transferred to the main board of the SGX-ST in 2004. Prior to the Reverse Takeover in 2011, our Company was known as "Kyodo-Allied Industries Pte. Ltd.", which was initially established in 1984 as a manufacturer and supplier of HVAC equipment for the M&E engineering industries in Singapore. Following the Reverse Takeover, a change of control occurred such that our Group has since been controlled by our Controlling Shareholders, and our Property Development Business contributed to the majority of our revenue and profits. Meanwhile, our Equipment Manufacturing Business, which is undertaken by the Eindec Group, has been retained as a business segment within our Group.

The business model of our Property Development Business is designed to maintain a mix of residential properties and commercial properties in our development projects. We also retain the ownership of certain self-developed properties with strategic value for capital appreciation and rental income. In addition, we undertake resettlement housing operation via the Built-Transfer model in order to derive revenue from an alternate source, to cultivate reputable relationship with the local government and to further facilitate our Group to obtain quality land in the future.

During the Track Record Period and up to the Latest Practicable Date, we develop premium quality projects in Henan Province and Hainan Province. In Henan Province, we focus on cities with high growth potential, where most of our properties are situated in prime locations integrated with retail spaces and ancillary facilities. In Hainan Province, we specialise in developing premium vacation-lifestyle residential property projects.

We devise various procedures for our property development process which typically include city and site selection, land acquisition, project planning and design, construction, quality control, sales and marketing, delivery and after-sales services.

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## SUMMARY

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Further, we also derive income from our Equipment Manufacturing Business. In furtherance of our Equipment Manufacturing Business, we reorganised the corporate structure of our Equipment Manufacturing Business entities and completed the Spin-Off Listing on 15 January 2016.

### SUPPLIERS AND CUSTOMERS

Our five largest suppliers for each of the three years ended 31 December 2013, 2014 and 2015, comprised construction contractors of our Property Development Business who were Independent Third Parties, accounted for approximately 16.8%, 36.8% and 26.1% of our total purchases, respectively, and procurement from our single largest supplier accounted for approximately 4.5%, 13.7% and 10.5% of our total purchases for the same period. For the years ended 31 December 2013, 2014 and 2015, sales to our five largest customers accounted for approximately 3.1%, 2.9% and 9.4% of our revenue, respectively, and our sales to the single largest customer accounted for approximately 2.3%, 1.4% and 3.4% of our revenue for the same period. Our five largest customers during the Track Record Period included various individuals and corporations for the purchase of our properties and corporations for the purchase of our clean room equipment. Each of our five largest customers during the Track Record Period was an Independent Third Party. None of our five largest customers during the Track Record Period were our suppliers. During the Track Record Period, we did not enter into any long-term agreements with our top five customers. Please refer to the section headed “Business – Suppliers and Customers” on page 225 in this listing document for further details.

### OUR COMPETITIVE STRENGTHS

We have the following competitive strengths:

- we have an established position in the property development industry in Henan Province and Hainan Province;
- we have acquired strategically located land reserves;
- we have an effective management structure with a standardised and streamlined development process;
- we are experienced in the provision of quality large-scale development projects;
- we have well-established reputation and brand name; and
- we have an experienced and stable management team.

### OUR BUSINESS STRATEGIES

We intend to implement the following business strategies to grow our businesses:

- we will continue to capitalise on the high-growth in demand in Henan Province;
- we will further strengthen our market position in Hainan Province;
- we will continue to utilise different models in property development to increase flexibility and efficiency;
- we will continue to maintain a mix of residential and commercial developments;
- we will continue our diversified land acquisition strategies with a view to allocating financial resources to what we believe to be the most profitable opportunities; and
- we will continue to attract, nurture and motivate skilled and talented workforce.

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## SUMMARY

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### RISK FACTORS

Our most significant risk factors include:

- Our operations in the PRC property industry are subject to extensive government policies and regulations and, in particular, we are susceptible to adverse changes in policies relating to the PRC property sector and in local policies in the regions where we operate;
- Our business and prospects are heavily dependent on and may be adversely affected by the performance of the PRC property markets, particularly in Henan and Hainan Provinces;
- We may not be able to acquire land reserves in desirable locations that are suitable for our future development at commercially acceptable prices and if that happens, our business, financial condition, results of operations as well as prospects may be materially and adversely affected; and
- We rely on external contractors and suppliers to deliver our projects on time and up to our specified quality standards.

The risks mentioned above are not the only significant risks that may affect our operations. As different investors may have different interpretations and standards for determining materiality of a risk, you are cautioned that you should read carefully the section headed “Risk Factors” starting on page 31 in this listing document.

### KEY OPERATIONAL AND FINANCIAL DATA

#### Properties Portfolio Summary

As of 31 December 2015, our property portfolio comprised 12 property development projects which were either completed or under various stages of development in various PRC cities. As of 31 December 2015, we had completed property projects or project phases with a total GFA of approximately 1,085,740 sq.m., property projects or project phases under development with a total estimated GFA of approximately 339,107 sq.m. and a total planned GFA of approximately 430,882 sq.m. held for future development. The following table sets forth a summary of our property development projects based on our internal records as of 31 December 2015. Please refer to the section headed “Business – Summary of our property development projects” starting on page 185 in this listing document for further details.

## SUMMARY

### Completed Projects and Project Phases

The following table sets forth a summary of our completed projects and project phases as of 31 December 2015:

| Project   | Location                         | Actual Commencement Date | Actual Completion Date | Date of relevant completion certificate | Site Area (sq.m.)      | Completed GFA (sq.m.) | Saleable/Leasable GFA    |                             | GFA Sold (sq.m.) | Other GFA <sup>(1)</sup> (sq.m.) | Attributable Capital Value <sup>(2)</sup> (RMB million) |
|---|----------------------------------|--------------------------|------------------------|---|------------------------|-----------------------|--------------------------|-----------------------------|------------------|----------------------------------|---|
|   |                                  |                          |                        |   |                        |                       | Remaining Unsold (sq.m.) | Held for Investment (sq.m.) |                  |                                  |   |
| Weiye Ru Guo Ai<br>(偉業如果·愛)                     | Zhengzhou City, Henan Province   | September 2005           | May 2008               | July 2008                               | 18,022                 | 57,908                | –                        | 2,384                       | 55,523           | 1                                | 36.0  |
| Weiye Tiandao<br>Tianheshui<br>(偉業天道天河水岸)       | Zhengzhou City, Henan Province   | November 2013            | December 2014          | – <sup>(3)</sup>                        | 21,671                 | 69,248                | 1,697                    | –                           | 58,738           | 8,813 <sup>(8)</sup>             | 9.2   |
| Weiye Tiandao<br>International<br>(偉業天道國際)      | Zhenzhou City, Henan Province    | March 2015               | December 2015          | – <sup>(3)</sup>                        | 20,996                 | 110,353               | 85,730                   | –                           | 20,258           | 4,365                            | 355.0   |
| Weiye Xiangdi Bay<br>(偉業香堤灣)                    | Kaifeng City, Henan Province     | January 2010             | December 2014          | – <sup>(3)</sup>                        | 106,271 <sup>(4)</sup> | 253,850               | 5,875                    | –                           | 232,434          | 15,541 <sup>(9)</sup>            | 30.0  |
| Phase I   |                                  | January 2010             | November 2012          | February 2014                           |                        | 81,859                | –                        | –                           | 76,862           | 4,997                            | –   |
| Phase II  |                                  | April 2011               | September 2013         | – <sup>(3)</sup>                        |                        | 94,793                | 640                      | –                           | 91,689           | 2,464                            | –   |
| Phase III                                       |                                  | August 2013              | December 2014          | – <sup>(3)</sup>                        |                        | 77,198                | 5,235                    | –                           | 63,883           | 8,080                            | –   |
| Weiye Central Park<br>(偉業中央公園)                  | Xinxiang City, Henan Province    | May 2008                 | September 2014         | November 2014                           | 178,886 <sup>(5)</sup> | 391,058               | 30,337                   | –                           | 301,497          | 59,224                           | 186.7   |
| Phase I   |                                  | May 2008                 | December 2009          | August 2010                             |                        | 64,437 <sup>(7)</sup> | –                        | –                           | 60,234           | 4,203                            | –   |
| Phase II  |                                  | November 2009            | March 2014             | October 2015                            |                        | 189,064               | 26,388                   | –                           | 131,938          | 30,738                           | 150.2   |
| Phase III                                       |                                  | August 2012              | September 2014         | November 2014                           |                        | 137,557               | 3,949                    | –                           | 109,325          | 24,283                           | 36.5  |
| Weiye Costa Rhine<br>(偉業萊茵半島)                   | Wanning City, Hainan Province    | April 2011               | December 2011          | August 2013                             | 49,454                 | 32,054                | 9,600                    | 4,997                       | 17,457           | –                                | 150.0   |
| Weiye Oxygen Cube A<br>(偉業氧立方A)                 | Tunchang County, Hainan Province | April 2011               | May 2015               | August 2015                             | 54,811 <sup>(6)</sup>  | 95,686                | 68,691                   | –                           | 26,995           | –                                | 350.0   |
| Phase I   |                                  | April 2011               | August 2012            | July 2013                               |                        | 52,189                | 41,600                   | –                           | 10,589           | –                                | 215.0   |
| Phase II  |                                  | April 2011               | May 2015               | August 2015                             |                        | 43,497 <sup>(7)</sup> | 27,091                   | –                           | 16,406           | –                                | 135.0   |
| Weiye Oxygen Cube B<br>(偉業氧立方B)                 | Tunchang County, Hainan Province | May 2011                 | August 2012            | July 2013                               | 12,977                 | 16,997                | 7,535                    | 2,078                       | 7,384            | –                                | 50.0  |
| Weiye West<br>International Plaza<br>(偉業西城國際廣場) | Danzhou City, Hainan Province    | October 2010             | December 2011          | September 2012                          | 20,003                 | 58,586                | 5,906                    | –                           | 52,579           | 101                              | 27.0  |

**Notes:**

- (1) Includes the portion of GFA held by us as amenities, including civil defense area, not saleable or leasable in respect of each of the completed projects or phases of projects.
- (2) It does not include attributable value of non-saleable amenities. Our interest in the relevant projects or project phases are set out in "Appendix III – Property Valuation Report" to this listing document.
- (3) The relevant completion certificate is yet to be obtained as of the Latest Practicable Date.
- (4) Represents the aggregate site area of phases I, II and III of Weiye Xiangdi Bay.
- (5) Represents the aggregate site area of phases I, II, III, IV and V of Weiye Central Park.
- (6) Represents the aggregate site area of phases I, II and III of Weiye Oxygen Cube A.
- (7) Based on the surveying report.
- (8) Includes idle civil air defense area. Please refer to the section headed "Business – Civil Air Defense Projects" on page 208 in this listing document for further details.
- (9) Includes civil air defense area used by us as car parking areas. Please refer to the section headed "Business – Civil Air Defense Projects" on page 208 in this listing document for further details.



## SUMMARY

### *Properties Under Development and Properties Held for Future Development*

The following table sets forth a summary of our projects or project phases under development or held for future development as of 31 December 2015:

| Project  | Location                                  | Site Area              | Actual/<br>Estimated<br>Commencement<br>Date | Actual/<br>Estimated<br>Completion<br>Date | Actual/<br>Estimated<br>Pre-sales<br>Date | GFA Under<br>Development<br>(sq.m.) | Estimated<br>Saleable/<br>Leasable<br>GFA<br>(sq.m.) | GFA<br>Pre-sold<br>(sq.m.) | Planned<br>GFA<br>(sq.m.) | Expected<br>Future<br>Development<br>Costs<br>(RMB<br>million) | Attributable<br>Capital<br>Value <sup>(1)</sup><br>(RMB<br>million) |
|--|---|------------------------|--|--|---|-------------------------------------|--|----------------------------|---------------------------|--|---|
| Weiye Paris<br>Impression<br>(偉業巴黎印象)            | Zhengzhou<br>City,<br>Henan<br>Province   | 64,498                 | July 2015                                    | December<br>2017                           | November<br>2015                          | 72,831                              | -  | -                          | 196,930                   | 322.4  | 348.0   |
| Weiye Hanwei<br>Project<br>(漢偉項目)                | Zhengzhou<br>City,<br>Henan<br>Province   | 58,222                 | June 2016                                    | December<br>2017                           | October<br>2016                           | -                                   | -  | -                          | 203,770                   | 342.3  | 132.6   |
| Weiye Central<br>Park<br>(偉業中央公園)                | Xinxiang<br>City,<br>Henan<br>Province    | 178,886 <sup>(2)</sup> | October 2013                                 | December<br>2016                           | December<br>2013                          | 234,473                             | 99,684   | 65,183                     | -                         | 267.6  | 394.3   |
| Phase IV   |   |                        | October 2013                                 | September<br>2016                          | December<br>2013                          | 124,176 <sup>(3)</sup>              | 99,684 <sup>(3)</sup>                                | 65,183                     | -                         | 72.1   | 230.3   |
| Phase V  |   |                        | September 2015                               | December<br>2016                           | November<br>2015                          | 110,297                             | -  | -                          | 30,182                    | 195.5  | 164.0   |
| Weiye Rhine<br>Coast<br>(偉業萊茵海岸)                 | Wenchang<br>City,<br>Hainan<br>Province   | 15,136                 | April 2011                                   | July 2016                                  | October<br>2014                           | 15,479                              | 10,393   | -                          | -                         | 36.9   | 55.0  |
| Weiye Oxygen<br>Cube A<br>(偉業氧立方 A)<br>Phase III | Tunchang<br>County,<br>Hainan<br>Province | 54,811 <sup>(4)</sup>  | April 2011                                   | August<br>2016                             | March<br>2016                             | 16,324                              | -  | -                          | -                         | 38.7   | 16.0  |

**Notes:**

- (1) It does not include attributable value of non-saleable amenities. Our interest in the relevant projects or project phases are set out in "Appendix III – Property Valuation Report" to this listing document.
- (2) Represents the aggregate site area of phases I, II, III, IV and V of Weiye Central Park.
- (3) Part of Phase IV of Weiye Central Park was completed with completed GFA of approximately 44,736 sq.m. and with saleable/leasable GFA remaining unsold of approximately 2,659 sq.m.
- (4) Represents the aggregate site area of phases I, II and III of Weiye Oxygen Cube A.

## SUMMARY

### Land Bank

The table below sets forth a summary of our land bank and property portfolio as of 31 December 2015 by geographic location:

|                 | Completed<br>GFA | Saleable/<br>Leasable GFA<br>Remaining<br>Unsold | GFA Under<br>Development | Planned GFA<br>Held For<br>Future<br>Development | Total<br>Land Bank <sup>(1)</sup> | % of Total<br>Land Bank |
|-----------------|------------------|--|--------------------------|--|-----------------------------------|-------------------------|
|                 | (sq.m.)          | (sq.m.)  | (sq.m.)                  | (sq.m.)  | (sq.m.)                           | (%)                     |
| Zhengzhou City  | 237,509          | 87,427   | 72,831                   | 400,700  | 560,958                           | 56.9                    |
| Kaifeng City    | 253,850          | 5,875  | –                        | –  | 5,875                             | 0.6                     |
| Xinxiang City   | 391,058          | 30,336   | 234,473                  | 30,182   | 294,991                           | 29.9                    |
| Wanning City    | 32,054           | 9,600  | –                        | –  | 9,600                             | 1.0                     |
| Wenchang City   | –                | –  | 15,479                   | –  | 15,479                            | 1.6                     |
| Danzhou City    | 58,586           | 5,906  | –                        | –  | 5,906                             | 0.6                     |
| Tunchang County | 112,683          | 76,226   | 16,324                   | –  | 92,550                            | 9.4                     |
| <b>Total</b>    | <u>1,085,740</u> | <u>215,370</u>                                   | <u>339,107</u>           | <u>430,882</u>                                   | <u>985,359</u>                    | <u>100.0</u>            |

Notes:

- (1) Land bank figure refers to the sum of (i) saleable/leasable GFA remaining unsold, (ii) total GFA under development and (iii) total planned GFA held for future development.
- (2) In December 2015, Henan Xingwei entered into a land grant contract for a parcel of land of site area of approximately 55,351 sq.m. and for a land premium of RMB361.5 million which we had subsequently paid in full. In March 2016, Henan Xingwei obtained the relevant land use right certificate of the relevant parcel. Such parcel of land forms part of the development district of our resettlement housing operation under the “Merging Villages into Community (合村并城)” scheme in Zhengzhou City. For further details, please refer to the section headed “Business – Resettlement Housing Operation” on page 205 in this listing document. As of the Latest Practicable Date, such parcel of land was still in planning stage.

### Selected Consolidated Statements of Profit or Loss and Other Comprehensive Income

|                           | Year ended 31 December |           |           |
|---------------------------|------------------------|-----------|-----------|
|                           | 2013                   | 2014      | 2015      |
|                           | RMB'000                | RMB'000   | RMB'000   |
| Revenue                   | 1,376,953              | 1,293,739 | 1,234,691 |
| Cost of sales             | (1,052,325)            | (958,641) | (908,488) |
| Gross profit              | 324,628                | 335,098   | 326,203   |
| Profit before income tax  | 283,723                | 454,506   | 211,024   |
| Profit for the year       | 182,431                | 271,022   | 106,592   |
| Profit attributable to:   |                        |           |           |
| Owners of the Company     | 184,546                | 258,295   | 94,118    |
| Non-controlling interests | (2,115)                | 12,727    | 12,474    |

## SUMMARY

The table below sets forth selected data relating to our adjusted net profit for the year during the Track Record Period after excluding the effect of the change in fair value of investment properties. The table below demonstrates that our Group is able to satisfy the minimum profit requirement under Rule 8.05(1) of the Listing Rules after excluding the effect of the change in fair value of investment properties.

|  | Year ended 31 December |           |          |
|--|------------------------|-----------|----------|
|  | 2013                   | 2014      | 2015     |
|  | RMB'000                | RMB'000   | RMB'000  |
| Profit for the year  | 182,431                | 271,022   | 106,592  |
| Change in fair value of investment properties<br>(net of tax effect)           | —                      | (167,179) | (14,934) |
| Profit for the year excluding change in fair value of<br>investment properties | 182,431                | 103,843   | 91,658   |

Our gross profit for the years ended 31 December 2013, 2014 and 2015 was approximately RMB324.6 million, RMB335.1 million and RMB326.2 million, respectively. Our gross profit margin for the years ended 31 December 2013, 2014 and 2015 was approximately 23.6%, 25.9% and 26.4%, respectively.

Our adjusted net profit declined from approximately RMB182.4 million for the year ended 31 December 2013 to approximately RMB103.8 million for the year ended 31 December 2014 after excluding the change in fair value of investment properties (net of tax effect), primarily due to the recognition of gain on disposal of a subsidiary of approximately RMB60.7 million for the year ended 31 December 2013 and no such income was recognised for the year ended 31 December 2014. Our adjusted net profit declined from approximately RMB103.8 million for the year ended 31 December 2014 to approximately RMB91.7 million for the year ended 31 December 2015 after excluding the change in fair value of investment properties (net of tax effect), primarily due to the recognition of listing expenses of approximately RMB15.6 million and the share of loss of a joint venture of approximately RMB7.4 million for the year ended 31 December 2015.

Our revenue primarily represents (i) sales of development properties; (ii) revenue from housing construction; and (iii) sales of goods. The following table sets out our revenue, gross profit and gross profit margin (“GP Margin”) by operating segment for the years indicated:

|                                   | Year ended 31 December |       |              |      |           |       |         |      |              |       |           |      |
|-----------------------------------|------------------------|-------|--------------|------|-----------|-------|---------|------|--------------|-------|-----------|------|
|                                   | 2013                   |       |              |      | 2014      |       |         |      | 2015         |       |           |      |
|                                   | Revenue                |       | Gross profit |      | GP Margin |       | Revenue |      | Gross profit |       | GP Margin |      |
|                                   | RMB'000                | %     | RMB'000      | %    | RMB'000   | %     | RMB'000 | %    | RMB'000      | %     | RMB'000   | %    |
| Sales of development properties   | 646,330                | 46.9  | 189,477      | 29.3 | 899,287   | 69.5  | 239,508 | 26.6 | 1,044,480    | 84.6  | 292,381   | 28.0 |
| Revenue from housing construction | 660,149                | 48.0  | 107,829      | 16.3 | 325,118   | 25.1  | 71,496  | 22.0 | 113,287      | 9.2   | 3,278     | 2.9  |
| Sales of goods                    | 70,474                 | 5.1   | 27,322       | 38.8 | 69,334    | 5.4   | 24,094  | 34.8 | 76,924       | 6.2   | 30,544    | 39.7 |
| <b>Total</b>                      | 1,376,953              | 100.0 | 324,628      | 23.6 | 1,293,739 | 100.0 | 335,098 | 25.9 | 1,234,691    | 100.0 | 326,203   | 26.4 |

We generate revenue from (i) sales of development properties; (ii) housing construction; and (iii) sales of goods. Our revenue mix had been changing during the Track Record Period. Our revenue from the sales of development properties accounted for approximately 46.9%, 69.5% and 84.6% of our total revenue for the years ended 31 December 2013, 2014 and 2015, respectively. During the Track Record Period, the proportion of our revenue derived from the sales of development properties fluctuated from

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## SUMMARY

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period to period which was dependent upon GFA delivered and driven primarily by the delivery schedules of our property development projects.

Our revenue from housing construction constituted our largest source of revenue for the year ended 31 December 2013, representing approximately 48.0% of our total revenue. It was primarily due to the commencement of construction work for the resettlement houses during the year 2013. The proportion of our revenue derived from housing construction decreased to approximately 25.1% for the year ended 31 December 2014 and further decreased to 9.2% for the year ended 31 December 2015, which was primarily due to the fact that a substantial part of the construction work of the resettlement houses was completed in the year 2013 and the construction was reaching completion during the year 2014 and 2015.

The proportion of our revenue derived from sales of goods remained relatively stable at approximately 5.1%, 5.4% and 6.2% for the years ended 31 December 2013, 2014 and 2015, respectively. The fluctuation of the proportion of our revenue was primarily driven by the revenue contribution from our sales of development properties and housing construction segments. For the year ended 31 December 2012, the gross profit from the sales of goods segment had contributed to approximately 78.7% of the Group's total gross profit. Such contribution from the sales of goods segment dropped to 8.4%, 7.2% and 9.4% for the years ended 31 December 2013, 2014 and 2015, respectively. This is primarily due to (i) the increase in contribution by our property development segment and (ii) the commencement of construction work for the resettlement houses during the year 2013. As the timing of completion and delivery of our properties varies according to our construction timetable, the proportion of our revenue and thus gross profit derived from our property development segment may vary significantly from period to period depending on the GFA sold or pre-sold and the delivery schedules of our property development projects.

### ***Revenue from housing construction***

Revenue from housing construction represents revenue generated from the construction of resettlement houses, which is recognised (i) to the extent of contract costs incurred where it is probable that those costs will be recoverable; or (ii) based on the percentage of completion method depending on whether the outcome of the contract can be measured reliably. Pursuant to the cooperation agreement (the “**Cooperation Agreement**”) Henan Xingwei entered into with the management committee of Zhengzhou City Jinshuiyangjin Industry Park District (鄭州市金水楊金產業園區管委會) (the “**Management Committee**”) in June 2013, the construction costs for the resettlement housing and ancillary public facilities (the “**Construction Costs**”) and the costs for demolition and resettlement (the “**Site Clearing Costs**”) will not be refunded to Henan Xingwei until the full settlement of the land grant premium payable by the successful bidder at the subsequent public bidding process for the relevant development district. In December 2015, Henan Xingwei entered into a land grant contract for a parcel of land of site area of approximately 55,351 sq.m., which forms part of the development district, for a land grant premium of RMB361.5 million. As of the Latest Practicable Date, we had paid such land grant premium in full but had yet received any refund of the Construction Costs and Site Clearing Costs from the Management Committee pursuant to the Cooperation Agreement. Thus, as of the Latest Practicable Date, we had not received any cash payment in relation to the revenue we recognised from housing construction. Please refer to the sections headed “Risk Factors – We may not be able to obtain land use rights of parcels of land with respect to cooperation agreement entered into with local government in relation to resettlement housing construction, and as a result, there may be a material adverse effect on our business, results of operation and financial condition”, “Risk Factors – There is a mismatch between the timing of revenue recognition for housing construction of the resettlement housing and the receipt of refund of construction costs for the resettlement housing and ancillary public facilities and the costs for demolition and resettlement housing; and that we may not recover our accrued trade receivables which, may therefore adversely and materially affect our liquidity, financial position and profitability” and “Business – Resettlement Housing Operation” on pages 37, 37 and 205 in this listing document, respectively, for further details.

## SUMMARY

Please refer to the section headed “Financial Information – Description of certain key items of the consolidated statements of profit or loss and other comprehensive income – Revenue” on page 322 in this listing document for a detailed analysis of our revenue.

### Selected Consolidated Statements of Financial Position

|                         | As at 31 December |           |           |
|-------------------------|-------------------|-----------|-----------|
|                         | 2013              | 2014      | 2015      |
|                         | RMB'000           | RMB'000   | RMB'000   |
| Non-current assets      | 196,500           | 855,764   | 822,805   |
| Current assets          | 3,080,986         | 3,608,441 | 4,307,057 |
| Current liabilities     | 1,703,525         | 2,156,681 | 2,130,166 |
| Non-current liabilities | 663,714           | 1,134,437 | 1,721,404 |
| Net current assets      | 1,377,461         | 1,451,760 | 2,176,891 |
| Total equity            | 910,247           | 1,173,087 | 1,278,292 |

### Selected Consolidated Statements of Cash Flow

|  | Year ended 31 December |           |           |
|--|------------------------|-----------|-----------|
|  | 2013                   | 2014      | 2015      |
|  | RMB'000                | RMB'000   | RMB'000   |
| Net cash used in operating activities                  | (17,915)               | (224,915) | (131,692) |
| Net cash (used in)/generated from investing activities | (205,689)              | (357,400) | 72,467    |
| Net cash generated from/(used in) financing activities | 496,834                | 423,974   | (9,968)   |
| Net increase/(decrease) in cash and cash equivalents   | 273,230                | (158,341) | (69,192)  |
| Cash and cash equivalents at beginning of the year     | 263,092                | 534,208   | 375,186   |
| Effect of exchange rate fluctuations on cash held      | (2,114)                | (681)     | (399)     |
| Cash and cash equivalents at end of the year           | 534,208                | 375,186   | 305,595   |

During the Track Record Period, we funded our growth principally through proceeds generated from pre-sales and sales of our properties and bank borrowings and, to a lesser extent, trust financings. Please refer to the section headed “Financial Information – Liquidity and capital resources” starting on page 355 in this listing document for further details.

### Our Negative Net Operating Cash Flow

We recorded negative net cash flow from operating activities of approximately RMB17.9 million, RMB224.9 million and RMB131.7 million for the years ended 31 December 2013, 2014 and 2015, respectively. For the years ended 31 December 2013 and 2014, our negative net cash flow from operating activities was primarily attributable to the capital investment in relation to the construction work of resettlement houses, which shall be refunded to the Group by the relevant local district government authority after the subsequent public bidding process for the district for the development of residential properties. For the year ended 31 December 2015, our negative net cash flow from operating activities was primarily attributable to the land premium paid in December 2015 in relation to a parcel of land. Please refer to the section headed “Financial Information – Liquidity and Capital Resources – Sufficiency of Working Capital” on page 355 in this listing document for further details.

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## SUMMARY

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### Key Financial Ratios

The following table sets out a summary of certain financial ratios for the years or as at the dates indicated:

|                                | Year ended 31 December |       |       |
|--------------------------------|------------------------|-------|-------|
|                                | 2013                   | 2014  | 2015  |
| <b>Profitability ratios</b>    |                        |       |       |
| Gross profit margin (%)        | 23.6                   | 25.9  | 26.4  |
| Net profit margin (%)          | 13.2                   | 20.9  | 8.6   |
| Return on equity (%)           | 20.0                   | 23.1  | 8.3   |
| <b>Liquidity ratio</b>         |                        |       |       |
| Current ratio                  | 1.8                    | 1.7   | 2.0   |
| <b>Capital adequacy ratios</b> |                        |       |       |
| Gearing ratio (%)              | 100.3                  | 140.7 | 198.7 |
| Net debt to equity ratio (%)   | 39.5                   | 90.1  | 129.6 |

Please refer to the section headed “Financial Information – Key Financial Ratios” starting on page 364 in this listing document for a detailed analysis of our key financial ratios. In particular, the gearing ratio increased by approximately 58.0% from 140.7% as of 31 December 2014 to 198.7% as of 31 December 2015, which was mainly due to the new loans obtained from banks and other financial institutions as a result of the increasing needs to finance the development of our projects under development.

### VALUATION OF OUR PROPERTIES

DTZ, an independent property valuer, valued our property interests as of 31 December 2015. Please refer to the section headed “Property Valuation Report” in Appendix III to this listing document for further information. In connection with its valuation, DTZ applied the direct comparison approach based on comparison and reference to comparable sales transactions as available in the relevant market, or where appropriate, the investment approach by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties. The direct comparison approach is used to value our properties held for investment, held under development for investment, held for sale, held under development or for future development, while investment approach is used to value the properties held for investment. In conducting its valuation, our Property Valuer relied on information provided by our Group and advice provided by our PRC Legal Adviser regarding the title to each of the properties and assumed, among other things, that properties that have not been completed will be developed and completed in accordance with our latest development proposals provided to DTZ and that all consents, approvals and licenses from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. In addition, in conducting its valuation of the properties that are not completed, DTZ also took into account the expended construction costs and the costs to be expended provided by us to reflect the quality of the completed development. You are advised that the appraised values of our property interests should not be taken as their actual realisable value or a forecast of their realisable value. Please refer to the section headed “Risk Factors – Risks Relating to Our Business – The appraised value of our properties may be different from their actual realisable value and are subject to change” on page 40 in this listing document.

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## SUMMARY

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### **REAL ESTATE-RELATED AUSTERITY MEASURES PREVIOUSLY IMPLEMENTED BY THE PRC GOVERNMENT AND RECENT POLICY ADJUSTMENT**

During the Track Record Period, the PRC government had implemented a series of regulations and policies to control the growth of the property market. The policies taken by national or local government may limit our ability to obtain financing, acquire land for future development, sell our properties at a profit and generate sufficient operating cash flows from contracted sales. Our Directors believe that while the introduction of austerity measures may have affected the demand from speculative buyers or property investors, the impact on demand from our target customers, being actual users who are first-time home buyers, customers with a need to upgrade their living environment, or customers who would like to buy a holiday home, has been minimal. Please refer to the section headed “Business – Real estate-related austerity measures previously implemented by the PRC government and recent policy adjustment” on page 236 in this listing document for further details.

### **COMPETITION**

The property market in Henan and Hainan Provinces and elsewhere in the PRC is fragmented and competitive. Our existing and potential competitors include both major national and regional property developers with extensive operations in the cities or markets in which we operate as well as local property developers. We believe that the major competitive factors in the residential and commercial property development industry include land acquisition, geographic location, management expertise, financial resources, access to transportation infrastructure, size of land bank, product quality, brand recognition by customers, customer services and support, pricing and design quality. Please refer to the section headed “Business – Competition” on page 235 in this listing document for further details.

### **OUR CONTROLLING SHAREHOLDERS**

As of the Latest Practicable Date and immediately following the Listing, save and except any Shares (i) to be lent by Mr. Zhang Wei pursuant to the Stock Borrowing and Lending Agreements or (ii) to be sold by Mr. Zhang Wei pursuant to the Sale and Repurchase Agreement, Mr. Zhang Wei and Mr. Chen Zhiyong were and will be beneficially interested in approximately 66.93% of the issued share capital of our Company. Although Mr. Chen Zhiyong will only hold 20.52% interests in the Company upon Listing and is not a controlling shareholder under the Listing Rules, given his identical past voting pattern and close relationship with Mr. Zhang Wei, the Company believes that it is appropriate to aggregate his equity interests in the Company with those held by Mr. Zhang Wei and treat them as a group of Controlling Shareholders.

Other than Mr. Zhang Wei and Mr. Chen Zhiyong, as of 15 March 2016 (being the latest information ascertainable before the Latest Practicable Date), Raffles Nominees (Pte) Limited was interested in approximately 37.28% of the issued share capital of our Company, out of which approximately 31.14% of the issued share capital of our Company is held for Mr. Zhang Wei and Mr. Chen Zhiyong, our executive Directors and Mr. Zhang Jianwei, a former non-executive director and substantial shareholder of our Company and currently remains a connected person of our Company. Raffles Nominees (Pte) Limited is only a nominee holding the Shares as a broker for and on behalf of certain beneficial owners which may or may not be connected persons of our Group and include, but not limited to, Mr. Zhang Wei and Mr. Chen Zhiyong. Further, as Mr. Zhang Wei, Mr. Chen Zhiyong and Mr. Zhang Jianwei do not control Raffles Nominees (Pte) Limited in terms of its shareholdings or by way of control of its board of directors whether individually or collectively, Raffles Nominees (Pte) Limited is therefore not considered as our controlling shareholder. Please refer to the section headed “Relationship with our Controlling Shareholders” starting on page 267 in this listing document for further details.

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## SUMMARY

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### HISTORICAL NON-COMPLIANCE INCIDENTS

We were not in full compliance with applicable laws and regulations during the Track Record Period. These incidents of non-compliance include (i) commencement of construction before obtaining the requisite certificates and permits; (ii) carrying out property development without the relevant qualification certificate for real estate development enterprise; (iii) development of projects exceeding the eligibility under the project company's real property qualification certificate; (iv) commencement of pre-sales before obtaining pre-sales permit; (v) engagement in improper competitive activities; (vi) failure to make adequate social security insurance and housing provident funds contributions; and (vii) non-registration of leases. Our Directors consider that such non-compliance incidents will not have a material adverse effect on our business, results of operations and financial condition. In order to ensure future compliance with applicable laws and regulations and related policies in different operational aspects, we have adopted or will adopt a number of remedial actions and internal control measures. Please refer to the section headed "Business – Legal Proceedings, Compliance and Internal Control – Past Non-compliance Incidents" on page 248 of this listing document for more details.

### LISTING EXPENSES

The estimated listing expenses, which are non-recurring in nature, are approximately RMB26.0 million which had been or will be charged to our Group's profit and loss account prior to or upon completion of the Listing. For the years ended 31 December 2013, 2014 and 2015, listing expenses of nil, nil and RMB15.6 million was charged to our consolidated statement of profit or loss and other comprehensive income, respectively. The remaining listing expenses of approximately RMB10.4 million is expected to be charged to our Group's profit or loss and other comprehensive income for the year ending 31 December 2016. Our Directors consider that such listing expenses would, to certain extent, adversely affect our results of operations for the year ending 31 December 2016. Please refer to the section headed "Financial Information – Listing Expenses" on page 369 of this listing document.

### DIVIDEND POLICY

During the year ended 31 December 2014, our Group declared a dividend of RMB14.6 million, which has been fully settled in cash from internal resources of our Group. We currently do not have any plans to distribute regular dividends immediately after the Listing, although this is subject to change. Our Board may declare dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. In addition, certain financing arrangements of our Group are restricted to distribute dividend under the relevant loan agreements. Pursuant to the loan agreements for certain bank loans obtained by Xinxiang Weiye, Henan Xingwei and Henan Tiandao with the aggregate outstanding principal of RMB315.4 million as of 31 December 2015, Xinxiang Weiye, Henan Xingwei and Henan Tiandao, as the case may be, shall not distribute dividend before the full repayment of all sums due under the respective loan agreements. Further, pursuant to the trust financing arrangement Henan Xingwei entered into with Zhongyuan Trust Company Limited\* (中原信託有限公司) ("**Zhongyuan Trust**") in 2014 with the outstanding principal of RMB500.0 million as of the Latest Practicable Date, Henan Xingwei shall not distribute dividend before the full settlement of capital injection by Henan Weiye, full repayment of the principal and interests by Henan Xingwei, obtaining the written consent from Zhongyuan Trust and obtaining Henan Xingwei's shareholders' approval. Please refer to the section headed "Business – Project Financing" on page 228 of this listing document for further details of such trust financing arrangement with Zhongyuan Trust.

Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Act, including the approval of our Shareholders. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board. We currently do not have any specific dividend policy. No withholding tax is imposed on dividend payments made, whether to resident or non-resident Shareholders. Please refer to



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sections headed “Risk Factors – We may not have adequate financing to fund our property developments, and such capital resources may not be available on commercially reasonable terms, or at all, and if that happens, our business, financial condition, results of operations and prospects could be materially and adversely affected” and “Financial Information – Dividends” on pages 33 and 367, respectively, of this listing document for further details.

### RECENT DEVELOPMENTS

On 29 January 2016, Henan Xingwei entered into an arrangement with various Independent Third Parties, including a management committee (管委會) in Jinshui District, Zhengzhou City (鄭州市金水區), pursuant to which Henan Xingwei obtained a loan in the principal amount of RMB700 million at an annual interest rate of 9.5% for a term of two years. Henan Xingwei had subsequently drawdown the entire principal in February 2016. As specified under such arrangement, the source of repayment shall be the costs for demolition of existing buildings and resettlement of the existing residents of the land parcel of Xinzhuang Village (新莊村), Jinshuiyangjin Industry Park District in Zhengzhou City, Henan Province and the construction costs for the resettlement housing and ancillary public facilities to be refunded to Henan Xingwei upon the full settlement of the land premium of the relevant development areas. For further details, please refer to the section headed “Business – Resettlement Housing Operation” on page 205 of the listing document.

In December 2015, Henan Xingwei entered into a land grant contract for a parcel of land of site area of approximately 55,351 sq.m. and for a land premium of RMB361.5 million which we had subsequently paid in full. In March 2016, Henan Xingwei obtained the relevant land use right certificate of the relevant parcel. Such parcel of land forms part of the development district of our resettlement housing operation under the “Merging Villages into Community (合村併城)” scheme in Zhengzhou City. For further details, please refer to the section headed “Business – Resettlement Housing Operation” on page 205 in the listing document. As of the Latest Practicable Date, such parcel of land was still in planning stage.

On 29 September 2015, the Ministry of Housing & Urban-Rural Development, Ministry of Finance and People’s Bank of China jointly issued the Circular on Practically Improving the Efficiency in the Use of the Housing Provident Fund (關於切實提高住房公積金使用效率的通知), which became effective from 8 October 2015, setting forth the measures to effectively improve the utilisation efficiency of housing provident fund and implement cross-regional loan business. Pursuant to such Circular, if the utilisation ratio of housing provident fund in cities is lower than 85% as of the end of August 2015, the relevant authorities of such cities may consider to increase the actual maximum amount of housing provident fund loan to be granted to individual for purchase of personal residence after taking into full account the factors such as local house price, borrowing need and the borrower’s repayment capacity. The implementation of the Circular improve the lending environment for individual purchasing residence, which the management of our Company considers that may improve the sales of our Group’s residential properties. For details, please refer to the section headed “Regulatory Overview – Real Estate Financing – Individual Housing Loan” on page 120 in this listing document.

Our Directors confirm that, save for the listing expenses that had been or to be incurred as stated in the paragraph headed “Listing Expenses” in this section, there had been no material adverse change in our business, financial condition and results of operations since 1 January 2016 and up to the date of this listing document.

### SPIN-OFF LISTING OF THE EINDEC GROUP

In September 2015, we sought for the Spin-off Listing of the Eindec Group on Catalist. Following the completion of the Spin-off Listing on 15 January 2016, the Eindec Group continues to undertake the Equipment Manufacturing Business, while we continue to undertake the Property Development Business. Upon completion of the Spin-off Listing, our Group’s earnings contributed from Eindec Group

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reduced as our Company's interest in Eindex Corporation reduced from 100% to approximately 66.8% and Eindex Corporation is regarded as a direct non-wholly owned subsidiary of our Company. Consequently, financial results of the Eindex Group continue to be consolidated into the accounts of our Group. Please refer to the section headed "History – Our Equipment Manufacturing Business – Spin-off Listing" on page 162 in this listing document for details.

### SHARE CONSOLIDATION

Our Company has completed the Share Consolidation to consolidate every ten Shares into one Share on 8 December 2015. Immediately before the Share Consolidation, our Company had an issued and paid-up share capital of S\$667,582,772.35 comprising 1,961,334,713 Shares. Immediately after the Share Consolidation and as of the Latest Practicable Date, our Company had an issued and paid-up share capital of S\$667,582,772.35 comprising 196,133,152 Shares. Prospective investors should note that the prices of Shares before and after the Share Consolidation are not comparable. Please refer to the section headed "Share Capital" on page 306 in this listing document for details.

### LISTING AND ARRANGEMENT

#### Reasons for the Dual Primary Listing and the Introduction

Our Company has been listed on the main board of the SGX-ST since 13 December 2004. As of the Latest Practicable Date, the trading price of our Shares on the SGX-ST was S\$0.400 and the average daily trading volume in March 2016 (up to Latest Practicable Date) was approximately 8,140 Shares, accounting for approximately 0.004% of our total issued Shares. For more information on our trading prices and average daily trading volumes, please refer to the section headed "Share Capital" on page 306 in this listing document. Based on the closing price of our Shares on the SGX-ST on the Latest Practicable Date of S\$0.400 and the total Shares in issue of 196,133,152 Shares, the market capitalisation of our Company was approximately RMB350.7 million on the Latest Practicable Date. As of 31 December 2015, the net asset value of our Company was approximately RMB1.3 billion. The ratio of market capitalisation (based on the closing price of our Shares on the SGX-ST on the Latest Practicable Date) to net asset value as of 31 December 2015 was approximately 0.274 times. Our Directors consider that while it is important to maintain the Singapore listing, the stock markets in Hong Kong and Singapore attract different investors and it would be desirable and beneficial for our Company to have a dual primary listing of our Shares in both Hong Kong and Singapore. The dual listing is likely to provide our Company with ready access to two different equity markets if any opportunity arises. It could also widen the investor base of our Company. Further, listing on the Stock Exchange could enhance our Company's profile in Hong Kong and the PRC, facilitate investment by Hong Kong investors, enable our Company to gain access to Hong Kong's capital markets and benefit our Company by exposing us to a wider range of private and institutional investors. Our Directors consider that this is important for our potential future growth and long term development, since in particular, substantially all of our operations are located in the PRC. Please refer to the section headed "Information about this Listing Document and the Introduction – Reasons for the Dual Primary Listing and the Introduction" on page 64 in this Listing document for details.

#### Removal of Shares

Currently, all of our Shares are registered on the Singapore Principal Share Register. An investor who wishes to trade on the SGX-ST must deposit the share certificates in respect of such Shares with CDP. An investor who wishes to trade on the Stock Exchange must have his Shares registered on the Hong Kong Branch Share Register by submitting the request for withdrawal of securities form to CDP and a removal request form to the Singapore Principal Share Registrar. Please refer to the section headed "Listings, Registration, Dealings and Settlement – Removal of Shares" on page 373 in this listing document for details.

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### Bridging Arrangements

In connection with the Listing, the Bridging Dealer and the Alternate Bridging Dealer have been appointed as bridging dealer and alternate bridging dealer, respectively and intend to implement certain bridging arrangements. The bridging arrangements are intended to facilitate the migration of Shares to the Hong Kong Branch Share Register in order for an open market in our Shares to develop in Hong Kong following the Listing.

In connection with the bridging arrangements, Stock Borrowing and Lending Agreements were entered into between Mr. Zhang Wei (the “**Lender**”) and each of the Bridging Dealer and the Alternate Bridging Dealer on 23 March 2016 which will come into effect from the first day of the Bridging Period. Pursuant to the stock borrowing arrangements under such agreements, the Lender will make available to the Bridging Dealer and the Alternate Bridging Dealer stock lending of 48,000,000 Shares representing approximately 24.5% of the Shares in issue, on one or more occasions, subject to applicable laws, rules and regulations in Singapore and Hong Kong, including without limitation that the lending and the subsequent acceptance of redelivery of any Shares by the Lender, and the borrowing and the subsequent redelivery of any Shares by the Bridging Dealer and the Alternate Bridging Dealer, will not lead to either party being obliged to make a mandatory general offer under the Takeovers Code and/or the Singapore Code. In this regard, in compliance with the Singapore Code, the Stock Borrowing and Lending Agreements provide, inter alia, the right for the Lender to recall the borrowed Shares by giving advance notice of seven days. Please refer to the section headed “Listings, Registration, Dealings and Settlement – Bridging Arrangements” on pages 377 to 383 in this listing document for details.

### Special Arrangements to Facilitate Transfers Prior to the Listing

Special arrangements have been made to facilitate transfers of Shares prior to the Listing. In connection with the Listing, the Singapore Principal Share Registrar and the Hong Kong Branch Share Registrar will provide three batch-transfers of Singapore-listed Shares for Shareholders seeking to transfer their Shares to the Hong Kong Branch Share Register prior to the Listing.

The key dates in relation to such batch-transfers exercises (the “**Batch-Transfers**”) are set out below:

| <b>Events</b>  | <b>First<br/>Batch-Transfer</b> | <b>Second<br/>Batch-Transfer</b> | <b>Third<br/>Batch-Transfer</b> |
|--|---------------------------------|----------------------------------|---------------------------------|
| Final date to submit a request for withdrawal of securities form to CDP and a SG Removal Request Form to the Singapore Principal Share Registrar | Monday,<br>7 March 2016         | Monday,<br>14 March 2016         | Monday,<br>21 March 2016        |
| Share certificates available for collection from the Hong Kong Branch Share Registrar's office   | Monday,<br>21 March 2016        | Wednesday,<br>30 March 2016      | Thursday,<br>7 April 2016       |

Shareholders who hold their Shares directly in CDP can complete and submit the request for withdrawal of securities form to CDP and a removal request form to the Singapore Principal Share Registrar before the relevant dates stipulated above in order to participate in the Batch-Transfers. Our Company will bear the costs, fees and duties payable for the Batch-Transfers. Withdrawal fees payable to CDP will be borne by the relevant Shareholders and CDP's existing charges will still apply, together with any other costs to be levied by such Shareholders' own brokers, nominees or custodians (where relevant). Shareholders should note that all costs, fees and duties payable for any subsequent transfer of their Shares, including but not limited to fees chargeable by the share registrars and the CDP will be borne by Shareholders themselves. Our Company has made arrangements to inform our Shareholders and the Singapore investing public of details of the Listing and the Batch-Transfers procedures by way of announcements on the respective websites of our Company at [www.weiyeholdings.com](http://www.weiyeholdings.com) and the SGX-ST at [www.sgx.com](http://www.sgx.com).

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## DEFINITIONS

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*In this listing document, unless the context otherwise requires, the following expressions have the following meanings. Certain other terms are defined in the section headed “Glossary of Technical Terms” in this listing document.*

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| “affiliate(s)”                                 | any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person   |
| “Alternate Bridging Dealer”                    | KGI Securities (Hong Kong) Limited, a licensed corporation to conduct Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO (and/or its affiliates authorised to carry out arbitrage activities), being the alternate bridging dealer during the Bridging Period   |
| “Articles of Association” or “Articles”        | the articles of association of our Company, as supplemented, amended or otherwise modified from time to time, a summary of which is contained in Appendix IV to this listing document  |
| “Audit Committee”                              | the audit committee of our Board   |
| “Board of Directors” or “Board” or “our Board” | our board of Directors   |
| “Bridging Dealer”                              | Macquarie Capital Limited, a licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO (and/or its affiliates authorised to carry out arbitrage activities), being the bridging dealer during the Bridging Period |
| “Bridging Period”                              | being the period of 30 calendar days from and including the Listing Date   |
| “Business Day”                                 | any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are open generally for normal banking business to the public  |
| “BVI”  | the British Virgin Islands   |
| “CAGR”   | compound annual growth rate  |
| “Catalist”                                     | the sponsor-supervised listing platform of the SGX-ST  |
| “CBRC”   | China Banking Regulatory Commission (中國銀行業監督管理委員會)   |
| “CCASS”  | the Central Clearing and Settlement System established and operated by HKSCC   |

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## DEFINITIONS

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| “CCASS Clearing Participant”  | a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant   |
| “CCASS Custodian Participant” | a person admitted to participate in CCASS as a custodian participant   |
| “CCASS Investor Participant”  | a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation   |
| “CCASS Participant”           | a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant  |
| “CDP”                         | The Central Depository (Pte) Limited   |
| “China” or “PRC”              | the People’s Republic of China, which for the purpose of this listing document and for geographical reference only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan   |
| “Circular 37”                 | the Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Offshore Investment and Financing and Round Trip Investment via Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), which was promulgated by SAFE and took effect from 4 July 2014   |
| “Circular 75”                 | the Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Offshore Financing and Round Trip Investment via Overseas Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), which was promulgated by SAFE and took effect from 1 November 2005 and later replaced by Circular 37 on 4 July 2014               |
| “Companies Act”               | the Companies Act (Cap. 50) of Singapore, as amended from time to time   |
| “Companies Ordinance”         | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) effective from 3 March 2014, as amended, supplemented or otherwise modified from time to time   |
| “Company” or “our Company”    | Weiye Holdings Limited (偉業控股有限公司*), formerly known as Kyodo-Allied Industries Pte Ltd and Kyodo-Allied Industries Ltd, a company incorporated in Singapore under the Companies Act as a private limited company on 2 August 1984, converted into a public limited company on 26 December 2001 and had been listed on the main board of the SGX-ST since 16 August 2011 |

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## DEFINITIONS

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| “Controlling Shareholders”            | has the meaning ascribed to it under the Listing Rules and, in the context of this listing document, means the controlling shareholders of our Company, being Mr. Zhang Wei and Mr. Chen Zhiyong   |
| “Deed of Indemnity”                   | the deed of indemnity dated 10 March 2016 and executed by the Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries stated therein), the particulars of which are set forth in the section headed “Other Information” in Appendix VI to this listing document                                    |
| “Deed of Non-Competition”             | the deed of non-competition dated 10 March 2016 and executed by the Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries stated therein), the particulars of which are set forth in the section headed “Relationship with our Controlling Shareholders” in this listing document                |
| “Director(s)” or<br>“our Director(s)” | the director(s) of our Company or any one of them  |
| “DTZ Report”                          | a commissioned industry research report prepared by DTZ for use in this listing document   |
| “Eindec Corporation”                  | Eindec Corporation Limited, formerly known as Eindec Corporation Pte. Ltd., a company incorporated in Singapore under the Companies Act as a private limited company on 2 April 2015, converted into a public limited company on 30 November 2015, a direct non-wholly owned subsidiary of our Company listed on Catalist on 15 January 2016 |
| “Eindec Group”                        | Eindec Corporation and its subsidiaries  |
| “Eindec Holdings”                     | Eindec Holdings Pte. Ltd., a private limited company incorporated in Singapore under the Companies Act on 13 May 2015 and an indirect non-wholly owned subsidiary of our Company   |
| “Eindec Malaysia”                     | Eindec Technology (Malaysia) Sdn. Bhd. (formerly known as Kyodo-Allied (Malaysia) Sdn. Bhd.), a private limited company limited by shares incorporated in Malaysia on 21 August 1989 and an indirect non-wholly owned subsidiary of our Company  |
| “Eindec Shanghai”                     | Eindec (Shanghai) Co. Ltd.* (優多商貿(上海)有限公司), a wholly foreign-owned enterprise established in the PRC on 23 November 2005 and an indirect non-wholly owned subsidiary of our Company  |

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## DEFINITIONS

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| “Eindec Shenzhen”  | Eindec (Shenzhen) Environmental Technology Co., Ltd.* (英德(深圳)環保科技有限公司), a wholly foreign-owned enterprise established in the PRC on 9 July 2015 and an indirect non-wholly owned subsidiary of our Company   |
| “Eindec Singapore”   | Eindec Singapore Pte. Ltd., a private limited company incorporated in Singapore under the Companies Act on 19 May 2015 and an indirect non-wholly owned subsidiary of our Company  |
| “Equipment Manufacturing Business”                           | our business of designing, manufacturing and sales of clean room equipment, HVAC equipment and air purifiers, and sales and installation of cooling towers   |
| “GEM”  | the Growth Enterprise Market of the Stock Exchange   |
| “Great Spirit”   | Great Spirit Management Limited (精誠管理有限公司), a company incorporated in the BVI with limited liability on 24 April 2009 and a direct wholly owned subsidiary of our Company  |
| “Group,” “our Group”,<br>“the Group”, “we”,<br>“us” or “our” | our Company and its subsidiaries, or where the context so requires, in respect of the period before our Company became the holding company of our current subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)  |
| “Hainan Weiye”   | Weiye Holdings Hainan Real Estate Co., Ltd.* (偉業控股海南地產有限公司), formerly known as Hainan Yingde Property Co., Ltd.* (海南英德置業有限公司) and Weiye Group Hainan Yingde Construction Investment Co., Ltd.* (偉業集團海南英德建設投資有限公司), a limited liability company established in the PRC on 16 December 2008 and an indirect wholly owned subsidiary of our Company |
| “Hainan Zhongfang”   | Hainan Zhongfang Investment Holdings Company Limited* (海南中方投資有限公司), a limited liability company established in the PRC on 22 June 2009 and an indirect wholly owned subsidiary of our Company  |
| “Hanfang Yaoye”  | Henan Hanfang Yaoye Co., Ltd* (河南漢方藥業有限責任公司), a limited liability company established in the PRC on 20 June 2001, which is owned as to 51% by Henan Weiye and as to 49% by Feng Chaoling (馮朝嶺), an Independent Third Party (save for being a shareholder and/or a director of Hanfang Yaoye)   |

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## DEFINITIONS

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| “Hanwei Zhiye”   | Henan Hanwei Zhiye Co., Ltd* (河南漢偉置業有限公司), a limited liability company established in the PRC on 8 December 2014, an indirect non-wholly owned subsidiary of our Company, which is owned as to 51% by Henan Weiye and 49% by Feng Chaoling (馮朝嶺), an Independent Third Party (save for being a shareholder and/or a director of Hanwei Zhiye)   |
| “Henan Huibang”  | Henan Huibang Property Co., Ltd.* (河南薈邦置業有限公司), a limited liability company established in the PRC on 2 March 2007 and an indirect wholly owned subsidiary of our Company   |
| “Henan Tiandao”  | Henan Tiandao Assets Management Co., Ltd.* (河南天道資產管理有限公司), a limited liability company established in the PRC on 19 March 2010, an indirect non-wholly owned subsidiary of our Company, which is owned as to 51% by Henan Weiye and as to 49% by Henan Heshun Construction Co., Ltd.* (河南和順建設有限公司), an Independent Third Party (save for being a shareholder of Henan Tiandao)  |
| “Henan Weiye”  | Henan Weiye Construction Development Group Co., Ltd.* (河南偉業建設開發集團有限公司) (formerly known as Henan Fenghua Property Co., Ltd.* (河南豐華置業有限公司), Henan Weiye Residential Development Co., Ltd.* (河南偉業住宅發展有限公司), Henan Weiye Construction Investment Co., Ltd.* (河南偉業建設投資有限公司) and Henan Weiye Construction Investment Group Co., Ltd.* (河南偉業建設投資集團有限公司)), a limited liability company established in the PRC on 30 October 1999 and an indirect wholly owned subsidiary of our Company |
| “Henan Xingwei”  | Henan Xingwei Property Co., Ltd* (河南興偉置業有限公司), a limited liability company established in the PRC on 15 November 2012 and an indirect non-wholly owned subsidiary of our Company, which is owned as to approximately 51.3% by Henan Weiye and as to approximately 48.7% by Zhongyuan Trust Company Limited* (中原信託有限公司), an Independent Third Party (save for being a shareholder of Henan Xingwei)  |
| “HKSCC”  | Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited  |
| “HKSCC Nominees”   | HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC  |
| “HK\$” or “Hong Kong dollars” or “HK dollars” or “cents” | Hong Kong dollars and cents respectively, the lawful currency of Hong Kong  |
| “Hong Kong” or “HK”                                      | the Hong Kong Special Administrative Region of the PRC  |



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## DEFINITIONS

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|------------------------------------|---|
| “Hong Kong Branch Share Register”  | the branch share register of members of our Company in Hong Kong maintained by our Hong Kong Branch Share Registrar   |
| “Hong Kong Branch Share Registrar” | Tricor Investor Services Limited, being the Hong Kong branch share registrar of our Company   |
| “Hongji Consulting”                | Hainan Hongji Weiye Consulting Management Co., Ltd.* (海南宏基偉業諮詢管理有限公司) (formerly known as Hainan Hongji Weiye Investment Co., Ltd.* (海南宏基偉業投資有限公司)), a limited liability company established in the PRC on 28 April 2010 and is an indirect wholly owned subsidiary of our Company               |
| “Hongji Property”                  | Hainan Hongji Weiye Property Development Co., Ltd.* (海南宏基偉業房地產開發有限公司) (formerly known as Hainan Qiangsu Property Development Co. Ltd.* (海南強速房地產開發有限公司)), a wholly foreign-owned enterprise established in the PRC on 12 February 2004 and is an indirect wholly owned subsidiary of our Company |
| “Hongji Weiye”                     | Hongji Weiye (Shenzhen) Trading Company Limited* (宏基偉業(深圳)商貿物流有限公司), a wholly foreign-owned enterprise established in the PRC on 15 October 2014 and an indirect wholly owned subsidiary of our Company   |
| “IFRS”                             | International Financial Reporting Standards, amendments and interpretations issued by the International Accounting Standards Board  |
| “Independent Third Party(ies)”     | a person or persons that is or are independent of, and not connected with, any directors, chief executive or substantial shareholders (within the meaning under the Listing Rules) of our Company or any of its subsidiaries or any of their respective associate(s)                            |
| “Introduction” or “Listing”        | the listing of Shares on the main board of the Stock Exchange by way of introduction pursuant to the Listing Rules  |
| “Jinwei (Henan)”                   | Jinwei (Henan) Trading Company Limited* (金偉(河南)商貿有限公司), a wholly foreign-owned enterprise established in the PRC on 6 January 2012 and an indirect wholly owned subsidiary of our Company   |
| “Kyodo-Allied Industries”          | Kyodo-Allied Industries Pte. Ltd. or Kyodo-Allied Industries Ltd., as the case may be, now known as Weiye Holdings Limited, our Company   |

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## DEFINITIONS

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| “LAT”                                       | Land Appreciation Tax (土地增值稅) as defined in the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) and the Detailed Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例實施細則》) |
| “Latest Practicable Date”                   | 21 March 2016, being the latest practicable date prior to the printing of this listing document for the purpose of ascertaining certain information contained in this listing document   |
| “Listing Committee”                         | the Listing Committee of the Stock Exchange  |
| “Listing Date”                              | the date on which the dealings in our Shares first commence on the Stock Exchange which is expected to be on or about 6 April 2016   |
| “listing document”                          | this listing document being issued in connection with the Introduction   |
| “Listing Manual”                            | the listing manual of the main board of the SGX-ST as may be amended, varied or supplemented from time to time   |
| “Listing Rules”                             | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time   |
| “Main Board”                                | the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM   |
| “Memorandum of Association” or “Memorandum” | the memorandum of association of our Company, as supplemented, amended or otherwise modified from time to time, a summary of which is set forth in Appendix IV to this listing document  |
| “MOFCOM”                                    | the Ministry of Commerce of the PRC (中華人民共和國商務部), or its competent local branches  |
| “MOHURD”                                    | the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) or its predecessor, the Ministry of Construction of the PRC (中華人民共和國建設部), as appropriate to the context   |
| “NDRC”                                      | National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) or its competent local branches  |

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## DEFINITIONS

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| “Nominating Committee”          | the nominating committee of our Board   |
| “PBOC”                          | the People’s Bank of China (中國人民銀行), the central bank of the PRC  |
| “PRC government”                | the government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities or, where the context requires, any of them   |
| “PRC Legal Adviser”             | Grandall Law Firm (Shanghai), the legal adviser to our Company as to PRC laws   |
| “Property Development Business” | our property development and housing construction business  |
| “Property Valuation Report”     | the property valuation report prepared by the Property Valuer and included in Appendix III to this listing document   |
| “Property Valuer” or “DTZ”      | DTZ Debenham Tie Leung Limited, being our property valuer   |
| “Remuneration Committee”        | the remuneration committee of the Board   |
| “Renminbi” or “RMB”             | Renminbi yuan, the lawful currency of the PRC   |
| “Reverse Takeover”              | the acquisition by our Company of the entire issued and paid-up share capital of Great Spirit pursuant to the terms and conditions of a conditional sale and purchase agreement dated 10 March 2011 and completed on 15 August 2011, which acquisition was classified as a “reverse takeover” pursuant to Rule 1015 of the Listing Manual |
| “SAFE”                          | the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), and its branch(es)  |
| “SAIC”                          | the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)  |
| “Sale and Repurchase Agreement” | the sale and repurchase agreement dated 23 March 2016 as specifically described in the section headed “Listings, Registration, Dealings and Settlement – Bridging Arrangements – Intended Arbitrage Activities during the Bridging Period” in this listing document   |
| “SFA”                           | the Securities and Futures Act (Cap. 289, Singapore Statutes), as amended from time to time   |

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## DEFINITIONS

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| “SFC”                                    | the Securities and Futures Commission of Hong Kong   |
| “SFO”                                    | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time  |
| “SGX-Sesdaq”                             | Stock Exchange of Singapore Dealing and Automated Quotation System, the predecessor of catalyst  |
| “SGX-ST”                                 | Singapore Exchange Securities Trading Limited  |
| “Share(s)”                               | ordinary share(s) of our Company from time to time (with no par value)   |
| “Share Consolidation”                    | the share consolidation exercise of the Company to consolidate every ten Shares into one Share which was completed on 8 December 2015  |
| “Shareholder(s)”                         | holder(s) of Shares  |
| “Singapore Code”                         | Singapore Code on Takeovers and Mergers  |
| “Singapore Principal Share Register”     | the principal share register of members of our Company in Singapore maintained by our Singapore Principal Share Registrar  |
| “Singapore Principal Share Registrar”    | RHT Corporate Advisory Pte. Ltd., being the Singapore share registrar of our Company   |
| “Sole Sponsor”                           | CLC International Limited, a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor of the Introduction  |
| “Spin-off Listing”                       | the listing of Eidec Corporation and its subsidiaries and the quotation of the ordinary shares of Eidec Corporation on Catalyst completed on 15 January 2016   |
| “State Council”                          | State Council of the PRC (中華人民共和國國務院)  |
| “Stock Borrowing and Lending Agreements” | the stock borrowing and lending agreements dated 23 March 2016 as specifically described in the section headed “Listings, Registration, Dealings and Settlement – Bridging Arrangements – Intended Arbitrage Activities during the Bridging Period” in this listing document |
| “Stock Exchange”                         | The Stock Exchange of Hong Kong Limited  |
| “S\$” or “SGD”                           | Singapore dollars, the lawful currency of Singapore  |

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## DEFINITIONS

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| “Takeovers Code”              | the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time   |
| “Track Record Period”         | the periods comprising the three financial years ended 31 December 2013, 2014 and 2015   |
| “Tunchang Hongji”             | Tunchang Hongji Weiye Property Development Co., Ltd.* (屯昌宏基偉業地產發展有限公司), a limited liability company established in the PRC on 23 June 2010 and an indirect wholly owned subsidiary of our Company  |
| “Tunchang Yajing”             | Tunchang Yajing Property Co., Ltd.* (屯昌雅境置業有限公司), a limited liability company established in the PRC on 13 April 2010 and an indirect wholly owned subsidiary of our Company   |
| “United States” or “US”       | the United States, its territories, its possessions and all areas subject to its jurisdiction  |
| “US\$”, “USD” or “US dollars” | United States dollars, the lawful currency of the United States  |
| “Wanning Yingde”              | Wanning Yingde Property Co., Ltd.* (萬寧英德置業有限公司), a limited liability company established in the PRC on 17 November 2009 and an indirect wholly owned subsidiary of our Company   |
| “Wenchang Maoyuan”            | Wenchang Maoyuan Tourism Co., Ltd.* (文昌市茂源旅業有限公司), a limited liability company established in the PRC on 9 September 1998 and an indirect wholly owned subsidiary of our Company   |
| “Weiye Hong Kong”             | Weiye Holdings (Hong Kong) Ltd. (偉業控股(香港)有限公司), formerly known as Goldbest Creation Ltd (金偉創建有限公司), a company incorporated in Hong Kong with limited liability on 17 September 2009 and an indirect wholly owned subsidiary of our Company |
| “Xie Tong International”      | Xie Tong International Pte. Ltd., formerly known as Kyodo Allied International Pte. Ltd., a private limited company incorporated in Singapore under the Companies Act on 7 March 2014 and a direct wholly owned subsidiary of our Company  |
| “Xie Tong Technology”         | Xie Tong Technology Pte Ltd, formerly known as Kyodo-Allied Technology Pte Ltd, a private limited company incorporated in Singapore under the Companies Act on 18 March 1998 and an indirect wholly owned subsidiary of our Company        |

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## DEFINITIONS

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| “Xinxiang Weiye”     | Xinxiang Weiye Property Co., Ltd.* (新鄉偉業置地有限公司), a limited liability company established in the PRC on 3 April 2007 and an indirect wholly owned subsidiary of our Company   |
| “Zhengzhou Daimashi” | Zhengzhou Daimashi Enterprise Co., Ltd.* (鄭州黛瑪仕實業有限公司), a limited liability company established in the PRC on 1 November 2006, an indirect non-wholly owned subsidiary of our Company, which is owned as to 65% by Henan Weiye, as to 27.5% by Liu Gairong (劉改榮) on trust for Zhengzhou Shijizhongxin Zhiye Co. Ltd.* (鄭州世紀中信置業有限公司) and as to 7.5% by Chen Xiuna (陳秀娜). Each of Liu Gairong (劉改榮), Zhengzhou Shijizhongxin Zhiye Co. Ltd. and Chen Xiuna (陳秀娜) is an Independent Third Party (save for being a shareholder of Zhengzhou Daimashi) |
| “%”                  | per cent   |

In this listing document:

- The terms “associate(s)”, “close associate(s)”, “connected person(s)”, “connected person(s) at the subsidiary level”, “core connected person(s)”, “connected transaction(s)”, “substantial shareholder(s)” and “subsidiary(ies)” shall have the meanings ascribed thereto under the Listing Rules, unless the context otherwise requires.
- Terms marked with “\*” denotes translation of certain PRC nationals, entities, enterprises, government authorities, departments, facilities, certificates, titles, laws and regulations into Chinese or English (as the case maybe), etc., or another language included in this listing document for identification purposes only. In the event of any inconsistency, the Chinese name or the names in their original languages prevails.
- Unless otherwise expressly stated or the context otherwise requires, all data in this listing document is as of Latest Practicable Date.
- Certain amounts and percentage figures included in this listing document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.
- Unless otherwise specified, all references to “2013”, “2014” and “2015” are to the years ended 31 December 2013, 2014 and 2015, respectively.
- All times refer to Hong Kong time. Unless otherwise specified, reference to years in this listing document are to calendar years.
- Certain figures used in this listing document that are expressed in HK\$ are calculated based on the conversion rate of RMB1 = HK\$1.2178 and SGD1 = HK\$5.4445.

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary contains explanations of certain terms used in this listing document in connection with our Company and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.*

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|---|---|
| “average selling price” or “ASP”        | average selling price on a gross basis, unless otherwise stated   |
| “building ownership certificate”        | building ownership certificate* (房屋所有權證), a certificate issued by relevant PRC government authorities with respect to the ownership rights of buildings   |
| “Built-Transfer”                        | built-transfer model (代建模式), a model of cooperation between private enterprises and local PRC authorities, under which we undertake to build resettlement housing for local government and transfer such housing to the local government after completion                       |
| “commercial property(ies)”              | for purposes of this listing document, property(ies) designated for commercial use  |
| “completion certificate”                | construction work completion inspection acceptance certificate* (房屋建築工程竣工驗收備案表) issued by local urban construction bureaux or competent authorities in the PRC with respect to the completion of property projects  |
| “construction land planning permit”     | construction land planning permit* (建設用地規劃許可證), a permit issued by local urban zoning and planning bureaux or equivalent authorities in China with respect to planning of construction land   |
| “construction work commencement permit” | construction work commencement permit* (建築工程施工許可證) issued by local construction bureaux or competent authorities in the PRC with respect to commencement of construction work   |
| “construction work planning permit”     | construction work planning permit* (建設工程規劃許可證) issued by local urban zoning and planning bureaux or competent authorities in the PRC with respect to planning of construction work  |
| “contracted sales”                      | total contracted value of properties sold in the relevant period, i.e. the total contracted value determined in the formal sale and purchase contract signed by both parties. It includes completed properties sold and properties pre-sold prior to completion of construction |
| “FFU”                                   | fan filter unit, a motorised device used to extract and filter off micro-size air particles from a clean room continuously to maintain a very high level of air cleanliness   |
| “FFU system”                            | a centralised computer system used to control thousands of FFUs   |

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## GLOSSARY OF TECHNICAL TERMS

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|--|---|
| “GDP”  | gross domestic product  |
| “GFA”  | gross floor area  |
| “HVAC”   | heating, ventilation and air-conditioning   |
| “land grant contract”                                | state-owned land use rights grant contract* (國有土地使用權出讓合同), an agreement between a land user and the relevant PRC governmental land administrative authorities   |
| “land use rights certificate”                        | state-owned land use rights certificate* (國有土地使用證), a certificate (or certificates, as the case may be) of the right of a party to use a parcel of land   |
| “leasable GFA”                                       | in relation to (i) completed property projects, the total GFA shown in the relevant completion documents, survey documents and/or building ownership certificates for leasing purposes; and (ii) projects where we have obtained pre-sales permits, the GFA as shown in the pre-sales permits, completion documents, survey documents and/or building ownership certificates for leasing purposes |
| “M&E”  | mechanical and electrical   |
| “plot ratio”   | the ratio of the gross floor area (excluding floor area below ground) of all buildings to their site area   |
| “pre-sales permit”                                   | commodity property pre-sales permit* (商品房預售許可證) issued by a local housing and building administrative bureau or an competent authority in the PRC with respect to the pre-sales of the properties under construction  |
| “public tender,” “auction,” or<br>“listing-for-sale” | public tender, auction or listing at a land exchange administered by the local government, each of which is a competitive bidding process through which a purchaser acquires land use rights directly from the PRC government; please see the section headed “Regulatory Overview” in this listing document for a detailed explanation of these processes   |
| “residential property(ies)”                          | for the purposes of this listing document, property(ies) designated for residential use   |



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## GLOSSARY OF TECHNICAL TERMS

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| “saleable GFA”                             | in relation to (i) completed property projects, the total GFA available for sale as shown in the relevant completion documents, survey documents and/or building ownership certificates; and (ii) projects where we have obtained pre-sales permits, the GFA available for sale as shown in the pre-sales permits, completion documents, survey documents and/or building ownership certificates   |
| “sq.m.”                                    | square metre(s)  |
| “total gross floor area” or<br>“total GFA” | the above-ground and underground saleable and/or leasable area contained within the external walls of any building at each floor level and the whole thickness of the external walls of the relevant project together with other non-leasable and non-saleable area. In general, this measure includes mechanical and electrical services rooms, refuse rooms, water tanks, car park, lifts, staircases, lobby and recreational facilities |

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## FORWARD-LOOKING STATEMENTS

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We have included in this listing document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements. We have made these statements with due care and have no reason to believe that the statements are not accurate.

These forward-looking statements include, without limitation, statements relating to our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, any statements preceded by, followed by or that include the words “aim”, “anticipate”, “believe”, “consider”, “continue”, “could”, “estimate”, “expect”, “going forward”, “intend”, “ought to”, “may”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” and similar expressions or the negative thereof, and any other statements in this listing document that are not historical facts.

These forward-looking statements are based on current plans and estimates, and speak only as at the date they are made. We undertake no obligation to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement. These factors include, among others, the following:

- our business strategies and plans to execute these strategies;
- our capital expenditure plans;
- our operations and business prospects, including development plans for our existing and new businesses;
- business opportunities that we may pursue;
- projects under construction or planning;
- our financial condition;
- availability of bank loans and other forms of financing;
- our ability to reduce costs;
- our dividend policy;
- the future developments trends, conditions and competitive environment in our industry;
- the effect of the global financial markets and economic crisis;
- changes or volatility in interest rates, foreign exchange rates and overall market changes;
- changes in government policies, laws or regulations, in particular the regulatory environment for our industry in general; and
- the general economic trend of the PRC and general economic conditions.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under the section headed “Risk Factors” and elsewhere in this listing document. Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this listing document might not occur in the way we expect, or at all.

Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this listing document are qualified by reference to this cautionary statement.

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## RISK FACTORS

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*You should carefully consider all of the information in this listing document including the risks and uncertainties described below before making an investment in our Shares. Our operations involve certain risks and uncertainties, many of which are beyond our control. You should pay particular attention to the fact that our principal business is located in the PRC and we are governed by a legal and regulatory environment which in some respects may differ from that which prevails in other countries. Our business, financial condition, results of operations and prospects could be materially and adversely affected by any of these risks.*

### RISKS RELATING TO OUR BUSINESS

**Our operations in the PRC property industry are subject to extensive government policies and regulations and, in particular, we are susceptible to adverse changes in policies relating to the PRC property sector and in local policies in the regions where we operate.**

Our Property Development Business is subject to extensive governmental regulations and, in particular, we are sensitive to policy changes in the PRC property sector. The PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development and control of foreign investments. The PRC government may restrict or reduce the land available for property development, raise the benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make available loans and mortgages to property developers and property purchasers, impose additional taxes and levies on property sales and restrict foreign investment in the PRC property sector.

During the Track Record Period, the PRC government had implemented a series of regulations and policies to slow down the property market and inflation of property prices, as well as to dampen property speculation. These policies may limit our ability to obtain financing, acquire land for future developments, sell our properties at a profit and/or generate sufficient operating cash flow from contracted sales. Please refer to the section headed “Regulatory Overview” in this listing document for more details.

We cannot assure you that the PRC government will not adopt additional and/or more stringent industry policies, regulations and measures in the future. It is also impossible to ascertain the extent of the impact of any such measures on our operation or to accurately estimate our sales volume and revenue had such measures not been introduced. If we fail to adapt our operations to new and/or amended policies, regulations or measures that may come into effect from time to time with respect to the property industry, or if our marketing and pricing strategies are ineffective in promoting our contracted sales in response, such policy and market condition changes may affect our contracted sales, delay our pre-sales schedules, or cause us to lower our average selling price and/or incur additional costs, in which cases our operating cash flows, gross profit margins, business, results of operations, financial condition and prospects may be materially and adversely affected.

**Our business and prospects are heavily dependent on and may be adversely affected by the performance of the PRC property markets, particularly in Henan and Hainan Provinces.**

All of our projects, including completed projects, projects under development and projects for future development are located in Henan and Hainan Provinces, PRC. As of 31 December 2015, we had held 12 development projects completed or under various stages of development, including seven projects in Henan Province and five projects in Hainan Province. Since we expect to continue to deepen our market presence in Henan and Hainan Provinces, our business continues to be heavily dependent on the performance of the property markets in these two provinces. These property markets may be affected by local, regional, national and global factors, many of which are beyond our control and could include economic and financial conditions, speculative activities in local markets, demand for and supply

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## RISK FACTORS

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of properties, availability of alternative investment choices for property buyers, inflation, government policies, interest rates and availability of capital.

Overall demand for private residential properties in China, particularly in provincial capitals and regional centers, has grown rapidly in recent years. However, the PRC property market has also experienced fluctuations in property prices during the same period. There have been increasing concerns over housing affordability and the sustainability of market growth of the PRC property market. In addition, demand for properties in China will continue to be affected by the macro-economic control measures implemented by the PRC government. Any material property market downturn in China generally or in cities in which we have or expect to have operations and any over-supply of properties or any potential decline in demand or prices for properties in those cities may materially and adversely affect our business, financial condition and results of operations.

**We may not be able to acquire land reserves in desirable locations that are suitable for our future development at commercially acceptable prices and if that happens, our business, financial condition, results of operations as well as prospects may be materially and adversely affected.**

We believe that the sustainable growth and success of our business significantly depend on our ability to continue acquiring additional land reserves in desirable locations at commercially reasonable prices that are suitable for the residential and commercial development. Our ability to acquire land depends on a variety of factors that are beyond our control, such as overall economic conditions, availability of land parcels provided by the PRC government, our ability to identify and acquire land parcels suitable for development and competition for such land parcels. During the Track Record Period, our land reserves were acquired through public tender, auction or listing-for-sale processes held by local governments and in the secondary market through acquisition or cooperation with land owner. The availability and price of land sold at public tender, auction or listing-for-sale processes depend on factors beyond our control, including government land policies and competing bidders. The PRC government and relevant local authorities control the supply and price of new land parcels and approve the planning and use of such land parcels. Specific regulations are in place to control the methods and procedures by which land parcels are acquired and developed in the PRC. In addition, it is impossible to ascertain the availability of land in the secondary market or that the terms of acquisition/cooperation with land owners are commercially acceptable to us. To the extent that we are unable to acquire suitable land parcels at commercially acceptable prices for our future development in a timely manner or at prices that enable reasonable economic returns to us, or any failure to successfully leverage on our experience or to sufficiently understand the property market in any other PRC province or city into which we expand our business, our business, financial condition, results of operations and prospects may be materially and adversely affected.

**We rely on external contractors and suppliers to deliver our projects on time and up to our specified quality standards.**

We engage external third-party construction contractors, construction supervision companies, other service providers and suppliers to provide us with construction and related services and various types of construction materials as well as other services such as design. We select general contractors for our property projects through tender based on their reputation, proposed construction schedule, qualifications, track record in similar projects and quoted price. However, we cannot assure you that the services rendered or materials supplied by any of our existing or new construction contractors or suppliers to be engaged by us will always be satisfactory or meet our quality requirements. Our construction contractors may fail to provide satisfactory services at the level of quality or within the timeline required by us which may lead to delay in completion of our property developments. We may incur additional costs in respect of remedial actions to be taken (including the replacement of such contractors) as well as potential compensation payable to our customers in the event of any

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## RISK FACTORS

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unsatisfactory quality or delay in completion of our property developments, which could adversely affect the cost structure and development schedule of our projects and could have a negative impact on our reputation, credibility, financial condition and business operations. In addition, as we expand our business into other areas in the PRC, there may be a shortage of contractors that meet our quality standards and other selection criteria in such locations and we may not be able to engage a sufficient number of high-quality contractors in a timely manner, which may adversely affect the construction schedules and development costs of our property development projects.

**We may not have adequate financing to fund our property developments, and such capital resources may not be available on commercially reasonable terms, or at all, and if that happens, our business, financial condition, results of operations and prospects could be materially and adversely affected.**

Property development is capital-intensive and we expect to continue to incur a high level of capital expenditures for project development in the foreseeable future. During the Track Record Period, we financed our property projects primarily through proceeds from pre-sales and sales of our properties and bank borrowings. Our ability to obtain external financing in the future and the cost of such financing are subject to uncertainties beyond our control, including, among other things:

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

We cannot assure you that the PRC government will not introduce measures or initiatives, which limit our access to capital and methods we finance our property projects, or that we will be able to secure adequate financing or renew our existing credit facilities prior to their expiration on commercially reasonable terms, or at all and if that happens, our business, financial condition, results of operations and prospects could be materially and adversely affected.

If we decide to raise additional funds through borrowings, our interest and debt repayment obligations will increase and we may be subject to additional covenants, which could restrict our ability to utilise cash flow from operations. Any increases in interest rates on our borrowings may have a material adverse effect on our business, results of operations and financial condition.

Furthermore, we derive a majority of our revenue and cash flow from sales and pre-sales of properties developed by us, which is not of a recurring nature. Some purchasers of our residential properties rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing, thus reducing the attractiveness of mortgages as a source of financing for property purchasers and affordability of residential properties. We cannot assure you that the PRC government and commercial banks will not increase down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. We cannot assure you that the commercial banks will approve potential property purchasers' applications for mortgage loans in a timely manner, or at all. Our sales and pre-sales may be materially and adversely affected if mortgage financing becomes more costly or more difficult to obtain.

In addition, certain of our financing arrangements are subject to a number of restrictive, customary affirmative and/or negative covenants which include, among other things, limitations on our ability to incur additional indebtedness or create new mortgages or charges, restrictions on the use of proceeds,

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## RISK FACTORS

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and requirements to provide notice or obtain consent for certain significant corporate events. Pursuant to the loan agreements for certain bank loans obtained by Xinxiang Weiye and Henan Xingwei with the aggregate outstanding principal of RMB540 million as of 31 December 2015, and the trust financing arrangement each of Henan Xingwei and Xinxiang Weiye entered into with Zhongyuan Trust Company Limited (中原信託有限公司) (“**Zhongyuan Trust**”) with the aggregate outstanding principal of RMB540 million as of 31 December 2015, Xinxiang Weiye and Henan Xingwei were covenanted to maintain certain financial ratios, including debt to asset ratio, current ratio, contingent liability and/or credit rating of the respective companies.

In addition, under certain financing arrangements of our Group, we are restricted to distribute dividend under the relevant loan agreements. Pursuant to the loan agreements for certain bank loans obtained by Xinxiang Weiye, Henan Xingwei and Henan Tiandao with the aggregate outstanding principle of RMB315.4 million as of 31 December 2015, Xinxiang Weiye, Henan Xingwei and Henan Tiandao, as the case may be, shall not distribute dividend before the full repayment of all sums due under the respective loan agreements. Further, pursuant to the trust financing arrangement Henan Xingwei entered into with Zhongyuan Trust in 2014 with the outstanding principal of RMB500.0 million as of the Latest Practicable Date, Henan Xingwei shall not distribute dividend before the full settlement of capital injection by Henan Weiye, full repayment of the principal and interests by Henan Xingwei, obtaining the written consent from Zhongyuan Trust and Henan Xingwei’s shareholders’ approval. Please refer to the section headed “Business – Project Financing” in this listing document for further details of such trust financing arrangement with Zhongyuan Trust.

Also, borrowings provided under certain loan agreements between our operating subsidiaries and financial institutions are not allowed to be used for purposes other than the specific project development as provided in the agreement. We cannot assure you that we will be able to abide by all these restrictive covenants in the loan agreements we entered into or obtain lender’s consent in a timely manner or at all in the future. Should we fail to abide by these provisions, our lenders may be entitled to accelerate repayment of our loans, in which case our business, financial condition and results of operations may be adversely affected.

**We had negative net operating cash flow from our operating activities for the years ended 31 December 2013, 2014 and 2015. If we are unable to meet our payment obligations, our business, financial condition and results of operations may be materially and adversely affected.**

We recorded negative net cash flow from operating activities of approximately RMB17.9 million and RMB224.9 million and RMB131.7 million for the years ended 31 December 2013, 2014 and 2015, respectively. For the years ended 31 December 2013 and 2014, our negative net cash flow from operating activities was primarily attributable to the capital investment in relation to the construction work of resettlement houses, which shall be refunded to our Group by the relevant local district government authority after the subsequent public bidding process for the district for the development of residential properties. For the year ended 31 December 2015, our negative net cash flow from operating activities was primarily attributable to the land premium paid in December 2015 in relation to a parcel of land. Please refer to the section headed “Financial Information – Liquidity and Capital Resources – Sufficiency of Working Capital” in this listing document for further details.

We cannot assure you that we will not experience negative net operating cash flow in the future. Negative net operating cash flow requires us to obtain sufficient external financing to meet our financial needs and obligations. If we are unable to do so, we may default on our payment obligations and may not be able to develop our projects as planned. As a result, our business, financial condition and results of operations may be materially and adversely affected.

**We are exposed to credit risks of our non-trade receivables and amounts due from various third parties which may materially and adversely affect our financial condition, profitability and cash flow.**

As of 31 December 2013, 2014 and 2015, our Group recorded (i) amount due from joint venture partners of nil, approximately RMB104.5 million and RMB123.9 million, respectively; (ii) other

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## RISK FACTORS

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receivables of approximately RMB11.1 million, RMB19.4 million and RMB102.8 million, respectively; and (iii) amount due from non-controlling interests of approximately RMB99.2 million, RMB99.2 million and RMB99.2 million, respectively. Such non-trade receivables and amounts due from various third parties constitute a significant amount and there are risks of delay or default in payment by such third parties to our Group. There is no assurance that we will be able to fully recover such receivables and amounts due from these third parties or that they will settle our receivables in a timely manner. In the event the settlements from these third parties are not made in full or not in a timely manner, our cash flow and working capital may be materially and adversely affected. Furthermore, the process to recover various payments due can be time-consuming and may require additional resources. Our inability to recover these non-trade receivables and amounts due on a timely basis may materially and adversely affect, our financial condition, profitability and cash flow.

**Our Equipment Manufacturing Business provides a stable source of revenue to our Group and if any major business risks it faces materialise, our results of operation may be adversely affected.**

During the Track Record Period, we derived a stable amount of revenue from our Equipment Manufacturing Business. For the years ended 31 December 2013, 2014 and 2015, the revenue contributed from our Equipment Manufacturing Business amounted to approximately RMB70.5 million, RMB69.3 million and RMB76.9 million, respectively, representing approximately 5.1%, 5.4% and 6.2% of our revenue for the same period. Our Equipment Manufacturing Business faces a number of business risks including, among other things:

- dependence on the electronics and building industries;
- failure to increase sales to existing customers and attract new customers;
- challenges and uncertainty in the commercialisation of its new air purifier business;
- failure to compete effectively against our competitors;
- exposure to the credit risks of our customers; and
- exposure to technological changes.

We cannot assure you that our Equipment Manufacturing Business will continue to provide stable amount of revenue in the future and should the above risks faced by our Equipment Manufacturing Business materialise and materially adversely affect the revenue of our Equipment Manufacturing Business, our business, operating results and financial position may be adversely affected.

**Failure to obtain, abide by, or material delays in obtaining, requisite certificates, permits, approvals or licenses from the PRC government may adversely affect our ability in carrying out our property development operations.**

The property industry in the PRC is heavily regulated and property developers must abide by various laws and regulations, including rules promulgated by national and local governments to enforce these laws and regulations. Like other property developers in China, we must apply to the relevant government authorities to obtain (and renew those relating to on-going operations) various licenses, permits, certificates and approvals to engage in property development operations, including but not limited to, qualification certificates for real property development enterprise, land use rights certificates, construction work commencement permits, construction work planning permits, construction land planning permits, pre-sales permits and completion certificates. We must meet specific conditions in order for the government authorities to issue or renew any certificate, license or permit. We cannot assure you that we will be able to adapt to new rules and regulations that may come into effect from time to time with respect to the property industry or that we will not encounter material delays or difficulties in fulfilling the necessary conditions to obtain and/or renew all necessary certificates or permits for our operations in a timely manner, or at all, in the future. In the event that we fail to obtain, renew or abide

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## RISK FACTORS

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by, or encounter significant delays in obtaining or renewing, the necessary government approvals for any of our major property development projects, we may not be able to continue with our development plans, and our business, financial condition and results of operations may be materially adversely affected.

**We may not be able to complete or deliver our development projects according to our schedule and face substantial development risks before we realise any benefits from a property development project and if this happens, our business, results of operations and financial conditions may be materially and adversely affected.**

Property development projects require substantial capital expenditure prior to and during the construction period for, among other things, land acquisition and construction. The construction of property projects may take over a year or longer before a positive net cash flow may be generated through pre-sales, sales, leasing or rentals. As a result, our cash flows and results of operations may be affected by any changes to our project development schedules. The schedules of our project developments depend on a number of factors, including the performance and efficiency of our third-party contractors and our ability to finance the construction.

Other specific factors that could adversely affect our project development schedules include without limitation:

- natural catastrophes and adverse weather conditions;
- changes in market conditions, economic downturns and decreases in business and consumer sentiments in general;
- failure to obtain necessary licenses, permits and approvals from relevant government authorities in a timely manner;
- availability and cost of financing;
- changes in relevant regulations, government policies and government planning;
- shortages of materials, equipment, contractors and skilled labour;
- labour disputes;
- construction accidents; and
- errors in judgement on the selection and acquisition criteria for potential sites.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedule and budget may harm our reputation as a property developer, lead to loss of or delay in recognising revenues and lower returns.

Pre-sales of properties is an important source of funding for our property projects. Under current PRC laws and regulations, property developers are, subject to certain conditions, allowed to pre-sell properties prior to their completion and may use such pre-sales proceeds only to finance the respective development project where the pre-sold properties are located. There is no guarantee that the PRC national or local governments will not limit, restrict or abolish current pre-sales practices. The future implementation of any further restrictions on properties pre-sales, such as an increase in the amount of up-front expenditures required to be incurred prior to obtaining a pre-sales permit, may extend the time required for recovery of our capital outlay and may force us to seek alternative means to finance the various stages of our property developments including increasing borrowings which would in turn increase our interest payments. This could have a material adverse effect on our business, cash flow, financial condition and results of operations.

If a property project is not completed on time, the purchasers of pre-sold units of the project may be entitled to compensation for late delivery. If the delay extends beyond a certain period, the purchasers may be entitled to terminate their pre-sales agreements and have the purchase price refunded, in addition to claim damages against us.



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## RISK FACTORS

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We cannot assure you that we will not experience any significant delays in completion or delivery of our projects in the future or that we will not be subject to any liabilities for any such delays. Depending on the number of affected purchasers, this may materially and adversely affect our business, results of operations and financial position.

**We may not be able to obtain land use rights of parcels of land with respect to cooperation agreement entered into with local government in relation to resettlement housing construction, and as a result, there may be a material adverse effect on our business, results of operation and financial condition.**

During the Track Record Period, as part of the local government's urbanisation scheme, we cooperated with the local municipal government to build resettlement houses in Zhengzhou City, Henan Province using the "Built-Transfer" model, under which we undertook to build resettlement housing for the local government and transferred such housing to the local government after completion, and derived revenue from the construction of resettlement housing. We believe such cooperation helps us to cultivate reputable relationship with the local government and further facilitate our Group to obtain land in the future. Such arrangements do not constitute land grant contracts. We cannot assure you that these arrangements will eventually result in our acquisition of any land use rights or our entering into of any land grant contract, or that the governmental authorities will grant us the land use rights or issue the relevant land use rights certificates in respect of these parcels of land. If we fail to obtain or experience a material delay in obtaining the land use rights, there may be a material adverse effect on our business, results of operation and financial condition.

Pursuant to the relevant arrangements, if a land acquisition by us fails to materialise, we are entitled to a refund of our costs incurred in the construction of the resettlement housing and additional compensation after the full settlement of the land grant premium payable by the successful bidder at the subsequent public bidding process for the relevant development district. There is no assurance that the refund will be made on a timely basis. If there is any delay in refunding our costs and compensation, our business, results of operations and financial condition may be materially and adversely affected.

**There is a mismatch between the timing of revenue recognition for housing construction of the resettlement housing and the receipt of refund of construction costs for the resettlement housing and ancillary public facilities and the costs for demolition and resettlement housing; and that we may not recover our accrued trade receivables, which may therefore adversely and materially affect our liquidity, financial position and profitability.**

For the years ended 31 December 2013, 2014 and 2015, our revenue from housing construction amounted to approximately RMB660.1 million, RMB325.1 million and RMB113.3 million, respectively, which is recognised (i) to the extent of contract costs incurred where it is probable that those costs will be recoverable or (ii) based on the percentage of completion method depending on whether the outcome of the contract can be measured reliably. Pursuant to the cooperation agreement (the "**Cooperation Agreement**") Henan Xingwei entered into with the management committee of Zhengzhou City Jinshuiyangjin Industry Park District (鄭州市金水楊金產業園區管委會) (the "**Management Committee**") in June 2013, the construction costs for the resettlement housing and ancillary public facilities (the "**Construction Costs**") and the costs for demolition and resettlement (the "**Site Clearing Costs**") will not be refunded to Henan Xingwei until the full settlement of the land grant premium payable by the successful bidder at the subsequent public bidding process for the relevant development district. As of the Latest Practicable Date, we had entered into a land grant contract in respect of a parcel of land, which forms part of the development district, with site area of approximately 55,351 sq.m. for a land grant premium of RMB361.5 million. As of the Latest Practicable Date, we had paid such land grant premium in full but had yet received any refund of the Construction Costs and Site Clearing Costs from the Management Committee pursuant to the Cooperation Agreement. Thus, as of the Latest Practicable

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## RISK FACTORS

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Date, we had not received any cash payment in relation to the revenue we recognised from housing construction. There is no assurance that the refund of the Construction Costs and the Site Clearing Costs will be made on a timely basis. If there is any delay in refunding the Construction Costs and the Site Clearing Costs, our liquidity and financial position may be adversely and materially affected.

Further, as of 31 December 2013, 2014 and 2015, our Group recorded accrued trade receivables in the amount of approximately RMB660.1 million, RMB985.3 million and RMB1,098.6 million, respectively, which represents the balance of contract sum to be billed in respect of the progress of the construction work of resettlement housing and ancillary public facilities. There is no assurance that we will be able to fully recover such receivables in a timely manner. In the event the settlements of these receivables are not made in full or not in a timely manner, our cash flow and working capital may be materially and adversely affected. Our inability to recover these accrued trade receivables on a timely basis may materially and adversely affect our liquidity, financial position and profitability.

**Our results of operations may vary significantly from period to period as we derive our revenue principally from the sale of property and may therefore fluctuate significantly from period to period, and such fluctuations make it difficult to predict our future performance and the price of our Shares.**

We derive the majority of our revenue from the sale of properties that developed by us. Our results of operations may fluctuate in the future due to a combination of factors, including the overall schedule and development cycle of our property development projects, the level of acceptance of our properties by prospective customers, the timing of the sale of properties, our revenue recognition policies and any changes in costs and in expenses, such as land acquisition and construction costs. Furthermore, according to our accounting policy for revenue recognition, we recognise revenue from the sales and pre-sales of our properties upon delivery to purchasers. Generally, there is a time difference, typically ranging from one year to two years, from the time we commence pre-sales of properties under development to completion and delivery of properties.

As the timing of completion and delivery of our properties varies according to our construction timetable, our results of operations may vary significantly from period to period depending on the GFA sold or pre-sold and the timing of completion and delivery of the properties we sell. Periods in which we pre-sell a large amount of aggregate GFA may not be periods in which we generate a correspondingly high level of revenue because of the time-lag. The effect of timing of delivery on our operational results is accentuated by the fact that during any particular period of time we can only undertake a limited number of projects due to the significant capital requirements for land acquisition and construction costs as well as the limited supply of land. Accordingly, our interim results for a certain period may not be indicative of our performance for that financial year or otherwise comparable to our results in previous periods. In light of the above, our Directors believe that period-to-period comparisons of our operating results may not be as meaningful as they would be for a company with a greater proportion of recurring revenues. If our operating results in one or more periods do not meet market expectations, the price of our Shares may be materially and adversely affected.

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## RISK FACTORS

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**We provide guarantee for mortgage loans of our customers and may become liable to mortgagee banks if customers default on their mortgage payments.**

We derive a substantial portion of our revenue from sales of our properties and some of our purchasers apply for bank borrowings and mortgages to fund their purchases. In line with industry practice, commercial banks require us to guarantee mortgage loans offered to purchasers of our properties. Typically, we guarantee mortgage loan for a purchaser up to and until the certificate of third party right\* (他項權證) is issued to the mortgagee. We are required to deposit with the mortgagee banks an amount which typically represents 3% to 10% of the mortgage to which the guarantee relates. If a customer defaults on payment of his mortgage loan, the mortgagee bank may deduct the payment due from the deposited sum and require that we immediately repay the entire outstanding balance of the mortgage pursuant to the guarantee. In line with industry practice, we do not conduct any independent credit checks on our customers and rely on the customer credit evaluations conducted by the mortgagee banks. These are contingent liabilities not reflected on our balance sheets. As of 31 December 2015, our outstanding guarantees in respect of the mortgages of our customers amounted to approximately RMB840.9 million.

We cannot assure you that we will not be subject to guarantee-related risks. Should any material default occur and if we were called upon to honor our guarantees, our financial condition and results of operations could be adversely affected. Further, in the event of market downturn, the likelihood that the purchasers would default in mortgage payment which we guaranteed may increase. In such case, the mortgagee banks may require us to repay the outstanding loans pursuant to the guarantee. This could have a material adverse effect on our business, financial condition and results of operations.

**Our property development business may be subject to customer claims.**

Under the “Administration Ordinance on Development and Operation of Urban Real Estate” (《城市房地產開發經營管理條例》) promulgated by the State Council, which became effective on 20 July 1998 and amended with effect on 8 January 2011, and the “Regulations on the Administration of Quality of Construction Works” (《建設工程質量管理條例》) which became effective on 30 January 2000, all property developers in the PRC must provide certain quality warranties for the properties they construct or sell. We are required to provide these warranties to our customers.

We cannot assure you that we will not face any significant customer claims in the future, which may result in significant expenses to resolve and/or settle such claims, or if we face delays in remedying the related defects, this may harm our reputation, which may in turn adversely affect our business, financial condition and results of operations. Furthermore, we may not be able to fully cover our liabilities by enforcing the quality warranties we receive from our construction contractors or at all, and the money retained by us from our contractors to cover our payment obligations under the quality warranties may also be insufficient, which could further increase our liabilities under such customer claims.

**We are dependent on third-party property sales agents for sales and marketing of our property projects and may be affected by the performance of such agencies.**

During the Track Record Period, we engaged Independent Third Party property sales agents for the sales and marketing of certain of our projects. Please refer to the section headed “Business – Property Development Process – Sales and Marketing” for more details. We expect to continue to engage third-party sales agents to conduct sales and marketing of our property projects in the future.

We cannot assure you that the sales agents we engage are in compliance in all material respects with PRC laws and regulations applicable to us or them. If any of the sales agents engaged by us fails to comply with applicable PRC laws and regulations in our sales and marketing campaigns, we may lose a portion of our customers, and our reputation and credibility, business and results of operations could be harmed. In addition, if any of the sales agents engaged by us under-performed or we are not able to

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## RISK FACTORS

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engage suitable sales agents in a timely manner, our sales may be affected and our business, financial condition and results of operations may also be adversely affected.

**We rely on our trade name and trademarks and any infringement or inappropriate use of our trade name or trademarks may be detrimental to our reputation and profitability.**

We believe that our trade name and trademarks form an integral basis for our brand recognition and are important to our business. As of the Latest Practicable Date, we had nine trademarks and one domain name registered in the PRC, one trademark registered in Hong Kong and two trademark applications filed in Hong Kong, which are material to our business. We are not aware of any violations, infringements or unauthorised uses of our trade name or trademarks that have had a material adverse effect on our financial condition and results of operations. We cannot assure you that our trade name or trademarks will not be the subject of any infringement by third parties in the future. Any unauthorised or inappropriate use of our trade name or trademarks could harm our market image and reputation, which may materially and adversely affect our financial condition and results of operations. Brand recognition is based largely on customer perceptions with a variety of subjective qualities and can be damaged even by isolated business incidents that lower consumer trust. Any litigation or dispute in relation to our trade name or trademarks could result in substantial costs and the diversion of resources and may materially and adversely affect our business and results of operations.

**The appraised value of our properties may be different from their actual realisable value and are subject to change.**

The appraised value of our properties as contained in the section headed “Appendix III – Property Valuation Report” are based on multiple assumptions that include elements of subjectivity and uncertainty. The assumptions, on which the appraised value of our properties and land reserves are based, include:

- we will develop and complete the projects on a timely basis in accordance with our latest development proposals provided to DTZ and set out in the section headed “Appendix III – Property Valuation Report”;
- we have obtained or will obtain on a timely basis all consents, approvals and licenses from the relevant authorities necessary for the development of the projects, absence of onerous conditions and delays; and
- our project design and construction have complied with the local planning regulations and have been approved by the relevant authorities.

If we fail to obtain the approvals necessary for the development of our projects, some assumptions used by DTZ in reaching the appraised value of our properties will not materialise and the appraised value of our properties may deviate from their actual realisable value or a forecast of their realisable value. Unforeseeable changes to the development of our property projects as well as national and local economic conditions may affect the value of the properties we hold.

**Investment in properties is relatively illiquid, and we may not be able to sell such investment properties at prices or on terms satisfactory to us, or at all.**

We selectively retain the ownership of certain self-developed properties with strategic value as investment properties for capital appreciation and rental income. In general, investment in properties in the PRC is relatively illiquid compared with other forms of investment. In the event that we need to dispose of certain investment properties because of changes in economic, financial and investment conditions, we cannot assure you that we will be able to sell such investment properties at market prices or on terms satisfactory to us, or at all.

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**Our actual development costs of a property development project may deviate from our initial estimations due to fluctuations in cost, which could in turn have a material adverse effect on our business, results of operations and financial condition.**

We estimate the relevant total development costs which comprise, among other things, land costs, construction and other development costs, capitalised borrowing costs, etc. at the outset of every property development project. While we have operating procedures to monitor the progress of development works to minimise deviation from the pre-approved budgets, our total development costs are subject to numerous factors which may be beyond our control.

Our construction costs have been affected by rising construction and installation costs and labour costs in the PRC in recent years, and we expect a continuous upward movement in construction and installation costs and labour costs in the PRC in the future. Furthermore, the PRC property market is significantly affected by policy and regulatory measures introduced by the PRC government from time to time which may affect various aspects of our property development operations, including but not limited to our cost of financing as well as the schedule of development of our property projects, which in turn may result in deviation from our initial estimated development costs. If the actual development costs of our projects deviate materially from our initial estimation, our business, results of operations and financial condition may be materially and adversely affected.

**The relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations which could adversely affect our financial results.**

In accordance with PRC regulations on LAT, all persons including companies and individuals that receive income from the sale or transfer of land use rights, properties and their attached facilities are subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of the properties. Pursuant to the Notice of the State Administration of Taxation on the Relevant Issues Concerning the Settlement Management of Land Value-added Tax on Real Estate Enterprises (國家稅務總局關於房地產開發企業土地增值稅清算管理有關問題的通知) issued by the State Administration of Taxation of the PRC (國家稅務總局), LAT obligations must be settled with the relevant tax bureaux within a specified time frame after the completion of a property project.

We make provisions for the full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations from time to time pending settlement of the same with the relevant tax authorities. As some of our projects are developed in several phases, deductible items for calculation of LAT, such as land costs, are apportioned among such different phases of development. Provisions for LAT are made based on our own estimates taking into account, among others, our own apportionment of deductible expenses which are subject to final confirmation by the relevant tax authorities upon settlement of the LAT. Given the time gap between the point at which we make provision for and the point at which we settle the full amount of LAT payable, the relevant tax authorities may not agree with our apportionment of deductible expenses or other bases on which we calculate LAT. Hence, our LAT expenses recorded for a particular period may require subsequent adjustments. If we substantially underestimate LAT for a particular period, a payment of the actual LAT assessed and levied on us by the tax authorities could adversely affect our results of operations for a subsequent period.

For the years ended 31 December 2013, 2014 and 2015, the approximate amount of LAT we have made provision for was approximately RMB29.1 million, RMB41.2 million and RMB35.1 million, respectively. We also made reversal of our estimate of LAT in respect of prior years of approximately RMB19.8 million, nil and RMB15.1 million for the years ended 31 December 2013, 2014 and 2015.

In addition, we cannot assure you that the applicable tax rate for LAT will not increase, or that the PRC government or local tax authorities will not abolish the authorised taxation method, or that we will be able to obtain approval in the future to use the authorised taxation method. If the relevant tax authorities determine that a higher amount of LAT should be paid, our business, results of operations and financial condition may be materially and adversely affected.

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Furthermore, certain notices issued by the PRC government relating to the settlement of LAT allow provincial tax authorities to formulate their own implementation rules according to the local situation. If the implementation rules promulgated in the cities or provinces in which our projects are located require us to settle all unpaid LAT at the same time, or impose other additional conditions, our business, results of operations and financial condition may be materially and adversely affected.

**If we were unable to successfully retain the services of our current key personnel and hire, train and retain senior executives and other skilled employees, our ability to develop and successfully market our properties could be harmed.**

The growth and success of our business has depended significantly on certain members of our senior management, in particular, Mr. Zhang Wei, our executive Director and chairman of the Board. For detailed biography of our Directors and senior management, please refer to the section headed “Directors and Senior Management” in this listing document. If we were to lose the services of Mr. Zhang Wei or any other of our senior management for any reason, we may not be able to find suitable replacements for them. As competition in the PRC for experienced senior management and key personnel in property development is intense and the pool of qualified candidates is limited, we may not be able to retain the services of key personnel, or hire, train and retain high-quality senior executives or other skilled employees in the future. In addition, if any Director, any member of our senior management team or any of our other key personnel were to join a competitor or carry on a competing business, we may lose key professionals and staff members. Furthermore, as our business continues to grow, we will need to recruit and train additional qualified personnel. If we were unable to successfully retain the services of our current key personnel and hire, train and retain senior executives and other skilled employees, our ability to develop and successfully market our products may be harmed and our business and prospects may be adversely affected.

**Potential liability for environmental problems could result in substantial costs.**

We are subject to a variety of laws and regulations concerning environmental protection. Environmental protection laws can prohibit or severely restrict property development activities in environmentally sensitive regions or areas. Compliance with environmental protection laws and regulations may result in delays and may cause us to incur substantial compliance and other costs. Construction delays or failure to complete the construction of a project according to its planned specifications, schedule and budget may harm our reputation as a property developer, lead to loss of or delay in recognising revenues, lower returns, as well as cause liabilities for breach of contract. If a property project is not completed on time, the purchasers of pre-sold units may be entitled to compensation for late delivery or termination of the pre-sales agreements and claim for damages.

We cannot assure you that we will not experience any such delays in the future or that we will not be subject to any liabilities for any such delays. Liabilities arising from any delays in the completion or delivery of our properties may have a material adverse effect on our business, results of operations and financial condition.

As required by PRC laws and regulations, we have engaged independent third-party environmental consultants to conduct environmental impact assessments at all of our construction sites, and such environmental impact assessments were submitted to the relevant government authorities for approval before commencement of construction. It is possible that the environmental impact assessment conducted may not reveal all environmental liabilities or the extent of their impact, and we may not be aware of all material environmental liabilities. If any portion of a project is found to be non-compliant with relevant environmental standards, the relevant authorities may suspend our operations at that project as well as impose fines and penalties which may adversely affect our results of operation and financial conditions.

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**We may be involved in legal and other disputes from time to time arising out of our operations, including any disputes with our contractors, suppliers or property purchasers or involving land use rights. We may face significant liabilities as a result.**

We may from time to time be involved in disputes with various parties involved in the development and the sale of our properties, including our general contractors, suppliers, business partners and purchasers or in matters that involve our land use rights. These disputes may lead to protests or legal or other proceedings and may result in damage to our reputation, substantial costs and diversion of resources and management's attention from our core business activities. Purchasers of our properties may take legal action against us if we are alleged or found to have breached any representation or warranty provided in pre-sales or sales agreements. In addition, we may encounter compliance issues with regulatory bodies in the course of our operations, and we may face administrative proceedings and potentially unfavourable decisions that may result in liabilities and cause delays to our property developments. Furthermore, we may be involved in disputes with our contractors or suppliers. We may be involved in other proceedings or disputes in the future that may have a material adverse effect on our business, financial condition, results of operations or cash flows.

**We may not have adequate insurance coverage to cover our potential liability or losses and as a result our business, results of operations and financial condition may be materially and adversely affected.**

We face various risks in connection with our businesses and may lack adequate insurance coverage or may have no relevant insurance coverage. In addition, in line with general industry practice in the PRC, we do not maintain insurance in respect of litigation risks, business termination risks, product liability or important personnel of our Group. Please refer to the section headed "Business – Insurance" in this listing document for further information. In addition, there are certain losses for which insurance is not available on commercially reasonable terms, such as losses suffered due to earthquake, war, civil unrest and certain other events of force majeure. We do not carry insurance to cover such losses as consistent with general business and industry practices. If we incur substantial losses or liabilities and our insurance coverage is unavailable or inadequate to cover such losses or liabilities, our business, results of operations and financial condition may be materially and adversely affected.

**We were not in full compliance with the applicable PRC laws and regulations during the Track Record Period.**

We were not in full compliance with the applicable PRC laws and regulations during the Track Record Period. Please refer to the section headed "Business – Legal Proceedings, Compliance and Internal Control – Past Non-compliance Incidents" in this listing document for more details. Any future judgement or penalty against us in respect of these non-compliance incidents could have an adverse effect on our business, financial condition, cash flow and results of operations.

**Future investments or acquisitions may have a material adverse effect on our ability to manage our business and harm our results of operations and financial condition.**

We may make strategic investments and acquisitions that complement our operations. However, our ability to make successful strategic investments and acquisitions will depend to a large extent on our ability to identify suitable acquisition targets that meet our investment and acquisition criteria, to obtain financing on favourable terms and, where relevant, to obtain the required regulatory approvals. In the event that we are unable to make, or are restricted from making, such strategic investments or acquisitions due to regulatory, financial or other constraints, we may not be able to effectively implement our investment or expansion strategies.

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Acquisitions typically involve a number of risks, including, but not limited to:

- difficulty of integrating the operations and personnel of the acquired business;
- potential disruption to our ongoing business and the distraction of our management;
- difficulty of maintaining uniform standards, controls, procedures and policies;
- impairment of relationships with employees and customers as a result of integration of new management and personnel;
- unrevealed potential liabilities and historical non-compliance incidents associated with acquired businesses;
- higher than planned requirements to preserve and grow the value of acquired businesses or assets; and
- adverse effects on our results of operations due to the amortisation of and potential impairment provision for goodwill or other intangible assets associated with acquisitions, and losses sustained by acquired businesses after the date of acquisitions.

We may not be able to make acquisitions or investments on favourable terms or within a desired time frame. Even if we were able to make acquisitions or investments successfully as desired, we cannot assure you that we will achieve an intended level of return on such acquisitions or investments. In addition, we may require additional equity financing in order to make such acquisitions and investments. If obtained, any such additional equity financing may result in dilution to the holdings of existing Shareholders. Any of these factors could have a material adverse effect on our business, results of operations, financial condition and prospects.

**We may not be able to use certain properties leased by us as offices because of defects affecting our leasehold interests.**

We occupy some properties in the PRC as our offices of which property ownership certificates have not been provided by the relevant lessors to us. As advised by our PRC Legal Adviser, in the event that any party claims its right upon such properties or actions raised by relevant governmental authorities against the lessors for improper use of such properties, we may not be able to continue such leases and as such we may need to relocate and seek for an alternative location for our offices. As of the Latest Practicable Date, we leased six premises of an aggregate GFA of approximately 720 sq.m. of which property ownership certificates have not been provided by the relevant lessors to us. We cannot assure you that we can find a suitable replacement in a timely manner, or at all. Any relocation of our operations on such properties, or failure to find a suitable replacement, may incur costs or cause a temporary disruption to our operations.

**We may be subject to fines due to the lack of registration of our leases.**

According to the Administration Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), lease agreements have to be registered with the relevant authorities within 30 days of signing. Our PRC Legal Adviser advised us that under relevant PRC laws and regulations, the relevant government authority may require the parties to a lease to register it within a given period, and a fine ranging between RMB1,000 to RMB10,000 for each unregistered lease may be imposed on the parties to the lease for failing to rectify it within the given period. As of the Latest Practicable Date, we leased 31 properties in the PRC from different lessors as our offices and leased three properties to different lessees which had yet to be registered with the relevant government authorities. As advised by our PRC Legal Adviser, based on relevant PRC laws and regulation, the maximum penalty that may be imposed on us is RMB140,000. Please refer to the section headed “Business – Legal Proceedings, Compliance and Internal Control – Past Non-compliance Incidents” in this listing document for further details on the potential legal consequences of the lack of registration of leases.



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**The validity regarding the transfer of the right to use civil air defense projects is uncertain and in the event that the PRC government declares a state of war, we may be required to refund the consideration of such transfer to our customers and subject to adverse legal consequences.**

During the Track Record Period, we had entered into contracts to transfer the right to use civil air defense projects in one of our property development projects to our customers as car parks (the “**Designated Car Parks**”). We are advised by our PRC Legal Adviser that under the Civil Air Defense Law (《中華人民共和國人民防空法》) and the Administrative Measures for Developing and Using the Civil Air Defense Property at Ordinary Times (人民防空工程平時開發利用管理辦法), after obtaining the approval from the civil air defense supervising authority, the developer can manage and use the civil air defense projects at ordinary times and make profit therefrom. Though relevant governmental authorities permit us to use, manage and derive profit from such civil air defense area, under the Civil Air Defense Law, while an investor, after obtaining the relevant approval from the authorities, in civil air defense projects can use (including lease) and manage civil air defense projects in such times of peace and profit therefrom, such use shall not impair their functions as civil air defense projects. The design, construction and quality of the civil air defense projects must also conform to the protection and quality standards established by the PRC government. If our customers fail to maintain the Designated Car Parks in accordance with the applicable laws and regulations, due to the uncertainty regarding the transfer of the right to use the Designated Car Parks, should it be adjudicated that the right to use the Designated Car Parks remains with us notwithstanding such contracts of transfer, we may be required to take rectification action within a stipulated time period, subject to a fine ranging from RMB10,000 to RMB50,000 and liable to pay damages arising therefrom.

In the event that the PRC government declares a state of war, the PRC government may take over civil air defense projects as civil air defense shelters. If our customers fail to deliver the Designated Car Parks when required by the PRC government in such times of war, due to the uncertainty regarding the transfer of the right to use the Designated Car Parks, should it be adjudicated that the right to use the Designated Car Parks remains with us notwithstanding such contracts of transfer, we may be subject to sanctions imposed by the PRC government. As advised by our PRC Legal Adviser, such state of war sanctions are not certain under PRC laws and regulations. However, pursuant to the Civil Air Defense Law (《中華人民共和國人民防空法》), we may be required to take rectification action within a stipulated time period, subject to a fine ranging from RMB10,000 to RMB50,000 and liable to pay damages arising therefrom. In addition, as advised by PRC Legal Adviser, in the event that the PRC government declares a state of war and take over the civil air defense project which we have transferred such right to use to our customers, the relevant customers may request us to refund the consideration of such transfer, and we may be returned with the relevant civil air defense projects by the PRC government after the war. During Track Record Period, we had transferred civil air defense area as car parking spaces for a consideration of approximately RMB46.7 million, all of which are from Weiye Xiangdi Bay and such relevant transferees agreed in the contracts for such transfers to cooperate with the government and not to claim us for any liabilities during the state of war where the government take over the car parks. If any of the above happens, our business, results of operations and financial condition may be materially and adversely affected.

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## RISK FACTORS

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### RISKS RELATING TO THE PROPERTY DEVELOPMENT INDUSTRY IN THE PRC

**The PRC property market is heavily regulated and subject to frequent introduction of new regulations which may adversely affect property developers.**

The PRC government exerts considerable direct and indirect influence on the growth and development of the PRC property market through industry policies and other economic measures such as setting interest rates, increasing bank reserve ratios and implementing lending restrictions, increasing tax and duties on property transfers and imposing foreign investment and currency exchange restrictions. Since 2004, the PRC government introduced a series of regulations and policies designed to generally control the growth of the property market, including, among others:

- strictly enforcing the idle land related laws and regulations;
- restricting the grant or extension of revolving credit facilities to property developers that hold large amounts of idle land and vacant commodity properties;
- prohibiting commercial banks from lending funds to property developers with an internal capital ratio of less than certain prescribed percentage; and
- restricting PRC commercial banks from granting loans to property developers for the purpose of paying land grant premiums.

In particular, the PRC government also introduced the following policies, among others, to specifically control the growth of the residential property market of the first-tier cities in the PRC:

- restricting (a) residents who own more than two residential properties within the same city, (b) non-residents who own more than one residential properties within the same city, or (c) non-residents who fail to provide proof of tax payment or social security contributions beyond a specified time period from purchasing additional residential properties;
- limiting the maximum amount of monthly mortgage and the maximum amount of total monthly debt service payments of an individual borrower and suspending mortgage financing for the purchase of third or above residential properties of a household;
- imposing a business tax levy on the sales proceeds for second-hand transfers subject to the length of holding period and type of properties;
- increasing minimum down payment for purchase of a second residential property of a household;
- tightening the availability of individual housing loans in the property market to individuals and their family members with more than one residential property; and
- limiting the availability of individual housing provident fund loans for the purchase of a second (or more) residential properties by laborers and their family members.

Please refer to the section headed “Regulatory Overview” in this listing document for further details.

Recently, a number of PRC cities have loosened certain measures on stabilising housing price and restriction of property ownership, however, we cannot assure you that the PRC government will not implement further tightening measures to restrain the PRC property market at the national, provincial, municipal and/or local level, in which case the declining trends in transaction volume and selling prices of properties in the PRC may continue or further intensify, and as a result, our financial condition and results of operations may be, and/or may continue to be, adversely affected.

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**Our ability to secure new projects and related investments may be restricted by policies and regulations introduced by the PRC government with respect to foreign investment in the PRC property market.**

The PRC government has introduced a number of policies and regulations aimed at regulating overseas investment in the property industry in the past few years. On 11 July 2006, the Ministry of Construction, MOFCOM, NDRC, PBOC, SAIC and SAFE issued the “Opinions on Regulating Foreign Capital Access into the Real Estate Market and Management” (《關於規範房地產市場外資准入和管理的意見》). On 23 May 2007, the MOFCOM and SAFE issued the “Notice on Further Strengthening and Regulating the Approval and Supervision of Foreign Direct Investment in the Real Estate Industry” (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》) (“**Notice 50**”). Please refer to the section headed “Regulatory Overview” for further details.

On 10 March 2015, the MOFCOM and the NDRC jointly issued a revised “Catalogue for the Guidance of Industries for Foreign Investment (2015 Revision)” (《外商投資產業指導目錄 (2015年修訂)》) that provided, among other things, the construction and operation of villas fall under the category of industries in which foreign investment is prohibited. None of our projects under development are villas. If we also develop such properties in the future, our development will be restricted by the such prohibition policy.

Pursuant to the requirements in the above-mentioned circulars we must apply to the relevant examination and approval authorities if we plan to expand the scope of our business or the scale of our operations, engage in new project developments or operations or increase the registered capital of our PRC foreign-invested subsidiaries in the future. If the PRC government promulgates further policies or regulations to further regulate or restrict foreign investment in the PRC property sector, and if these policies or regulations have a direct application to our business, our ability to secure new projects may suffer and our business, financial condition, results of operations and prospects could be materially and adversely affected.

**The PRC property market industry is competitive and intensified competition may materially and adversely affect our business, results of operations and financial condition.**

The property market in the cities in which we have operations or plan to expand our operations has been competitive. Our existing and potential competitors include both major national and regional property developers with expansive operations in the cities or markets in which we operate as well as local property developers. We compete with them with respect to a number of factors, including land acquisition, geographic location, management expertise, financial resources, access to transportation infrastructure, size of land reserves and land bank, product quality, brand recognition by customers, customer services and support, pricing and design quality. We may seek to further enhance our market presence in these cities amid intense competition.

In recent years, a large number of property developers have begun to undertake property development and investment projects in the PRC. These include major domestic and overseas property developers, as well as state-owned and private property developers. Many of our competitors, including top-tier domestic developers, may have greater financial and other capital resources, experience, marketing and other capabilities and/or name recognition than us. Our existing and potential competitors vary among the different cities in which we operate. Certain local competitors may have extensive local knowledge and business relationships and/or a longer operating track record in the relevant local markets than we do. Competition among property developers may cause an increase in land costs and raw material costs, shortages in quality construction contractors, surplus in property supply leading to property price decline, delays in issuance of governmental approvals, and higher costs to attract or retain talented employees, all of which may materially and adversely affect our business. We cannot assure you that we will be able to compete successfully in the future against our existing or potential

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competitors or that increased competition with respect to our activities may not have a material adverse effect on our financial condition and results of operations.

If as a result of any one or more of these or similar factors as described above, demand for residential property or market prices decline significantly, our business, financial condition and results of operations may be materially and adversely affected.

### **RISKS RELATING TO THE PRC**

#### **PRC economic, political, social conditions as well as government policies could adversely affect our business, prospects, financial condition and financial results.**

We conduct our business operations in the PRC. The PRC economy differs from the economies of most developed countries in many aspects, including:

- political structure;
- level of the PRC government involvement and control;
- growth rate and level of development;
- level and control of capital investment and reinvestment;
- control of foreign exchange; and
- allocation of resources.

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

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

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

Majority of our revenues and expenditures are denominated in Renminbi, while dividends, if any, we pay on our Shares will be in Hong Kong dollars and Singaporean dollars. A depreciation in the Renminbi, on the other hand, would adversely affect the value of any dividends, if any, we pay to our Shareholders in foreign currencies, or require us to use more Renminbi funds to service the same amount of any foreign debt.

Fluctuations in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. The Renminbi has been unpegged from the U.S. dollar since July 2005 and, although the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rate, the Renminbi may appreciate or depreciate significantly in value against the U.S. dollar in the future.

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There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. The cost of such hedging instruments may fluctuate significantly over time and can outweigh the potential benefit from the reduced currency volatility. As of the Latest Practicable Date, we had not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risks. In any event, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all.

**The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics.**

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some cities in China may be under the threat of flood, earthquake, rainstorm or drought. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS, H5N1 avian flu, H1N1 influenza or an outbreak of any other epidemics in China, including the spread of MERS and H7N9 avian influenza virus, especially in the cities in which we operate, may result in material disruptions to our property development projects and our sales and marketing efforts, which in turn may adversely affect our results of operations and financial position.

**The PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.**

Currently, the Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange businesses. However, approval from appropriate government authorities is required when Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as repayment of indebtedness denominated in foreign currency. The restrictions on foreign exchange transactions under capital accounts could also affect our subsidiaries' ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from us. Furthermore, the PRC government may in the future and at its discretion restrict access to foreign currencies for current account transactions. Under existing foreign exchange regulations, following the Listing, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue to be come into effect in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to Shareholders or to satisfy any other foreign exchange requirements. If we fail to obtain approval from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our business, operating results and financial position, may be materially and adversely affected.

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## RISK FACTORS

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

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

**Our Company is a holding company that relies on payment from our subsidiaries for funding, and any limitation on the ability of our PRC subsidiaries to pay dividends to us may have a material adverse effect on our ability to conduct our business.**

We are a holding company incorporated in the Singapore and operate our core business primarily through our subsidiaries in the PRC. We rely on dividends paid by our subsidiaries for cash requirements, including the funds necessary to service any debt we incur and to pay any dividend we declare. If any of our subsidiaries incurs debt in its own name in the future, the instruments governing the debt may restrict dividends or other distributions on its equity interest to us. In addition, our PRC subsidiaries are required to set aside a certain percentage of their after-tax profit based on PRC accounting standards each year for their reserve fund in accordance with the requirements of relevant laws and provisions in their respective articles of association. As a result, our PRC subsidiaries may be restricted in their ability to transfer any portion of their net income to us whether in the form of dividends, loans or advances. In addition, restrictive covenants in bank facilities, trust financing arrangement or other agreements that we or our subsidiaries may enter into in the future, if any, may also restrict the ability of our PRC subsidiaries to make distributions to us. Any limitation on the ability of our PRC subsidiaries to pay dividends to us may materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends, service our indebtedness or otherwise fund and conduct our business.

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## RISK FACTORS

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**Failure to comply with the SAFE regulations relating to special purpose vehicles by our beneficial owners may materially and adversely affect our business operations, limit our ability to inject capital into our PRC subsidiaries, limit the ability of our PRC subsidiaries to distribute profit to us or subject us to fines.**

Circular 75 became effective on 1 November 2005 and was replaced by Circular 37 (defined below) on 4 July 2014. For the purpose of simplifying the approval process, and for the promotion of the cross-border investment, SAFE promulgated the Circular 37 to revise and regulate matters relating to and involving foreign exchange registration for round-trip investments. Pursuant to Circular 37, (a) a PRC resident (“**PRC Resident**”) must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (“**Overseas SPV**”), that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing; and (b) following the initial registration, the PRC Resident is also required to register any major changes with the respect of the Overseas SPV with the local SAFE branch, including, among other things, a change in the Overseas SPV’s PRC Resident shareholder, name of the Overseas SPV, term of operation, or any increase or reduction of the Overseas SPV’s registered capital, share transfer or swap, and any merger or division. Pursuant to Circular 37 and other relevant regulations of foreign exchange, failure to comply with these registration procedures may result in penalties, including the imposition of restrictions on the ability of the Overseas SPV’s PRC subsidiary to distribute dividends to its overseas parent.

Our indirect shareholders who are PRC residents are required to comply with foreign exchange registration requirements in all material respects in connection with any material change of financing activities of the special purpose vehicles. We cannot assure you that all of our Shareholders who are PRC residents will file all applicable registrations or update previously filed registrations as required by these SAFE regulations. The failure or inability of our PRC resident Shareholders to comply with the registration procedures set forth therein may subject such PRC resident Shareholders to fines and legal sanctions, restrict our cross-border investment activities, or limit our PRC subsidiaries’ ability to distribute dividends to us or restrict us in injecting additional capital or extending loans to our PRC subsidiaries.

**We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to China, the PRC economy and the PRC property industry contained in this listing document.**

Certain facts, forecasts and other statistics in this listing document relating to China, the PRC economy and the PRC property industry have been derived from various government, official or public publications. However, we cannot guarantee the quality or reliability of such materials. They have not been prepared or independently verified by us, the Sole Sponsor or any of our or their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside China. We have, however, taken reasonable care in the reproduction and/or extraction of the official government publications for the purpose of disclosure in this listing document.

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, these facts, forecasts and statistics in this listing document may be inaccurate or may not be comparable to facts, forecasts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. Therefore, you should not unduly rely upon the facts, forecasts and statistics with respect to China, the PRC economy and the PRC property industry contained in this listing document.

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## RISK FACTORS

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### **RISKS RELATING TO OWNERSHIP OF OUR SHARES**

#### **The market price of our Shares could be volatile.**

The trading price of our Shares on the SGX-ST might not be indicative of the expected market price for our Shares on the Stock Exchange following the Introduction. Further, the trading price of our Shares on the SGX-ST has been, and might continue to be subject to substantial fluctuations. The trading price of our Shares could increase or decrease in response to a number of events and factors, including without limitation:

- valuations of properties held by us;
- changes in estimates and recommendations by securities analysts;
- developments affecting us or our competitors; and
- changes in general economic conditions.

The volatility can adversely affect the trading price of our Shares regardless of our operating performance. Further, for these reasons amongst others, our Shares might trade at prices that are higher or lower than the attributable net asset value of our Shares. In addition, we cannot guarantee that investors can regain the amount invested. It is possible that investors could lose all or a part of their investment in our Shares.

#### **Future sales of our Shares by us or our existing Shareholders could affect our Share price.**

Any future sale or offering of our Shares in the public market could exert a downward pressure on our Share price. We cannot assure you that our existing Shareholders will not dispose of the Shares held by them or that we will not issue Shares in the future. We cannot predict the effect, if any, that any future sales of Shares by our existing Shareholders, or the availability of Shares for sale by our existing Shareholders, or the issuance of Shares by our Company could have on the market price of our Shares. The sale of a significant amount of our Shares in the public market or the perception that such sale might occur, could adversely affect the market price of our Shares. These factors could also affect our ability to issue additional equity securities in the future.

#### **We cannot guarantee that we will pay dividends.**

Any declaration of dividends will be proposed by our Directors after taking into account our operations, earnings, financial condition, cash requirement and availability and the amount of any dividends will depend on various factors, including, without limitation, and other factors that our Directors deem relevant at such time. While we currently do not have any dividend plans in the foreseeable future, we may re-evaluate our dividend policy in the future and the amount of dividends to be distributed to our Shareholders, if any, in the future will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders. No withholding tax is imposed on dividend payments made, whether to resident or non-resident Shareholders. For further details of our dividend policy, please refer to the section headed "Financial Information – Dividends" in this listing document. We cannot guarantee if and when we will pay dividends in the future.

#### **The liquidity of our Shares on the Stock Exchange could be limited and the effectiveness of the bridging arrangements is subject to limitations.**

Our Shares have not been traded on the Stock Exchange before the Introduction and there could be limited liquidity in our Shares on the Stock Exchange. Although Shareholders will be able to transfer the registration of our Shares from Singapore to Hong Kong, and vice versa, there is no certainty as to the number of Shares that Shareholders may elect to transfer to Hong Kong. This could adversely affect investors' ability to purchase or liquidate Shares on the Stock Exchange. Accordingly, there is no



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guarantee that the price at which Shares are traded on the Main Board of the Stock Exchange will be substantially the same as or similar to the price at which Shares are traded on the main board of the SGX-ST or that any particular volume of Shares will trade on the Main Board of the Stock Exchange.

Throughout the Bridging Period (being the period of 30 calendar days from and including the Listing Date), the Bridging Dealer and the Alternate Bridging Dealer intend to carry out arbitrage activities between the Singapore and Hong Kong markets (as set out in the section headed “Listings, Registration, Dealings and Settlement – Bridging Arrangements” in this listing document). Such arbitrage activities are intended to contribute to the liquidity of our Shares on the Hong Kong market by facilitating the migration of Shares to the Hong Kong Branch Share Register to develop an open market in our Shares in Hong Kong following the Introduction. One should be aware that the bridging arrangements are subject to the Bridging Dealer’s and the Alternate Bridging Dealer’s ability to sell our Shares or obtain sufficient number of Shares for settlement on the Hong Kong market, as well as the existence of adequate price differentials between the Hong Kong and Singapore markets.

We cannot guarantee you that the bridging arrangements will attain and/or maintain liquidity in our Shares at any particular level on the Stock Exchange, nor is there assurance that an open market will in fact develop. The bridging arrangements will be terminated and ceased to continue beyond the Bridging Period (being the period of 30 calendar days from and including the Listing Date).

We also cannot guarantee you that the price at which our Shares are traded on the Stock Exchange will be substantially the same as or similar to the price at which our Shares are traded on the SGX-ST or that any particular volume of our Shares will trade on the Stock Exchange. The bridging arrangements being implemented in connection with the Introduction are not equivalent to the price stabilisation activities that could be undertaken in connection with an initial public offering. In addition, the Bridging Dealer or the Alternate Bridging Dealer is not acting as a market maker and does not undertake to create or make a market in our Shares on the Stock Exchange.

### **Our Controlling Shareholders have substantial control over our Company and their interests may not be aligned with the interests of our other Shareholders.**

Our Controlling Shareholders will, upon Listing, save and except any Shares (i) to be lent by Mr. Zhang Wei pursuant to the Stock Borrowing and Lending Agreements or (ii) to be sold by Mr. Zhang Wei pursuant to the Sale and Repurchase Agreement, beneficially own approximately 66.93% of our Share capital. As such, our Controlling Shareholders will have substantial control over our business. By virtue of their ownership of our share capital as well as their positions on our Board, they will be able to exert significant influence over our business and other matters of significance to us and other Shareholders by voting at general meetings of our Shareholders or our Board meetings, including:

- election of our Directors;
- selection of senior management members;
- amount and timing of dividend payments and other distributions;
- acquisition of or merger with another entity;
- overall strategic and investment decisions;
- issuance of securities and adjustment to our capital structure; and
- amendments to our Articles of Association.

The interests of our Controlling Shareholders may differ from the interests of other Shareholders, and they are free to exercise their votes according to their own interests. In particular, our Controlling Shareholders are able to:

- subject to applicable laws and regulations, cause our Board to act in a manner that may not be in the best interests of our other Shareholders;

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## RISK FACTORS

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- subject to the provisions of our Articles of Association, cause us to adopt amendments to our Articles of Association, including amendments that are not in the best interests of our other Shareholders; or
- otherwise determine the outcome of most corporate actions, including the enforcement of indemnities against our Controlling Shareholders and, subject to the applicable requirements of the Stock Exchange, cause us to effect corporate transactions without the approval of our other Shareholders.

In the event that the interests of our Controlling Shareholders conflict with those of other Shareholders, our other Shareholders may be disadvantaged as a result.

### **RISKS RELATING TO OUR DUAL PRIMARY LISTING**

#### **Our future financial performance will be negatively affected by the listing expenses incurred in connection with the Introduction.**

Our financial results for the year ending 31 December 2016 will be affected by non-recurring expenses in relation to the Listing. The estimated expenses in relation to the Listing are approximately RMB26.0 million. For the years ended 31 December 2013, 2014 and 2015, listing expenses of nil, nil and RMB15.6 million was charged to our consolidated statement of profit or loss and other comprehensive income, respectively. The remaining listing expenses of approximately RMB10.4 million is expected to be charged to our Group's profit or loss and other comprehensive income for the year ending 31 December 2016. Whether or not the Listing eventually occurs, the listing expenses will have been incurred and recognised as expenses, which will reduce our net profit and therefore negatively affect our future financial performance. In addition, if the Listing were to be postponed due to market conditions, we would also need to incur additional listing expenses for our future listing plan, which would further negatively affect our future net profit. As a result, our business, financial performance, results of operations and prospect would be materially and adversely affected.

#### **There are different characteristics between the Singapore stock market and the Hong Kong stock market.**

Our Shares have been listed and traded on the main board of the SGX-ST since 13 December 2004. Following the Listing, it is our current intention that our Shares will continue to be traded on the main board of the SGX-ST. Our Shares traded on the Stock Exchange will be registered by the Hong Kong Branch Share Registrar. As there is no direct trading or settlement between the stock markets of Singapore and Hong Kong, the time required to transfer shares between the Singapore Principal Share Register and the Hong Kong Branch Share Register could vary and there is no certainty when transferred Shares will be available for trading or settlement.

The main board of the SGX-ST and the Main Board of the Stock Exchange have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules and investor bases (including different levels of retail and institutional participation). As a result, the trading price of our Shares on the main board of the SGX-ST and the Main Board of the Stock Exchange might not be the same.

Further, fluctuations in the price of our Shares on the main board of the SGX-ST could adversely affect the price of our Shares on the Main Board of the Stock Exchange, and vice versa. Moreover, fluctuations in the exchange rate between Singapore dollars and Hong Kong dollars can also adversely affect the trading prices of our Shares on the main board of the SGX-ST and the Main Board of the Stock Exchange. Due to the different characteristics of the stock markets of Singapore and Hong Kong, the historical prices of our Shares on the main board of the SGX-ST might not be indicative of the performance of our Shares on the Main Board of the Stock Exchange after the Listing. You should therefore not place undue reliance on the prior trading history of our Shares on the main board of the SGX-ST when evaluating an investment in our Shares through the Main Board of the Stock Exchange.

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**We will be concurrently subject to Hong Kong and Singapore listing and regulatory requirements.**

As we are listed on the main board of the SGX-ST and will be listed on the Main Board of the Stock Exchange, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless otherwise agreed by the relevant regulators. Accordingly, we may incur additional costs and resources in complying with the requirements of both jurisdictions.

**The time lag of the transfer of Shares between the Hong Kong and Singapore markets could be longer than expected, and our Shareholders might not be able to settle or effect any Share sale during this period.**

There is no direct trading or settlement between the stock exchanges of Singapore and Hong Kong. To enable the transfer of Shares between the two stock exchanges, our Shareholders are required to comply with specific procedures and bear the necessary costs. Under normal circumstances and assuming that there are no deviations from the usual share transfer procedures, our Shareholders can expect a normal transfer from the Singapore Principal Share Register to the Hong Kong Branch Share Register to complete within 15 Business Days and from the Hong Kong Branch Share Register to the Singapore Principal Share Register within 15 Business Days depending on whether our Shares are registered under CCASS, CDP or in the name of our Shareholders. However, we cannot assure you that the transfer of Shares will be completed in accordance with this timeline. There could be unforeseen market circumstances or other factors that could delay the transfer, thereby preventing our Shareholders from settling or effecting the sale of their Shares.

**You could experience difficulties in enforcing your shareholder rights because we are incorporated in Singapore, and the laws of Singapore for minority shareholders' protection could be different from those under the laws of Hong Kong and other jurisdictions.**

We are a company incorporated in Singapore with limited liability, and the laws of Singapore differ in some respects from those of Hong Kong or other jurisdictions where investors might be located. Our corporate affairs are governed by our Articles, the Companies Act and the law of Singapore. The laws of Singapore relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedents in existence in other jurisdictions. This could mean that the remedies available to our Company's minority Shareholders could be different from those they would have under the laws of other jurisdictions.

**We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Introduction.**

Before the publication of this listing document, there may be press and media coverage which contains certain information regarding the Introduction and us that is not set out in this listing document. We have not authorised the disclosure of such information in any press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no presentation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this listing document is inconsistent or conflicts with the information contained in this listing document, we disclaim it. Accordingly, prospective investors should not rely on any such information.

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the dual primary listing of our Company on the Stock Exchange, we have sought certain waivers from strict compliance with certain provisions of the Listing Rules. Set out below is a summary of the waivers sought and granted by the Stock Exchange:

| Relevant Listing Rules provision | Subject matter  | Pages in this listing document |
|----------------------------------|---|--------------------------------|
| Rule 8.12                        | Sufficient management presence in Hong Kong   | 56                             |
| Rule 9.09                        | Dealings in securities by core connected persons during a listing application process   | 57                             |
| Rules 10.08 and 10.07(1)(a)      | Issue of further securities and restriction on disposal of shares by a controlling shareholder after a new listing upon issue of further securities | 58                             |
| 10.07(1)(a)                      | Restriction on disposal of shares by a controlling shareholder after a new listing in respect of the bridging arrangements                          | 59                             |
| Chapter 14A                      | Continuing connected transactions   | 271                            |

Details of the waivers are set out below and in the section headed “Connected Transactions” in this listing document.

### 1. SUFFICIENT MANAGEMENT PRESENCE IN HONG KONG (RULE 8.12)

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. As the principal business and operations of our Group are located, conducted and managed in the PRC through our PRC established subsidiaries, and that our major suppliers and major customers are also located in the PRC, our executive Directors and senior management are and will continue to be based in the PRC.

As at the Latest Practicable Date, none of our executive Directors or senior management is a Hong Kong resident or based in Hong Kong. If two executive Directors who are ordinarily resident in Hong Kong need to be appointed for the purpose of complying with the requirements of Rule 8.12 of the Listing Rules, such personnel may not be able to fully understand or familiarise themselves with the business and operations of our Group immediately. This may have an adverse impact on their ability to exercise their discretion on a fully informed basis, or make appropriate decisions beneficial to the business operations and development of our Group. Further, as our Company is also listed on SGX-ST, there are other compliance issues with SGX-ST that our Company needs to satisfy. Hence, our Directors consider it may not be practicable or in the best interest of our Company nor the Shareholders as a whole to appoint two executive Directors who are ordinarily resident in Hong Kong for the purpose of satisfying the requirements of Rule 8.12 of the Listing Rules.

Our Company has applied for and the Stock Exchange has granted a waiver from the strict compliance with the requirements of Rule 8.12 of the Listing Rules on the following conditions:

- (a) our Company has appointed and will continue to maintain two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as the principal channel of communication between our Company and the Stock Exchange. Our Company will ensure that the authorised representatives will comply with the Listing Rules at all times. We have appointed Mr. Man Yun Wah, one of the joint company secretaries of our Company, who is ordinarily resident in Hong Kong, and Mr. Zhang Wei, our executive Director and chairman of the Board as our two authorised representatives;

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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- (b) each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by telephone, facsimile or email. Each of the two authorised representatives has been duly authorised to communicate on behalf of our Company with the Stock Exchange;
- (c) each of the authorised representatives has means to contact all members of the Board (including the independent non-executive Directors) and the senior management team of our Group promptly at all times as and when the Stock Exchange wishes to contact any of them for any matter;
- (d) our Company will implement a policy that (i) every Director will provide his or her mobile phone number, residential phone number, office phone number, fax number, email address to the authorised representatives, (ii) every Director will provide his or her phone number, place and phone number of the place of accommodation and other means of communication to the authorised representatives if such Director is expecting to travel or be out of office, and (iii) every Director (including independent non-executive Directors) will provide his or her mobile phone number, residential phone number, office phone number, fax number, email address to the Stock Exchange;
- (e) each Director who is not ordinarily resident in Hong Kong has confirmed that he possesses valid travel documents which allow him to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable time upon request;
- (f) our Company has pursuant to Rule 3A.19 of the Listing Rules retained CLC International Limited as our compliance adviser who shall act as our additional communication channel with the Stock Exchange upon Listing; and
- (g) any meeting between our Company and the Stock Exchange can be arranged through the authorised representatives or the compliance adviser, or directly with our Directors. We will inform the Stock Exchange of any change in authorised representative or compliance adviser in accordance with the Listing Rules.

### 2. DEALING IN SECURITIES BY CORE CONNECTED PERSONS DURING A LISTING APPLICATION PROCESS (RULE 9.09)

Rule 9.09 of the Listing Rules provides that there must be no dealing in the securities for which listing is sought by any core connected person of the issuer from four clear business days before the expected hearing date until listing is granted (the “**Relevant Period**”). Our Company, being a company whose Shares are widely held, publicly traded and listed on SGX-ST, is not in a position to control the investment decisions of our Shareholders (other than the Controlling Shareholders) or the investing public in Singapore. To the best knowledge of our Directors after making reasonable enquiry, other than the Controlling Shareholders, there is no other Shareholder who held more than 10% of the total issued share capital of our Company as at the Latest Practicable Date.

Our Company has applied for and the Stock Exchange has granted a waiver from the strict compliance with the requirements of Rule 9.09 of the Listing Rules subject to the following:

- (a) the core connected person(s), other than those who are Directors of our Company:
  - (i) shall have no influence over the listing process; and
  - (ii) are not in possession of any non-public inside information;
- (b) we shall promptly release any inside information to the public in accordance with the relevant laws and regulations in Singapore and Hong Kong;
- (c) we shall procure that none of the Controlling Shareholders and the Directors and any of their respective associates deals in the Shares during the Relevant Period;

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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- (d) we will notify the Stock Exchange if there is any dealing or suspected dealing in the Shares by any of our core connected persons during the Relevant Period; and
- (e) for any person (other than the Controlling Shareholders) who, as a result of dealing in the securities of our Company during the Relevant Period, becomes a substantial shareholder of our Company (the “**Potential New Substantial Shareholder**”), we confirm that:
  - (i) such Potential New Substantial Shareholder is currently not a Director or a member of the senior management of our Company or any of its subsidiaries and would not become a Director or a member of the senior management of our Group after Listing; and
  - (ii) our Company and its management have not had control over the investment decisions of such Potential New Substantial Shareholder or its associates.

As at the Latest Practicable Date, we are not aware of any core connected person which may not be able to comply with Rule 9.09 of the Listing Rules.

### **3. ISSUE OF FURTHER SECURITIES (RULE 10.08) AND RESTRICTION ON DISPOSAL OF SHARES BY A CONTROLLING SHAREHOLDER AFTER A NEW LISTING (RULE 10.07(1)(a)) UPON ISSUE OF FURTHER SECURITIES**

Rule 10.08 of the Listing Rules provides that no further shares or securities convertible into equity securities of a listed issuer may be issued or form the subject of any agreement to such an issue within six months from the date on which securities of the listed issuer first commence dealing on the Stock Exchange (whether or not such issue of shares or securities will be completed within six months from the commencement of dealing) except for the circumstances more particularly stated in the Listing Rules.

Rule 10.07(1)(a) of the Listing Rules provides that the controlling shareholders of the issuer shall not in the period commencing on the date by reference to which disclosure of the shareholding of the controlling shareholders is made in the listing document and ending on the date which is six months from the date on which dealings in the securities of a new applicant commence on the Stock Exchange, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of the issuer in respect of which he is or they are shown by that listing document to be the beneficial owner(s).

Our Directors confirm, after making reasonable enquiry, none of the Controlling Shareholders has directly or indirectly disposed of any Shares since the completion of the Reverse Takeover in 2011.

Our Company has applied for and the Stock Exchange has granted, a waiver from strict compliance with Rules 10.08 and 10.07(1)(a) of the Listing Rules on the following grounds:

*As regards Rule 10.08 of the Listing Rules:*

- (a) our Company has been listed on SGX-ST for more than six months;
- (b) the Controlling Shareholders will maintain its controlling shareholding for twelve months after the Listing;
- (c) although our Company currently does not have any plan to raise funds in Singapore before the Listing and in the short-term after Listing whether in Singapore or Hong Kong, it is essential for our Company to have flexibility to raise funds by way of further issue of Shares or enter into acquisitions by issuing Shares as consideration should any appropriate opportunity arise. Any issue of new Shares by our Company may enhance our Shareholders base and increase the trading liquidity of the Shares, and the interests of the existing Shareholders would be prejudiced if our Company cannot raise funds for expansion due to the restrictions under Rule 10.08 of the Listing Rules;

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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- (d) the listing of our Shares on the Stock Exchange by way of Introduction will not result in any dilution of the interests of the existing Shareholders;
- (e) the interests of Shareholders are well protected since any further issue of Shares by our Company will be made under general mandate or subject to Shareholders' approval as required under Rule 13.36 of the Listing Rules; and

*As regards Rule 10.07(1)(a) of the Listing Rules:*

- (f) it is a consequential technical waiver of Rule 10.07(1)(a) of the Listing Rules in respect of the deemed disposal of Shares by the Controlling Shareholders upon any issue of securities by our Company within the first six months from the Listing Date if waiver for strict compliance with Rule 10.08 of the Listing Rules is granted.

For the purpose of the Stock Exchange granting the waiver from strict compliance with Rules 10.07(1)(a) and 10.08 of the Listing Rules, our Company has undertaken to observe the following conditions:

- (a) any issue of new Shares will not result in the Controlling Shareholders ceasing to be Controlling Shareholders of our Company as a result of the dilution of their holdings of Shares (i.e. deemed disposal of Shares) upon the issue of any Shares within twelve months of the Listing;
- (b) any issue of Shares or convertible securities by the Company within the first six months from the Listing Date must be either (a) for cash to fund a specific acquisition of assets or business that will contribute to the growth of the Group's operation; or (b) for full or partial settlement of the consideration for such acquisition; and
- (c) we will disclose in the listing document details of any general mandate approved by our Shareholders for the issue of further Shares.

#### **4. RESTRICTION ON DISPOSAL OF SHARES BY A CONTROLLING SHAREHOLDER AFTER A NEW LISTING (RULE 10.07(1)(a)) IN RESPECT OF THE BRIDGING ARRANGEMENTS**

##### **Requirements of Rule 10.07(1)(a)**

Rule 10.07(1)(a) of the Listing Rules provides that the controlling shareholders of the issuer shall not in the period commencing on the date by reference to which disclosure of the shareholding of the controlling shareholders is made in this listing document and ending on the date which is six months from the date on which dealings in the securities of a new applicant commence on the Stock Exchange, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of the issuer in respect of which he is or they are shown by that listing document to be the beneficial owner(s).

##### **Background**

It is expected that, upon the Listing and during the Bridging Period, the Bridging Dealer (and/or its affiliates authorised to carry out arbitrage activities), on its own account, will seek to undertake, or request KGI Securities (Hong Kong) Limited, the Alternate Bridging Dealer, to undertake arbitrage activities in the circumstances described in the section headed "Listings, Registration, Dealings and Settlement" of this listing document, including but not limited to:

- (a) conducting arbitrage trades in line with market practice in the context of dual listed stocks during the Bridging Period when: (1) there is a concurrent availability of the securities on both the SGX-ST and Stock Exchange; and (2) there is a meaningful Share price differential between the Hong Kong and Singapore markets (as determined by the Bridging Dealer) to contribute towards trading liquidity; and
- (b) building a sufficient inventory of securities in Hong Kong to enable it to carry out arbitrage, bridging and/or trading activities during the Bridging Period.

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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The Alternate Bridging Dealer will only undertake arbitrage activities at the request of the Bridging Dealer.

To facilitate the bridging arrangements set out above, Stock Borrowing and Lending Agreements were entered into between Mr. Zhang Wei (the “**Lender**”) and each of the Bridging Dealer and the Alternate Bridging Dealer on 23 March 2016 which will come into effect from the first day of the Bridging Period. Pursuant to the stock borrowing arrangements under such agreements, the Lender will make available to the Bridging Dealer and the Alternate Bridging Dealer stock lending of 48,000,000 Shares representing approximately 24.5% of the Shares in issue on one or more occasions, subject to applicable laws, rules and regulations in Singapore and Hong Kong, including without limitation that the lending and the subsequent acceptance of redelivery of any Shares by the Lender, and the borrowing and the subsequent redelivery of any Shares by the Bridging Dealer and the Alternate Bridging Dealer, will not lead to any party being obliged to make a mandatory general offer under the Takeovers Code and/or the Singapore Code. In this regard, in compliance with the Singapore Code, the Stock Borrowing and Lending Agreements provide, inter alia, the right for the Lender to recall the borrowed Shares by giving advance notice of seven days.

Pursuant to the stock borrowing arrangements under such agreements, the 48,000,000 borrowed Shares will be allocated as to 43,000,000 Shares to the Bridging Dealer and 5,000,000 Shares to the Alternate Bridging Dealer. Such borrowed Shares will be used for settlement in connection with the arbitrage trades carried out by the Bridging Dealer and the Alternate Bridging Dealer in Hong Kong.

Additionally, to facilitate the role of the Bridging Dealer commencing from the pre-opening period (9:00 a.m. to 9:30 a.m.) on the first day of the Listing, it is proposed that the Bridging Dealer will make arrangement to build up a small inventory of Shares prior to the commencement of trading. A sale and repurchase agreement (the “**Sale and Repurchase Agreement**”) was entered on 23 March 2016 into between Mr. Zhang Wei (the “**Vendor**”) and the Bridging Dealer for the sale of 1,960,000 Shares by the Vendor as vendor to the Bridging Dealer, at a sale price based on the closing price of the Shares quoted on the SGX-ST on the date immediately before the date of the Sale and Repurchase Agreement. Conditional upon the Bridging Dealer acquiring the Shares under the Sale and Repurchase Agreement, the Bridging Dealer must sell, and the Vendor must repurchase, the equivalent number of Shares the Vendor sold under the Sale and Repurchase Agreement, at the same price as such Shares were sold, shortly after the expiry of the Bridging Period.

Based on the foregoing, waiver from strict compliance with Rule 10.07(1)(a) of the Listing Rules was therefore sought to allow the arbitrage activities as described in the section headed “Listings, Registration, Dealings and Settlement” of this listing document to take place during the Bridging Period.

### **Reasons for the waiver application**

The application for waiver from strict compliance with Rule 10.07(1)(a) of the Listing Rules is made for the following reasons:

- (a) The bridging arrangements mentioned above are measures designed to ensure liquidity for trading in the Shares and settlement of arbitrage trades upon the Listing. Arbitrage trades, by their nature, would typically contribute to reducing potential material divergence between Share prices on the Hong Kong and the Singapore markets. Besides, the bridging arrangements are perceived to be a mechanism which is fair to all market participants who have access to the Shares, as it is open to all Shareholders and other market participants who have such access to carry out arbitrage trades similar to those to be carried out by the Bridging Dealer and the Alternate Bridging Dealer (as appropriate). Although the bridging arrangements would result in a technical breach of Rule 10.07(1)(a) of the Listing Rules, they are made for the purpose of enhancing the listing process and ensuring the successful listing



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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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of the Shares on the Stock Exchange. In particular, the Sale and Repurchase Agreement was entered into (and will take effect before the commencement of trading of the Shares on the Stock Exchange) to facilitate the role of the Bridging Dealer to allow it to build up a small inventory shares in the pre-opening period (9:00 a.m. to 9:30 a.m.) on the first day of the Listing, thereby contributing towards trading liquidity of the Shares on the Hong Kong market during the Bridging Period by making available a quantity of Shares to facilitate arbitrage trades during the Bridging Period when buy and sale orders are executed on the Singapore and Hong Kong markets respectively.

- (b) Stock borrowing and lending arrangements are commonplace in initial public offerings in Hong Kong. Such arrangements are specifically covered under Rule 10.07(3) of the Listing Rules. Although the Stock Borrowing and Lending Agreements contemplated in the Listing do not fall within the remit of Rule 10.07(3), there is no breach of Rule 10.07 of the Listing Rules as the purpose of the Stock Borrowing and Lending Agreements contemplated are to allow the Bridging Dealer or the Alternate Bridging Dealer (as appropriate) to use the loaned Shares purely for settlement in connection with the arbitrage trades carried out by them in Hong Kong during the Bridging Period.
- (c) The bridging arrangements contemplated above represent the most cost-effective way of ensuring trading liquidity in the following ways:
  - (i) Under the Stock Borrowing and Lending Agreements, the Bridging Dealer and the Alternate Bridging Dealer (as appropriate) are not required to pay the Lender any interest or consideration; and
  - (ii) Under the Sale and Repurchase Agreement, the total consideration payable by the Bridging Dealer with respect to the Shares sold by the Vendor is netted against the total consideration payable by the Vendor with respect to the Shares repurchased by the Vendor on the basis that the underlying transactions are undertaken solely as part of the liquidity measures in connection with the Listing.

Given the size of the Controlling Shareholders' shareholding in our Company compared to other Shareholders in Singapore, and the alignment of the Controlling Shareholders' interest with that of our Company's in the successful outcome of the Listing, both the Stock Borrowing and Lending Agreements and the Sale and Repurchase Agreement represent the most conducive and cost-effective way of ensuring trading liquidity of Shares in the Hong Kong market during the Bridging Period.

- (d) Mr. Zhang Wei will maintain a neutral position under both the Stock Borrowing and Lending Agreements and the Sale and Repurchase Agreement before and after the arrangements contemplated thereunder. All Shares purchased or borrowed under both agreements will be repurchased by or returned to Mr. Zhang Wei not later than 25 Business Days after the expiry of the Bridging Period, thereby ensuring that the end-result of the shareholding of Mr. Zhang Wei in our Company remains the same before and after the arrangements contemplated under the Stock Borrowing and Lending Agreements and the Sale and Repurchase Agreement. This arrangement is not aimed at circumventing the restrictions covered under Rule 10.07 of the Listing Rules.

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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### Application for waiver

Based on the above, the Sole Sponsor has applied for and on behalf of our Company for, and the Stock Exchange has granted, a waiver from strict compliance with the restrictions under Rule 10.07(1)(a) of the Listing Rules in respect of the disposal of Shares by Mr. Zhang Wei of Shares pursuant to the Stock Borrowing Agreements and the Sale and Repurchase Agreement subject to the following conditions:

- (a) the arrangements under the Stock Borrowing and Lending Agreements and the Sale and Repurchase Agreement are fully disclosed in this listing document and are for the sole purpose of facilitating the arbitrage activities in circumstances as described in the section headed “Listings, Registration, Dealings and Settlement – Bridging Arrangements – Intended Arbitrage Activities during the Bridging Period” in this listing document;
- (b) any Shares which may be made available to the Bridging Dealer or the Alternate Bridging Dealer (as appropriate) under the Stock Borrowing and Lending Agreements shall be returned to the Lender no later than 25 Business Days after the expiry of the Bridging Period;
- (c) the maximum number of Shares to be borrowed from the Lender by the Bridging Dealer and the Alternate Bridging Dealer under the Stock Borrowing and Lending Agreements is 48,000,000 Shares in aggregate representing approximately 24.5% of the Shares in issue;
- (d) the number of Shares to be sold by the Vendor to the Bridging Dealer under the Sale and Repurchase Agreement is 1,960,000 Shares, representing approximately 1% of the Shares in issue, and such Shares will be repurchased by the Vendor not later than 25 business days after the expiry of the Bridging Period;
- (e) the Stock Borrowing and Lending Agreements and the Sale and Repurchase Agreement will comply with all applicable laws, rules and regulations;
- (f) no payment will be made to the Lender by the Bridging Dealer or the Alternate Bridging Dealer (as appropriate) in relation to the stock borrowing arrangements under the Stock Borrowing and Lending Agreements; and
- (g) each of the Controlling Shareholders will not dispose of his Shares during first six months following Listing other than under the Stock Borrowing and Lending Agreements and the Sale and Repurchase Agreement or pursuant to the waivers granted from strict compliance with Rules 10.08 and 10.07(1)(a) of the Listing Rules regarding the deemed disposal of Shares by the Controlling Shareholders upon any issue of Shares by our Company within the first six months from the Listing Date.

### CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into certain transactions which would constitute continuing connected transactions of our Company pursuant to Chapter 14A of the Listing Rules upon Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver in relation to certain continuing connected transactions under Chapter 14A of the Listing Rules. For further details of such continuing connected transactions and the waiver, please refer to the section headed “Connected Transactions” in this listing document.

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## **INFORMATION ABOUT THIS LISTING DOCUMENT AND THE INTRODUCTION**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS LISTING DOCUMENT**

This listing document includes particulars given in compliance with the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this listing document. Our Directors confirm, having made all reasonable enquiries, that, to the best of their knowledge and belief, the information contained in this listing document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this listing document misleading.

### **RESTRICTIONS ON THE USE OF THIS LISTING DOCUMENT**

This listing document is published solely in connection with the Introduction. It may not be used for any other purpose and, in particular, no person is authorised to use or reproduce this listing document or any part thereof in connection with any offering of Shares or other securities of our Company. Accordingly, there is no, and will not be any, offer of or solicitation, or an invitation by or on behalf of our Company and/or our Sole Sponsor to subscribe for or purchase, any of our Shares. Neither this listing document nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Introduction may be used for the purpose of making, and the delivery, distribution and availability of this listing document or such other document or information (or any part thereof) does not constitute, any offer of or solicitation or an invitation by or on behalf of our Company and/or our Sole Sponsor to subscribe for or purchase any of our Shares.

### **NO CHANGE IN THE NATURE OF OUR BUSINESS**

No change in the nature of our business is contemplated immediately following the Introduction.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

Application has been made to the Listing Committee for listing of, and permission to deal in, on the Main Board of the Stock Exchange, our Shares in issue. Our Company's listings on both the Main Board of the Stock Exchange and the main board of the SGX-ST will be dual primary listings. Consequently, unless otherwise agreed by the SGX-ST or, as the case may be, by the Stock Exchange, we must comply with the Listing Rules and the Listing Manual and any other relevant regulations and guidelines in Hong Kong and Singapore that are applicable to our Company. In the event where there is a conflict or an inconsistency between the requirements of the listing rules of the two stock exchanges, the listing rules with the more onerous requirements shall prevail. Our Directors will use their best endeavours to ensure that no release of information will be made in Singapore unless a simultaneous release is made in Hong Kong and vice versa.

Our Directors confirmed that our Company has been in compliance with relevant applicable laws and listing rules of Singapore since its listing on the SGX-ST. In addition, each of our Directors has confirmed that he/she has been in compliance with relevant applicable laws and listing rules of Singapore since 15 August 2011, being the date of completion of the Reverse Takeover.

As Shareholders' approval is required for matters relating to the proposed Listing and the proposed amendments to the Articles to, amongst other things, comply with the requirements of the Listing Rules and the Listing Manual, a circular in relation to such matters was dispatched by our Company on 30 November 2015 to our Shareholders. An extraordinary general meeting of our Company was consequently held on 22 December 2015 whereby resolutions were passed for, inter alia, the approval of matters relating to the proposed Listing and the proposed amendments to the Articles. Save as disclosed aforesaid, no approval from the SGX-ST is required for the proposed Introduction or the Listing.

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## **INFORMATION ABOUT THIS LISTING DOCUMENT AND THE INTRODUCTION**

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Details of the arrangement for the removal of Shares from the Singapore Principal Share Register to the Hong Kong Branch Share Register or from the Hong Kong Branch Share Register to the Singapore Principal Share Register are set out in the section headed “Listings, Registration, Dealings and Settlement” in this listing document.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in our Shares on the Main Board of the Stock Exchange are expected to commence on Wednesday, 6 April 2016. Save as disclosed herein, none of our Shares are listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future. Our Shares will be traded on the Main Board of the Stock Exchange in board lots of 1,000 Shares each and the stock code of the Shares will be 1570.

### **CONDITIONS OF THE INTRODUCTION**

The Listing will be conditional upon the granting by the Listing Committee of the listing of, and permission to deal in, our Shares in issue and currently listed on the SGX-ST, on the Main Board of the Stock Exchange.

### **REASONS FOR THE DUAL PRIMARY LISTING AND THE INTRODUCTION**

Our Company has been listed on the main board of the SGX-ST since 13 December 2004. Based on the closing price of our Shares on the SGX-ST on the Latest Practicable Date of S\$0.400 and the total Shares in issue of 196,133,152 Shares, the market capitalisation of our Company was approximately RMB350.7 million on the Latest Practicable Date. As of 31 December 2015, the net asset value of our Company was approximately RMB1.3 billion. The ratio of market capitalisation (based on the closing price of our Shares on the SGX-ST on the Latest Practicable Date) to net asset value as of 31 December 2015 was approximately 0.274 times. While our Directors consider that it is important to maintain the Singapore listing, they consider that it would be desirable and beneficial for our Company to have a dual primary listing of our Shares in both Hong Kong and Singapore as our Directors believe that the stock markets in Hong Kong and Singapore attract different investors. The dual listing is likely to provide our Company with ready access to two different equity markets if any opportunity arises. It could also widen the investor base of our Company. Further, listing on the Stock Exchange could enhance our Company's profile in Hong Kong and the PRC, facilitate investment by Hong Kong investors, enable our Company to gain access to Hong Kong's capital markets and benefit our Company by exposing us to a wider range of private and institutional investors. Our Directors consider that this is important for our potential future growth and long term development, since in particular, substantially all of our operations are located in the PRC.

### **STAMP DUTY**

Dealings in our Shares registered in our Hong Kong Branch Share Register kept by our Company will be subject to stamp duty in Hong Kong.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of the listing of, and permission to deal in, our Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the CCASS Rules in effect from time to time.

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## **INFORMATION ABOUT THIS LISTING DOCUMENT AND THE INTRODUCTION**

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All necessary arrangements have been made for our Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your licensed securities dealers or other professional advisers.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Shareholders and potential investors should consult their professional advisers if they are in any doubt as to the taxation implications of holding or disposal of and dealing in, or the exercise of any rights in relation to, our Shares. It is emphasised that none of our Company, our Sole Sponsor, any of our and their respective directors, agents or advisers or any other person involved in the Introduction accepts responsibility for any tax effects or liabilities of holders of our Shares resulting from holding or disposal of and dealing in, or the exercise of any rights in relation to, our Shares.

### **REGISTERS OF MEMBERS**

Our Singapore Principal Share Register and transfer office in Singapore are maintained by our Singapore Principal Share Registrar, RHT Corporate Advisory Pte. Ltd. at Six Battery Road, #10-01, Singapore 049909 in Singapore and our Hong Kong Branch Share Register and transfer office in Hong Kong will be maintained by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

### **CONSEQUENCES OF HOLDING AN INTEREST IN SHARES**

Holders and beneficial owners of our Shares should be aware that they may be subject to certain legal requirements under Hong Kong law and the Listing Rules, including, for example, reporting obligations upon reaching certain specified ownership thresholds. You should consult your own legal adviser as to the Hong Kong legal consequences of investing in our Shares. As our Company is also listed on the main board of the SGX-ST, Shareholders will also be subject to applicable requirements under Singapore law and the Listing Manual.

### **EXCHANGE RATE CONVERSION**

Unless otherwise specified, for illustration purposes only, the following exchange rates are used in this listing document:

RMB1 = HK\$1.2178

SGD1 = HK\$5.4445

No representation is made that any amounts in RMB, SGD or HK\$ can be or could have been at the relevant dates converted at the above rates or any other rates, or at all.

Certain amounts and percentage figures included in this listing document have been subject to rounding adjustments/are rounded to one decimal place. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

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## DIRECTORS AND PARTIES INVOLVED IN THE INTRODUCTION

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### DIRECTORS

| <u>Name</u>                                       | <u>Residential address</u>   | <u>Nationality</u> |
|---|--|--------------------|
| <b><i>Executive Directors</i></b>                 |  |                    |
| Mr. Zhang Wei (張偉)                                | No. 19 Building 10,<br>128 Hong Zhuan Lu,<br>Jin Shui Area,<br>Zhengzhou City,<br>Henan Province, China      | Chinese            |
| Mr. Chen Zhiyong (陳志勇)                            | No. 63, Building No. 4,<br>Jianxin Dong Jie,<br>Area 27, Zhengzhou City,<br>Henan Province, China            | Chinese            |
| <b><i>Non-executive Director</i></b>              |  |                    |
| Mr. Dong Xincheng (董心誠)                           | No. 8, Unit 3, Building 4,<br>19 Xie Zuo Lu,<br>Zhong Yuan Area,<br>Zhengzhou City,<br>Henan Province, China | Chinese            |
| <b><i>Independent non-executive Directors</i></b> |  |                    |
| Mr. Ong Kian Guan (王建源)                           | 30 Sturdee Road,<br>#30-04 Singapore 207852  | Singaporean        |
| Mr. Oh Eng Bin (胡榮明)                              | 11 Tanjong Rhu Road<br>#09-04 Waterside<br>Singapore 436896  | Singaporean        |
| Mr. Siu Man Ho Simon (蕭文豪)                        | Flat A, 11/F, Tower 5,<br>One Beacon Hill,<br>1 Beacon Hill Road, Kowloon Tong,<br>Kowloon,<br>Hong Kong     | Chinese            |

Please refer to the section headed "Directors and Senior Management" in this listing document for further details.

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## DIRECTORS AND PARTIES INVOLVED IN THE INTRODUCTION

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### PARTIES INVOLVED IN THE INTRODUCTION

#### **Sole Sponsor**

CLC International Limited  
13/F, Nan Fung Tower  
88 Connaught Road Central  
Central  
Hong Kong  
*(a licensed corporation to conduct Type 1  
(dealing in securities) and Type 6 (advising on  
corporate finance) regulated activities under  
the SFO)*

#### **Legal Advisers to our Company**

*as to Hong Kong law:*  
Bird & Bird  
4/F Three Pacific Place  
1 Queen's Road East  
Hong Kong

*as to Singapore law:*  
Bird & Bird ATMD LLP  
2 Shenton Way  
#18-01 SGX Centre 1  
Singapore 068804

*as to PRC law:*  
Grandall Law Firm (Shanghai)  
23-25/F, Garden Square  
968 West Beijing Road  
Shanghai 200041  
China

#### **Legal Advisers to our Sole Sponsor**

*as to Hong Kong law:*  
Sidley Austin  
39/F  
Two Int'l Finance Centre  
Central  
Hong Kong

*as to PRC law:*  
Beijing Jun He Law Offices  
20th Floor  
China Resources Building  
8 Jianguomenbei Avenue  
Beijing 100005  
China

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## DIRECTORS AND PARTIES INVOLVED IN THE INTRODUCTION

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**Reporting Accountants**

KPMG  
8th Floor  
Prince's Building  
10 Chater Road  
Central  
Hong Kong

**Independent Property Valuer and  
Industry Consultant**

DTZ Debenham Tie Leung Limited  
16th Floor  
Jardine House  
1 Connaught Place  
Central  
Hong Kong  
China

**Independent Internal Control Consultant**

Nexia TS Risk Advisory Pte. Ltd.  
100 Beach Road  
Shaw Tower #30-00  
Singapore 189702



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## CORPORATE INFORMATION

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| <b>Registered office</b>                                       | 8 Pandan Crescent #01-06<br>Singapore 128464   |
| <b>Headquarters and principal place of business in the PRC</b> | 11th Floor, No. 50 Yingxie Road<br>Jinshui District, Zhengzhou City<br>Henan Province<br>PRC   |
| <b>Principal place of business in Hong Kong</b>                | Rooms 2105-06, 21/F<br>Office Tower Langham Place<br>8 Argyle Street<br>Mongkok, Kowloon<br>Hong Kong  |
| <b>Company's website</b>                                       | <b><u><a href="http://www.weiyeholdings.com">www.weiyeholdings.com</a></u></b><br><i>(the contents of this website do not form part of this listing document)</i>  |
| <b>Joint company secretaries</b>                               | Ms. Shirley Tan Sey Liy (陳雪莉), ACIS<br>Six Battery Road #10-01<br>Singapore 049909<br><br>Mr. Man Yun Wah (文潤華), HKICS<br>Rooms 2105-06, 21/F<br>Office Tower Langham Place<br>8 Argyle Street<br>Mongkok, Kowloon<br>Hong Kong  |
| <b>Authorised representatives</b>                              | Mr. Zhang Wei (張偉)<br>Room 1223<br>No. 50 Yingxie Road,<br>Jinshui District,<br>Zhengzhou City,<br>Henan Province,<br>PRC<br><br>Mr. Man Yun Wah (文潤華), HKICS<br>Rooms 2105-06, 21/F<br>Office Tower Langham Place<br>8 Argyle Street<br>Mongkok, Kowloon<br>Hong Kong |
| <b>Audit Committee</b>   | Mr. Ong Kian Guan (王建源) ( <i>Chairman</i> )<br>Mr. Oh Eng Bin (胡榮明)<br>Mr. Siu Man Ho Simon (蕭文豪)  |

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## CORPORATE INFORMATION

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| <b>Nominating Committee</b>                                    | Mr. Siu Man Ho Simon (蕭文豪) ( <i>Chairman</i> )<br>Mr. Oh Eng Bin (胡榮明)<br>Mr. Ong Kian Guan (王建源)<br>Mr. Dong Xincheng (董心誠)  |
| <b>Remuneration Committee</b>                                  | Mr. Oh Eng Bin (胡榮明) ( <i>Chairman</i> )<br>Mr. Ong Kian Guan (王建源)<br>Mr. Siu Man Ho Simon (蕭文豪)   |
| <b>Singapore principal share registrar and transfer office</b> | RHT Corporate Advisory Pte. Ltd.<br>Six Battery Road #10-01<br>Singapore 049909   |
| <b>Hong Kong branch share registrar and transfer office</b>    | Tricor Investor Services Limited<br>Level 22, Hopewell Centre<br>183 Queen's Road East<br>Hong Kong   |
| <b>Compliance Adviser</b>                                      | CLC International Limited<br>13/F, Nan Fung Tower<br>88 Connaught Road Central<br>Central<br>Hong Kong<br><i>(a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO)</i>   |
| <b>Principal bankers</b>                                       | China Construction Bank (Henan Branch)<br>80 Garden Road<br>Zhengzhou City<br>Henan Province<br>PRC 450003<br><br>China Construction Bank (Hainan Branch)<br>Jian Hang Building<br>Guo Mao Main Road<br>Haikou City<br>Hainan Province<br>PRC 570125<br><br>United Overseas Bank Ltd<br>80 Raffles Place<br>UOB Plaza<br>Singapore 048624 |

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## INDUSTRY OVERVIEW

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*This section contains information and statistics relating to the economy of China and the real estate industry in which we operate. We have extracted and derived the information in the section below, in part, from various official government publications and a commissioned market research report from DTZ. Please refer to the paragraph headed “Sources of Information” below for more details. We believe that such sources are appropriate sources for the information and statistics below, including forward-looking information for future periods as identified, and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by us or the Sole Sponsor, any of our or their respective affiliates or advisers, or any party involved in the Introduction and no representation is given as to its correctness, accuracy and completeness. Certain information and statistics included, including those excerpted from official and government publications and sources in China, may not be consistent with other information and statistics compiled within or outside China by third parties. Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information since the date of the DTZ Report, which may qualify, contradict or have an impact on the information as disclosed in this section.*

### SOURCES OF INFORMATION

In connection with the Introduction, we commissioned a market research report from DTZ for use in part in this listing document to provide information relating to the economy of China, the real estate market in China, especially in specified areas in Henan and Hainan Provinces, and the real estate industry in which we operate. DTZ has charged us a total fee of RMB285,000, for the preparation of the DTZ Report, which we believe is in line with the market rate for such report.

DTZ is a global real estate consulting firm, which offers a range of services including investment agency, leasing agency, property and facilities management, project and building consultancy, investment and asset management, market research and forecasting and valuation. DTZ has 208 offices in 52 countries.

For the purpose of the Introduction, DTZ also serves as our property valuer. A property valuation report prepared by DTZ which relates to our property interests is included in Appendix III to this listing document. The preparation of the DTZ Report and the Property Valuation Report was separately handled by two different DTZ business functions which are independent from each other. The DTZ Report was prepared primarily by the designated market research team of DTZ based on data from the PRC government, renowned research institutions and the proprietary databases of DTZ. In the course of research, DTZ conducted interviews with local industry professionals and Company’s management.

The following sets out the main reasons why DTZ adopted the above sources of information and considered them as reliable:

- it is general market practice to adopt official data and announcements from various Chinese government agencies;
- DTZ understands the data collection methodology and data source of the subscribed database from China Index Academy; and
- the information obtained from interviews is for DTZ’s reference only and the findings in the DTZ Report are not based on the results of these interviews. Nevertheless, DTZ has proven track records in providing market research studies to government and private clients in the regions where the DTZ Report covered, and the information obtained from those interviews are therefore considered reliable.

## INDUSTRY OVERVIEW

While preparing the DTZ Report, DTZ has relied on the assumptions listed below:

- there will be no political or administrative developments that will significantly impact general confidence in China, specifically in the studied areas, to the detriment of business activity, tourist arrivals and domestic travel;
- support infrastructure such as fresh water, sewage treatment, electricity and gas will be supplied and generated at a consistent and reliable level to maintain end-user satisfaction;
- the existing transportation system to, from and within the studied areas will be maintained and improved to meet the accessibility requirements of the cities; and
- the economies of the major trading, investor and tourist generating countries to the PRC, specifically the studied area, will not experience significant and sustained recession in the near future.

### OVERVIEW OF THE PRC ECONOMY

Despite the impact of the volatile global economic environment on the PRC economy, China's GDP maintained a high-level growth in the past few years, doubling from approximately RMB30,067.0 billion in 2008 to approximately RMB63,613.9 billion in 2014 at a CAGR of approximately 13.3%, contributed by the impetus of various macro-economic policy adjustments and control measures. According to the National Bureau of Statistics of China, China overtook Japan to become the world's second largest economy in terms of nominal GDP in the second quarter of 2010.

The table below sets out the key economic and demographic indicator for PRC for years indicated:

|  | 2008      | 2009      | 2010      | 2011      | 2012      | 2013      | 2014      | CAGR<br>(2008-2014) |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---------------------|
| <b>GDP (RMB billion)</b>   | 30,067.00 | 34,090.30 | 40,151.30 | 47,310.40 | 51,947.00 | 56,884.50 | 63,613.87 | 13.30%              |
| <b>GDP per capita<br/>(RMB)</b>  | 22,698.00 | 25,607.50 | 30,015.10 | 35,197.80 | 38,459.50 | 41,907.60 | 46,629.00 | 12.75%              |
| <b>Per capita<br/>disposable<br/>income of urban<br/>residents (RMB)</b> | 15,780.80 | 17,174.70 | 19,109.40 | 21,809.80 | 24,564.70 | 26,467.00 | 28,843.85 | 10.75%              |
| <b>Fixed asset<br/>investment<br/>(RMB billion)</b>                      | 17,282.84 | 22,459.90 | 25,168.40 | 31,148.50 | 37,469.50 | 44,629.40 | 51,276.07 | 19.87%              |
| <b>Population (million)</b>  | 1,328.02  | 1,334.50  | 1,340.90  | 1,347.40  | 1,354.00  | 1,360.70  | 1,367.82  | 0.49%               |
| <b>Urbanisation rate</b>   | 45.68%    | 48.30%    | 50.00%    | 51.30%    | 52.60%    | 53.70%    | 54.80%    | 3.08%               |

*Source:* 2008-2013 data from China Statistical Year Book 2009-2014, 2014 data from National Bureau of Statistics of China

Guided and driven by the macro-economic policies of the government, Chinese per capita disposable income of urban residents grew significantly to approximately RMB28,843.9 at the end of 2014 from approximately RMB15,780.8 in 2008. Strong growth of disposable income indicates the increasing willingness to spend and the significant increase in purchasing power of urban residents.

The PRC's economic development had boosted the pace of urbanisation. Over the past few years, the proportion of urbanisation in the PRC increased from approximately 45.7% in 2008 to approximately 54.8% in 2014. An increase of 1% represents an increase of approximately 13 million people flooding into cities, which will be expected to bring large housing and consuming demand to the cities in the PRC. According to the "National Plan on New Urbanisation (2014-2020)" (國家新型城鎮化規劃 (2014-2020)), released by the PRC State Council, certain measures will be carried out to increase the level and quality of China's urbanisation in the future, aiming to reach an urbanisation rate of 60% by 2020.

## INDUSTRY OVERVIEW

### OVERVIEW OF THE REAL ESTATE MARKET IN THE PRC

The PRC government has put in place certain policies which are intended to stabilise the real estate prices and control the real estate loan in the PRC. These policies primarily relate to, among others, control over purchasing properties for speculation and adjustment of the minimum capital ratio of fixed asset investment projects according to the economic situations and the necessity of macro-economic control. Please refer to the section headed “Regulatory Overview” in this listing document for details of these policies.

Moreover, according to “Report on the Work of the Government” (政府工作報告) delivered by Mr. Li Keqiang, Premier of the State Council at the Second Session of the Twelfth National People’s Congress in March 2014, the PRC government would regulate housing differently in different cities in light of local conditions, increase the supply of small and medium-sized commercial and joint-ownership housing units, curb the demand for housing for speculation and investment purposes, and promote sustained and healthy development of the property market.

Under the effects of domestic investment, consumption and rapid growth of the PRC economy, the PRC property market has been growing rapidly. The total investment in real estate development projects increased from approximately RMB3,120.3 billion in 2008 to approximately RMB9,503.6 billion in 2014, representing a CAGR of approximately 20.4%. According to the data released by the National Bureau of Statistics of China, in 2014, the total GFA of commodity housing completed was approximately 1,074.6 million sq.m.. The GFA of commodity housing under construction was approximately 7,264.8 million sq.m.. The GFA of commodity housing sold was approximately 1,206.5 million sq.m.. Compared to 2008, all these figures showed a significant increase. Meanwhile, due to the increase of demand in the property market by investors, both the transaction volume and price increased. The average selling price of commodity housing rose from approximately RMB3,800.0 per sq.m. in 2008 to approximately RMB6,323.5 per sq.m. in 2014, representing a CAGR of approximately 8.9%.

The table below sets out the key real estate indicators for PRC for the years indicated:

|   | 2008     | 2009     | 2010     | 2011     | 2012     | 2013     | 2014     | CAGR<br>(2008-2014) |
|---|----------|----------|----------|----------|----------|----------|----------|---------------------|
| Real estate investment<br>(RMB billion)                                     | 3,120.32 | 3,624.00 | 4,826.00 | 6,180.00 | 7,180.00 | 8,601.00 | 9,503.56 | 20.40%              |
| Total GFA of commodity<br>housing under<br>construction (million<br>sq. m.) | 2,832.66 | 3,203.68 | 4,053.56 | 5,067.75 | 5,734.18 | 6,655.72 | 7,264.82 | 17.00%              |
| Total GFA of commodity<br>housing completed<br>(million sq. m.)             | 665.45   | 726.77   | 787.44   | 926.20   | 994.25   | 1,014.35 | 1,074.59 | 8.31%               |
| Total GFA of commodity<br>housing sold (million<br>sq. m.)                  | 659.70   | 947.55   | 1,047.65 | 1,093.67 | 1,113.04 | 1,305.51 | 1,206.49 | 10.58%              |
| Total Sales amount of<br>commodity housing<br>sold (RMB billion)            | 2,506.82 | 4,435.52 | 5,272.12 | 5,858.89 | 6,445.58 | 8,142.83 | 7,629.24 | 20.38%              |
| Average selling price of<br>commodity housing<br>(RMB/sq. m.)               | 3,800.00 | 4,681.00 | 5,032.00 | 5,357.00 | 5,791.00 | 6,237.00 | 6,323.53 | 8.86%               |

Source: National Bureau of Statistics of China

## INDUSTRY OVERVIEW

### COMPETITION

The property market in Henan and Hainan Provinces and elsewhere in the PRC is fragmented and competitive. Our existing and potential competitors include both major national and regional property developers with extensive operations in the cities or markets in which we operate as well as local property developers. We believe that the major competitive factors in the residential and commercial property development industry include land acquisition, geographic location, management expertise, financial resources, access to transportation infrastructure, size of land bank, product quality, brand recognition by customers, customer services and support, pricing and design quality.

### THE REAL ESTATE MARKETS OF SELECTED AREAS IN THE PRC

#### Henan Province

##### *Overview of the Economy of Henan Province*

Henan Province is located in the middle east of China, middle and lower reaches of the Yellow River with a total population of approximately 106 million, and an urbanisation rate of approximately 45.2% by the end of 2014. The GDP and the total investment of real estate of Henan ranked 5th and 8th respectively in China in the year 2014.

Total GDP of Henan Province in 2014 was approximately RMB3,493.8 billion, increased by approximately 8.7% over last year. The ratio of contribution to the total GDP of Henan Province by the primary, secondary and tertiary industry has adjusted to 11.9: 51.2: 36.9 in 2014.

The table below sets out the key economic and demographic indicators for Henan Province for the years indicated:

|  | 2008     | 2009     | 2010     | 2011     | 2012     | 2013     | 2014     | CAGR<br>(2008-<br>2014) |
|--|----------|----------|----------|----------|----------|----------|----------|-------------------------|
| <b>GDP (RMB billion)</b>   | 1,801.85 | 1,948.05 | 2,309.24 | 2,693.10 | 2,959.93 | 3,215.59 | 3,493.82 | 11.67%                  |
| <b>GDP per capita<br/>(RMB)</b>  | 19,181   | 20,597   | 24,446   | 28,661   | 31,499   | 34,174   | 37,072   | 11.61%                  |
| <b>Gross fixed asset<br/>investment<br/>(RMB billion)</b>                | 1,049.07 | 1,370.47 | 1,412.47 | 1,777.05 | 2,144.99 | 2,608.75 | 3,078.22 | 19.65%                  |
| <b>Per capita<br/>disposable<br/>income of urban<br/>residents (RMB)</b> | 13,231   | 14,372   | 15,930   | 18,195   | 20,443   | 22,398   | 23,672   | 10.18%                  |
| <b>Urbanisation rate</b>   | N/A*     | N/A*     | 38.80%   | 40.60%   | 42.40%   | 43.80%   | 45.20%   | –                       |

\*Note: Some data is not available.

Source: Henan Statistical Year Book 2009 to 2015

##### *Overview of the Property Market in Henan Province*

The total real estate investment in Henan Province amounted to approximately RMB437.6 billion in 2014, which showed a CAGR of 23.95% from 2008 to 2014. The commodity housing under construction in Henan Province amounted to approximately 388.6 million sq.m., which showed a CAGR of approximately 18.7% from 2008 to 2014. The commodity housing completed in Henan Province amounted to approximately 73.2 million sq.m., which showed a CAGR of approximately 15.9% from 2008 to 2014. In 2014, the commodity housing sold in Henan Province amounted to approximately 78.8 million sq.m., which showed a CAGR of approximately 16.3% from 2008 to 2014. The average selling price of commodity housing was RMB4,366 per sq.m. in 2014, which showed a CAGR of approximately 11.0% from 2008 to 2014.

## INDUSTRY OVERVIEW

The table below sets out the key real estate indicators for Henan Province for the years indicated:

|  | 2008      | 2009       | 2010       | 2011       | 2012       | 2013       | 2014     | CAGR<br>(2008-2014) |
|--|-----------|------------|------------|------------|------------|------------|----------|---------------------|
| Real estate investment<br>(RMB billion)                                    | 120.67    | 155.38     | 211.41     | 262.65     | 303.53     | 384.38     | 437.57   | 23.95%              |
| Total GFA of<br>commodity housing<br>under construction<br>(million sq.m.) | 139.06    | 160.74     | 203.94     | 253.43     | 295.59     | 359.79     | 388.58   | 18.68%              |
| Total GFA of<br>commodity housing<br>completed<br>(million sq.m.)          | 30.26     | 34.01      | 44.27      | 55.27      | 58.71      | 59.66      | 73.24    | 15.87%              |
| Total GFA of<br>commodity housing<br>sold (million sq.m.)                  | 31.92     | 43.37      | 54.52      | 62.75      | 59.68      | 73.10      | 78.80    | 16.25%              |
| Total sales amount of<br>commodity housing<br>sold (RMB million)           | 74,645.93 | 115,622.27 | 165,878.68 | 219,680.77 | 228,666.50 | 307,413.52 | 344,058  | 29.00%              |
| Average selling price<br>(RMB/sq.m.)                                       | 2,338.55  | 2,666.01   | 3,042.40   | 3,500.80   | 3,831.23   | 4,205.26   | 4,366.40 | 10.97%              |

Source: Henan Statistical Year Book 2009 to 2015

According to Henan Statistical Year Book 2009 to 2015, the total sales amount of commodity house in Henan Province was approximately RMB344.1 billion, and the total gross floor area sold was approximately 78.8 million sq.m. in 2014.

### Overview of Selected Cities in Henan Province

#### Zhengzhou City

Zhengzhou City is the provincial capital of Henan Province and the center of politics, economy, culture and information of the province. The city's total area is approximately 7,446 sq.km. with total population of approximately 9,191,000 by the end of 2014. The population density is the second highest among the capital cities in China, which ranked just behind Guangzhou City. By the end of 2014, urban build-up areas of Zhengzhou City are about 382.7 sq.km. with an urbanisation rate of approximately 68.3%. Situated in the central area in China, Zhengzhou City is one of the main economic cities and transportation hubs in central China. The economy of Zhengzhou City maintained a rapid growth with a compound annual growth rate of GDP of approximately 14.5% from 2008 to 2014.

The table below sets out the key economic and demographic indicators for Zhengzhou City for the years indicated:

|   | 2008      | 2009      | 2010      | 2011      | 2012      | 2013      | 2014      | CAGR<br>(2008-2014) |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---------------------|
| GDP (RMB billion)   | 301.29    | 330.85    | 404.09    | 497.99    | 554.98    | 620.19    | 676.70    | 14.44%              |
| GDP per capita (RMB)  | 40,714.00 | 44,231.00 | 47,608.00 | 56,855.00 | 62,054.00 | 68,073.00 | 72,992.00 | 10.22%              |
| Gross fixed asset<br>investment<br>(RMB billion)            | 177.06    | 228.21    | 241.48    | 300.52    | 366.98    | 448.93    | 535.53    | 20.26%              |
| Per capita disposable<br>income of urban<br>residents (RMB) | 15,732    | 17,117    | 18,897    | 21,612    | 24,246    | 26,615    | 29,095    | 10.79%              |
| Urbanisation rate   | 62.30%    | 63.40%    | 63.60%    | 64.80%    | 66.30%    | 67.10%    | 68.30%    | -                   |

Note: 2014 urbanisation rate from Zhengzhou Statistical Bulletin 2014

Source: Henan Statistic Year Book 2009-2014 & Zhengzhou Statistical Bulletin 2014

## INDUSTRY OVERVIEW

In 2014, Zhengzhou City achieved GDP of approximately RMB676.7 billion, which accounted for approximately 19.4% of Henan Province's total, and increased by approximately 9.1% over 2013. In 2014, Zhengzhou City achieved GDP per capita of approximately RMB72,992.0, which showed an increase of approximately 7.2% over 2013. Zhengzhou City achieved fixed asset investment of approximately RMB535.5 billion in 2014, increased by approximately 19.3% over 2013. In 2014, the planned total investment of fixed assets was approximately RMB1,063.1 billion, which showed an increase of approximately 8.2% than 2013. The urban planning system has been improved over the past few years. The infrastructure construction, public transport construction and city rail transportation construction has improved substantially and the urban landscape has changed dramatically. In 2014, Zhengzhou City per capita disposable income of urban residents was approximately RMB29,095, an increase of approximately 9.3% than 2013.

The table below sets out the key real estate indicators for Zhengzhou City for the years indicated:

|   | 2008      | 2009      | 2010      | 2011      | 2012      | 2013       | 2014       | CAGR<br>(2008-2014) |
|---|-----------|-----------|-----------|-----------|-----------|------------|------------|---------------------|
| <b>Real estate investment<br/>(RMB billion)</b>                           | 43.50     | 51.38     | 77.52     | 92.63     | 109.51    | 144.53     | 174.35     | 26.04%              |
| Residential   | 34.18     | 39.42     | 55.57     | 62.43     | 67.57     | 91.05      | 117.69     | 22.88%              |
| Office  | 2.41      | 2.19      | 4.96      | 9.37      | 10.54     | 13.59      | 13.83      | 33.85%              |
| Houses for business use   | 3.57      | 5.10      | 8.03      | 8.63      | 12.00     | 18.87      | 21.50      | 34.87%              |
| <b>Total GFA of<br/>commodity housing<br/>sold (thousand<br/>sq.m.)</b>   | 7,368.50  | 11,989.20 | 15,587.20 | 15,632.20 | 14,418.70 | 16,218.90  | 15,919.10  | 13.70%              |
| Residential   | 6,584.90  | 10,851.40 | 14,286.10 | 13,063.80 | 12,261.80 | 13,134.80  | 12,932.80  | 11.91%              |
| Office  | 316.00    | 542.50    | 509.40    | 1,318.00  | 1,101.10  | 1,767.40   | 1,336.10   | 27.16%              |
| Houses for business use   | 422.20    | 553.90    | 597.00    | 969.30    | 657.70    | 882.70     | 1,267.30   | 20.10%              |
| <b>Total sales amount of<br/>commodity housing<br/>sold (RMB million)</b> | 28,945.59 | 51,482.31 | 77,270.32 | 89,043.52 | 90,161.59 | 116,164.53 | 120,517.15 | 26.84%              |
| Residential   | 23,690.76 | 43,988.34 | 65,654.71 | 61,299.00 | 69,194.32 | 86,516.63  | 85,086.60  | 23.75%              |
| Office  | 1,615.95  | 2,674.10  | 4,753.35  | 13,240.79 | 10,411.56 | 17,226.24  | 14,101.74  | 43.49%              |
| Houses for business use   | 3,509.20  | 4,662.83  | 5,987.78  | 13,415.72 | 8,999.19  | 10,586.40  | 15,061.49  | 27.48%              |
| <b>Average selling price<br/>(RMB/sq.m.)</b>                              | 3,928.29  | 4,294.06  | 4,957.29  | 5,696.16  | 6,253.10  | 7,162.29   | 7,570.60   | 11.55%              |
| Residential   | 3,597.74  | 4,053.70  | 4,595.71  | 4,692.28  | 5,643.08  | 6,586.83   | 6,579.13   | 10.58%              |
| Office  | 5,113.77  | 4,929.22  | 9,331.27  | 10,046.12 | 9,455.60  | 9,746.66   | 10,554.40  | 12.84%              |
| Houses for business use   | 8,311.70  | 8,418.18  | 10,029.78 | 13,840.63 | 13,682.82 | 11,993.20  | 11,884.71  | 6.14%               |

*Note:* As introduced by Henan Statistical Bureau, residential general includes normal residential, villas and apartments. Houses for business use generally include retail shops, shopping malls, and hotels etc.

*Source:* Henan Statistical Yearbook 2009 to 2015

The real estate investment in Zhengzhou City kept a steady growth from 2008 to 2014, which represents a CAGR of approximately 22.9%, 33.9%, and 34.9% in residential real estate, office real estate and houses for business use respectively.



## INDUSTRY OVERVIEW

The total residential areas sold in Zhengzhou City amounted to approximately 12.9 million sq.m. in 2014. The demand of residential areas remained relatively stable from 2010 to 2014. The average selling price of residential has increased, from approximately RMB3,597.7 per sq.m. in 2008 to approximately RMB6,579.1 per sq.m. in 2014. The total office sold in Zhengzhou City amounted to approximately 1.3 million sq.m. in 2014. The demand of office increased dramatically in 2011, which showed an increase of approximately 158.7%. The average selling price of office has remained relatively stable since 2010 to 2014. The total houses for business use sold in Zhengzhou City amounted to approximately 1.3 million sq.m. in 2014. The average selling price of houses for business use has remained relatively stable.

Facing a slowing economy and China's economic structural transformation, Zhengzhou City had a flat real estate market in 2014 but recovered significantly in the first half of 2015. Both average price and sales volume rose up remarkably. The average price of Zhengzhou City commercial residence reached approximately RMB10,000 per sq.m. in May 2015, according to Zhengzhou Housing and Land Administration Bureau. Benefiting from the advance of the city's municipal planning, the increase of urbanisation and the improvement of local residents' consumption capacity, Zhengzhou City real estate market is still in a relatively rapid development period. The People's Bank of China continues to lower deposit reserve ratio and deposit datum interest rate, while Zhengzhou Municipal Government has increased housing subsidy and provident fund loan amount; besides, the Municipal Government will ensure construction of affordable housing project and transition replacement housing for shanty town transformation.

### ***Xinxiang City***

Xinxiang City is located in the north of Henan Province and is the transportation hub of the northern part of Henan Province. The city's total area is approximately 8,249 sq.km. with a total population of approximately 6,036,700 by the end of 2014. Xinxiang City is also one of the most important industrial bases in Central China which has approximately 1,275 industrial enterprises ranging from power and electric cars, biology and new medical, information technology, etc.. The economy of Xinxiang maintained a rapid growth with a CAGR of GDP of approximately 13.4% from 2008 to 2014.

The table below sets out the key economic and demographic indicators for Xinxiang City for the years indicated:

|  | 2008   | 2009   | 2010   | 2011   | 2012   | 2013   | 2014   | CAGR<br>(2008-<br>2014) |
|--|--------|--------|--------|--------|--------|--------|--------|-------------------------|
| <b>GDP (RMB billion)</b>                                     | 90.30  | 99.20  | 118.99 | 148.94 | 161.98 | 176.61 | 191.78 | 13.38%                  |
| <b>GDP per capita (RMB)</b>                                  | 16,188 | 17,992 | 21,196 | 26,198 | 28,598 | 31,138 | 33,696 | 13.00%                  |
| <b>Gross fixed asset investment (RMB billion)</b>            | 77.28  | 101.83 | 91.63  | 117.51 | 132.00 | 160.25 | 188.52 | 16.03%                  |
| <b>Per capita disposable income of urban residents (RMB)</b> | 13,000 | 14,170 | 15,752 | 17,988 | 20,159 | 22,105 | 23,984 | 10.75%                  |

Source: Henan Statistic Year Book 2009 to 2015

In 2014, Xinxiang achieved GDP of approximately RMB191.8 billion, which increased by approximately 8.6% over 2013. In 2014, Xinxiang City achieved GDP per capita of approximately RMB33,696, which showed an increase of approximately 8.2% over 2012. Xinxiang City achieved fixed asset investment of approximately RMB188.5 billion in 2014, increased by approximately 17.7% over 2013. In 2014, Xinxiang City per capita disposable income of urban residents was approximately RMB23,984, an increase of approximately 8.5% than 2013.

## INDUSTRY OVERVIEW

The table below sets out the key real estate indicators for Xinxiang City for the years indicated:

|   | 2008     | 2009     | 2010     | 2011      | 2012      | 2013      | 2014      | CAGR<br>(2008-2014) |
|---|----------|----------|----------|-----------|-----------|-----------|-----------|---------------------|
| <b>Real estate investment<br/>(RMB million)</b>                           | 7,631.0  | 10,216.0 | 11,764.0 | 15,610.0  | 17,285.0  | 22,729.0  | 26,749.00 | 23.25%              |
| Residential   | 5,823.0  | 7,511.0  | 8,918.0  | 12,196.0  | 13,036.0  | 17,755.0  | 22,192.00 | 24.98%              |
| Houses for business<br>use  | 644.0    | 1,010.0  | 1,224.0  | 1,581.0   | 2,237.0   | 2,425.0   | 2,454.00  | 24.98%              |
| <b>Total GFA of<br/>commodity housing<br/>sold (thousand<br/>sq.m.)</b>   | 2,252.2  | 2,987.0  | 3,605.2  | 4,471.7   | 4,367.5   | 5,718.6   | 5,951.1   | 17.58%              |
| Residential   | 2,104.3  | 2,802.6  | 3,394.5  | 4,251.0   | 4,220.2   | 5,192.6   | 5,529.0   | 17.47%              |
| Houses for business<br>use  | 137.5    | 164.4    | 196.9    | 172.5     | 127.2     | 388.2     | 308.8     | 14.44%              |
| <b>Total sales amount of<br/>commodity housing<br/>sold (RMB million)</b> | 4,004.06 | 5,670.29 | 8,174.14 | 11,907.31 | 12,437.86 | 19,108.17 | 22,301.37 | 33.14%              |
| Residential   | 3,287.83 | 5,112.89 | 7,120.95 | 10,879.06 | 11,631.91 | 16,398.90 | 19,943.68 | 35.05%              |
| Houses for business<br>use  | 675.57   | 538.45   | 1,002.39 | 897.18    | 715.09    | 2,126.76  | 1,903.43  | 18.84%              |
| <b>Average selling price<br/>(RMB/sq.m.)</b>                              | 1,778    | 1,898    | 2,267    | 2,663     | 2,848     | 3,341     | 3,747     | 13.23%              |
| Residential   | 1,562    | 1,824    | 2,098    | 2,559     | 2,756     | 3,158     | 3,607     | 14.96%              |
| Houses for business<br>use  | 4,913    | 3,275    | 5,091    | 5,201     | 5,622     | 5,479     | 6,164     | 3.85%               |

*Note:* As introduced by Henan Statistical Bureau, residential generally includes normal residential, villas and apartments. Houses for business use generally include retail shops, shopping malls, and hotels etc.

*Source:* Henan Statistical Yearbook 2009 to 2015

The real estate investment in Xinxiang City kept a steady growth from 2008 to 2014, which represents a CAGR of approximately 25.0% and 25.0% in residential real estate and houses for business use respectively. Residential takes a ratio of approximately 83.0% of total real estate investment. The total residential areas sold in Xinxiang City amounted to approximately 5.5 million sq.m. in 2014. The demand of residential areas kept a stable growth from 2008 to 2014. The average selling price of residential areas has doubled from approximately RMB1,562 per sq.m. in 2008 to approximately RMB3,607 per sq.m. in 2014. The total houses for business use sold in Xinxiang amounted to approximately 308,800 sq.m. in 2014. The average selling price of retail has remained relatively stable.

Xinxiang City is a rail junction and borders the provincial capital of Zhengzhou City to its southwest. As an important city of industry and agriculture, the proportion of first and second industry is high. Xinxiang City has a good ranking in Henan Province in terms of city size and GDP.

### **Kaifeng City**

Kaifeng City is one of the Eight Ancient Capitals in China, which is famous for its history and culture. It is recognised as a Chinese culture city, tourism city, Zhengzhou Airport Economic Experimental City and core city of Zhongyuan Economic Area. The city's total area is approximately 6,266 sq.km. with a total resident population of approximately 4,549,000 by the end of 2014. Urbanisation rate was approximately 42.6%. The main industries are car and car parts manufacturing. Zheng-Bian integration improves the development of Kaifeng City. Kaifeng City shares the industry, transportation, tourism, natural environment and services of Zhengzhou City. Zhengzhou to Kaifeng rail, which is the first railway within Henan Province, has been put into use. By enjoying the advantages of the central China economic boom and the upgrade of Zhengzhou Airport Experimental Zone construction to national-level strategy, Kaifeng City has become one of the cities with the greatest development potential.

## INDUSTRY OVERVIEW

The table below sets out the key economic and demographic indicators for Kaifeng City for the years indicated:

|  | 2008   | 2009   | 2010   | 2011   | 2012   | 2013   | 2014   | CAGR<br>(2008-<br>2014) |
|--|--------|--------|--------|--------|--------|--------|--------|-------------------------|
| <b>GDP (RMB billion)</b>                                     | 70.23  | 77.87  | 92.72  | 107.24 | 120.71 | 136.35 | 149.21 | 13.38%                  |
| <b>GDP per capita (RMB)</b>                                  | 14,975 | 16,571 | 19,750 | 22,972 | 25,922 | 29,327 | 32,454 | 14.39%                  |
| <b>Gross fixed asset investment (RMB billion)</b>            | 30.39  | 40.62  | 47.16  | 61.98  | 77.52  | 97.91  | 116.96 | 25.19%                  |
| <b>Per capita disposable income of urban residents (RMB)</b> | 11,342 | 12,318 | 13,695 | 15,558 | 17,545 | 19,492 | 21,467 | 11.22%                  |

Source: Henan Statistics Year Book 2009 to 2015

In 2014, Kaifeng City achieved GDP of approximately RMB149.2 billion, which increased by approximately 9.4% over 2013. In 2014, Kaifeng City achieved GDP per capita of approximately RMB32,454 which showed an increase of approximately 10.7% over 2013. Kaifeng City achieved fixed asset investment of approximately RMB117.0 billion in 2014, increased by approximately 19.5% over 2013. The redevelopment of shanty towns and village within the city, and the construction of affordable housing are the development focused of Kaifeng City. In 2014, the total gross floor area of redevelopment of shanty towns and village within the city amounted to approximately 2.8 million sq.m. In addition, 31 projects of affordable housing totaled approximately 12,000 units were completed in 2014. In 2014, Kaifeng City per capita disposable income of urban residents was approximately RMB21,467, an increase of approximately 10.1% from 2013.

The table below sets out the key real estate indicators for Kaifeng City for the years indicated:

|   | 2008     | 2009     | 2010     | 2011     | 2012     | 2013      | 2014      | CAGR<br>(2008-2014) |
|---|----------|----------|----------|----------|----------|-----------|-----------|---------------------|
| <b>Real estate investment (RMB million)</b>                       | 2,238.00 | 3,694.00 | 5,769.00 | 8,896.00 | 9,488.00 | 13,480.00 | 13,598.00 | 35.08%              |
| Residential   | 2,015.00 | 2,831.00 | 4,421.00 | 6,463.00 | 7,297.00 | 10,255.00 | 10,296.00 | 31.24%              |
| Houses for business use   | 143.00   | 207.00   | 614.00   | 756.00   | 1,109.00 | 1,775.00  | 1,901.00  | 53.91%              |
| <b>Total GFA of commodity housing sold (thousand sq.m.)</b>       | 891.50   | 1,185.90 | 1,479.70 | 1,913.90 | 1,916.50 | 2,530.30  | 2,730.00  | 20.51%              |
| Residential   | 836.10   | 1,110.30 | 1,399.00 | 1,821.20 | 1,826.80 | 2,384.00  | 2,548.80  | 20.41%              |
| Houses for business use   | 55.20    | 71.90    | 78.50    | 72.10    | 73.40    | 127.70    | 132.80    | 15.76%              |
| <b>Total sales amount of commodity housing sold (RMB million)</b> | 1,843.28 | 2,817.23 | 4,162.45 | 5,904.84 | 6,706.25 | 10,022.58 | 10,267.10 | 33.14%              |
| Residential   | 1,618.98 | 2,530.08 | 3,863.78 | 5,438.92 | 6,155.64 | 8,632.50  | 9,121.00  | 33.39%              |
| Houses for business use   | 223.95   | 276.53   | 294.21   | 403.07   | 484.48   | 1,305.20  | 852.72    | 24.96%              |
| <b>Average selling price (RMB/sq.m.)</b>                          | 2,067.62 | 2,375.61 | 2,813.04 | 3,085.24 | 3,499.22 | 3,961.02  | 3,760.84  | 10.48%              |
| Residential   | 1,936.35 | 2,278.74 | 2,761.82 | 2,986.45 | 3,369.63 | 3,621.02  | 3,578.55  | 10.78%              |
| Houses for business use   | 4,057.07 | 3,846.04 | 3,747.90 | 5,590.43 | 6,600.54 | 10,220.83 | 6,421.08  | 7.95%               |

Note: As introduced by Henan Statistical Bureau, residential generally includes normal residential, villas and apartments. Houses for business use generally include retail shops, shopping malls, and hotels etc.

Source: Henan Statistical Yearbook 2009 to 2015

## INDUSTRY OVERVIEW

The real estate investment in Kaifeng City kept a rapid growth from 2008 to 2014, which represents a CAGR of approximately 31.24% and 53.91% in residential real estate and houses for business use respectively. Residential investment takes a ratio of 75.7% of total real estate investment in 2014. The total residential areas sold in Kaifeng City amounted to approximately 2.5 million sq.m. in 2014. The demand of residential areas kept a steady growth from 2008 to 2014. The average selling price of residential has witnessed an increase from approximately RMB1,936.4 per sq.m. in 2008 to approximately RMB3,578.6 per sq.m. in 2014. The total houses for business use areas sold in Kaifeng City amounted to approximately 132,800 sq.m. in 2014. The average selling price of houses for business use areas was RMB6,421.1 per sq.m in 2014.

According to the planning of the Henan Province, Zhengzhou City and Kaifeng City will gradually be integrated to Zheng-Bian new district. It will be the forerunner zone of Central Henan Urban Agglomeration and the biggest industrial clusters of Midwest China. Kaifeng is one of the Eight Ancient Capitals of China. As a famous tourist city, it attracts many tourists every year and brings travel revenue to the government and residents. In addition, there are Henan University and Kaifeng University. A great number of high quality graduates with knowledge and creativity will choose to stay in Kaifeng City, which will improve the development of Kaifeng City.

### Hainan Province

#### *Overview of the Economy of Hainan Province*

Hainan Province is an island located in the south of China with a total population of approximately 9.0 million by the end of 2014. The GDP in 2014 was approximately RMB350.1 billion, increased by approximately 10.2% over last year. The ratio of contribution to the GDP of Hainan Province by the primary, secondary and tertiary industry has adjusted to 23.1:25.0:51.9 in 2014.

The table below sets out the key economic and demographic indicators for Hainan Province for the years indicated:

|  | 2008   | 2009   | 2010   | 2011   | 2012   | 2013   | 2014   | CAGR<br>(2008-2014) |
|--|--------|--------|--------|--------|--------|--------|--------|---------------------|
| <b>GDP (RMB billion)</b>                                     | 150.31 | 165.42 | 206.45 | 252.27 | 285.55 | 317.76 | 350.07 | 15.13%              |
| <b>GDP per capita (RMB)</b>                                  | 17,691 | 19,254 | 23,831 | 28,898 | 32,377 | 35,666 | 38,924 | 14.05%              |
| <b>Gross fixed asset investment (RMB billion)</b>            | 70.90  | 100.23 | 133.15 | 161.14 | 214.54 | 272.54 | 303.95 | 27.45%              |
| <b>Per capita disposable income of urban residents (RMB)</b> | 12,608 | 13,751 | 15,581 | 18,369 | 20,918 | 22,929 | 24,487 | 11.70%              |

Source: Hainan Statistical Year Book 2009 to 2015

#### *Overview of the Property Market in Hainan Province*

The total real estate investment in Hainan Province amounted to approximately RMB143.2 billion in 2014, which showed a CAGR of approximately 38.9% from 2008 to 2014. In 2014, the commodity housing under construction in Hainan Province amounted to approximately 75.6 million sq.m., which showed a CAGR of approximately 30.9% from 2008 to 2014. The commodity housing completed in Hainan Province amounted to approximately 12.0 million sq.m., which showed a CAGR of approximately 25.5% from 2008 to 2014. The commodity housing sold in Hainan Province amounted to approximately RMB93,521.4 million, which showed a CAGR of approximately 29.03% from 2008 to 2014. The average selling price of commodity housing was RMB9,315.2 per sq.m. in 2014, which showed a CAGR of approximately 9.4% from 2008 to 2014.

## INDUSTRY OVERVIEW

The table below sets out the key real estate indicators for Hainan Province for the years indicated:

|   | 2008      | 2009      | 2010      | 2011      | 2012      | 2013       | 2014      | CAGR<br>(2008-2014) |
|---|-----------|-----------|-----------|-----------|-----------|------------|-----------|---------------------|
| Real estate investment (RMB billion)                              | 19.95     | 28.80     | 46.79     | 66.31     | 88.66     | 119.68     | 143.17    | 38.89%              |
| Total GFA of commodity housing under construction (million sq.m.) | 15.00     | 19.90     | 27.00     | 36.60     | 51.09     | 61.73      | 75.57     | 30.93%              |
| Total GFA of commodity housing completed (million sq.m.)          | 3.09      | 4.32      | 6.09      | 4.52      | 8.56      | 6.09       | 12.04     | 25.45%              |
| Total GFA of commodity housing sold (million sq.m.)               | 3.72      | 5.61      | 8.55      | 8.88      | 9.32      | 11.91      | 10.04     | 17.97%              |
| Total Sales amount of commodity housing sold (RMB million)        | 20,263.33 | 35,145.87 | 74,661.20 | 79,044.36 | 73,557.40 | 103,265.26 | 93,521.37 | 29.03%              |
| Average selling price (RMB/sq.m.)                                 | 5,441.28  | 6,260.84  | 8,735.11  | 8,899.53  | 7,893.78  | 8,668.79   | 9,315.16  | 9.37%               |

Source: Hainan Statistical Year Book 2009 to 2015

### Overview of Selected Cities in Hainan Province

#### *Wanning City*

Wanning City is located at the southeast of Hainan Province with the South China Sea on its east. The city's total area is approximately 4,443.6 sq.km. with a total population of approximately 560,300 by the end of 2014. The main industries of Wanning City are tourism and real estate development. With the advantages of hot springs and long sea coast, Wanning City is suitable to develop tourism. The economy of Wanning City maintained a rapid growth with a CAGR of GDP of approximately 14.4% from 2008 to 2014.

## INDUSTRY OVERVIEW

The table below sets out the key economic and demographic indicators for Wanning City for the years indicated:

|  | 2008   | 2009   | 2010   | 2011   | 2012   | 2013   | 2014   | CAGR<br>(2008-2014) |
|--|--------|--------|--------|--------|--------|--------|--------|---------------------|
| <b>GDP (RMB billion)</b>                                     | 6.80   | 7.68   | 9.81   | 11.96  | 13.46  | 13.96  | 15.23  | 14.37%              |
| <b>GDP per capita (RMB)</b>                                  | 11,659 | 12,886 | 16,158 | 21,857 | 24,478 | 26,531 | 27,286 | 15.22%              |
| <b>Gross fixed asset investment (RMB billion)</b>            | 3.80   | 6.17   | 7.51   | 9.52   | 11.21  | 14.32  | 14.55  | 25.06%              |
| <b>Per capita disposable income of urban residents (RMB)</b> | 10,941 | 12,566 | 14,830 | 17,470 | 19,980 | 22,038 | 23,684 | 13.74%              |

Source: Hainan Statistical Year Book 2009 to 2015

The total GDP of Hainan Province in 2014 was approximately RMB350.1 billion, which increased by approximately 10.2% compared with last year. Wanning City accounted for approximately 4.4% of the GDP of Hainan Province in 2014, which increased by approximately 9.1% over 2013. The GDP per capita in Wanning City was approximately RMB27,286. The fixed asset investment in Wanning City kept stable growth from 2008 to 2014. It witnessed a rapid growth from 2010 to 2013. However, the growth rate slowed down in 2014. In 2014, Wanning City per capita disposable income of urban residents was approximately RMB23,684, representing an increase of approximately 7.5% from 2013.

The table below sets out the key real estate indicators for Wanning City for the years indicated:

|   | 2008 | 2009   | 2010     | 2011     | 2012     | 2013     | 2014     | CAGR<br>(2008/2009-2014) |
|---|------|--------|----------|----------|----------|----------|----------|--------------------------|
| <b>Real estate investment (RMB billion)</b>                       | 0.14 | 1.53   | 2.03     | 4.25     | 5.89     | 10.37    | 8.72     | 99.89%                   |
| <b>Total GFA of commodity housing sold (thousand sq.m.)</b>       | N/A* | 163.10 | 382.00   | 418.50   | 455.10   | 624.20   | 495.10   | 24.87%                   |
| Residential   | N/A* | 158.20 | 382.00   | 418.50   | 454.30   | 620.10   | 492.30   | 25.49%                   |
| House for business use  | N/A* | 4.90   | –        | –        | 0.70     | 3.30     | 0.80     | -30.40%                  |
| <b>Total sales amount of commodity housing sold (RMB million)</b> | N/A* | 552.25 | 1,741.63 | 3,441.10 | 4,069.78 | 6,932.05 | 4,795.16 | 54.08%                   |
| Residential   | N/A* | 539.60 | 1,741.63 | 3,441.10 | 4,067.15 | 6,882.21 | 4,773.86 | 54.65%                   |
| House for business use  | N/A* | 12.65  | –        | –        | 2.63     | 43.44    | 11.17    | -2.46%                   |
| <b>Average selling price (RMB/sq.m.)</b>                          | N/A* | 3,386  | 4,559    | 8,223    | 8,943    | 11,105   | 9,685    | 23.39%                   |
| Residential   | N/A* | 3,411  | 4,559    | 8,223    | 8,953    | 11,099   | 9,697    | 23.24%                   |
| House for business use  | N/A* | 2,582  | –        | –        | 3,757    | 13,164   | 13,963   | 40.16%                   |

\*Note: Some data is not available. As introduced by Hainan Statistical Bureau, residential generally includes normal residential, villas and apartments. Houses for business use generally include retail shops, shopping malls, and hotels etc.

Source: Hainan Statistical Yearbook 2009 to 2015

## INDUSTRY OVERVIEW

The real estate investment in Wanning City kept a rapid growth from 2008 to 2013, and slowed down in 2014, which represents a CAGR of approximately 99.9%. The demand of residential areas kept a steady growth from 2009 to 2013, and fell slightly in 2014. The total residential areas sold in Wanning City amounted to approximately 492,300 sq.m. in 2014. The average selling price of residential areas has witnessed an increase from approximately RMB3,411 per sq.m. in 2009 to approximately RMB9,697 per sq.m. in 2014. The main focus of real estate development in Wanning City is residential areas, while houses for business use are mainly services as complementary. There is no business use house sold in 2010 and 2011. The total business use house sold in Wanning City amounted to approximately 800 sq.m. in 2014, compared with residential area sold of approximately 492,300 sq.m. in 2014. The average selling price of business use house was RMB13,963 per sq.m. in 2014, increase 6.1% over 2013.

In 2010, the State Council has published “Opinions of the State Council on promoting the construction of Hainan International Tourism Island”. Since then, some real estate enterprises have acquired development land in Wanning City. Some of the enterprises may have better track record, better financial, marketing and land resources, more extensive sales networks and stronger brand. Competition amongst real estate developers involves a number of factors, including product quality, service quality, price, financial resources, brand recognition, ability to acquire proper land reserves and other factors. Increasing competition in this city may lead to an increase in competition for quality sites, land acquisition costs, intensified price competition and delay in the new property developments review and approval by the governmental authorities.

### **Wenchang City**

Wenchang City is located at the northeast of Hainan Province, facing the sea to the east, south and north. The city’s total area is approximately 2,488 sq.km. with a total sea coast line of approximately 278.5 km. The total population was approximately 560,300 by the end of 2014. Wenchang City is famous for its coconuts, Kong’s Temple and mangroves. Wenchang City is designated to be the fourth satellite launching center in China. The GDP kept a steady growth at a CAGR of approximately 11.4% from 2008 to 2014.

The table below sets out the key economic and demographic indicators for Wenchang City for the years indicated:

|  | 2008   | 2009   | 2010   | 2011   | 2012   | 2013   | 2014   | CAGR<br>(2008-2014) |
|--|--------|--------|--------|--------|--------|--------|--------|---------------------|
| <b>GDP (RMB billion)</b>                                     | 8.35   | 9.46   | 11.87  | 14.37  | 15.85  | 15.71  | 15.98  | 11.42%              |
| <b>GDP per capita (RMB)</b>                                  | 14,811 | 16,492 | 20,446 | 26,676 | 29,303 | 32,179 | 29,108 | 11.92%              |
| <b>Gross Fixed asset investment (RMB billion)</b>            | 3.65   | 5.63   | 9.50   | 12.30  | 14.21  | 16.56  | 14.19  | 25.37%              |
| <b>Per capita disposable income of urban residents (RMB)</b> | 12,012 | 12,869 | 15,306 | 17,985 | 20,555 | 22,652 | 24,199 | 12.38%              |

Source: Hainan Statistical Year Book 2009 to 2015

In 2014, Wenchang City achieved GDP of approximately RMB15,980 million, which accounted for approximately 4.6% of Hainan Province’s total, and increased by approximately 1.7% over 2013. In 2014, Wenchang City achieved GDP per capita of approximately RMB29,108. Wenchang City achieved fixed asset investment of approximately RMB14,191 million in 2014, decreased by approximately 14.3% from 2013. In 2014, Wenchang City per capita disposable income of urban residents was approximately RMB24,199, an increase of approximately 6.8% than 2013.

## INDUSTRY OVERVIEW

The table below sets out the key real estate indicators for Wenchang City for the years indicated:

|   | 2008 | 2009     | 2010     | 2011     | 2012     | 2013     | 2014     | CAGR<br>(2008/2009-<br>2014) |
|---|------|----------|----------|----------|----------|----------|----------|------------------------------|
| <b>Real estate investment<br/>(RMB billion)</b>                           | 0.68 | 1.13     | 3.04     | 4.12     | 5.74     | 7.05     | 8.02     | 50.95%                       |
| <b>Total GFA of commodity<br/>housing sold<br/>(thousand sq.m.)</b>       | N/A* | 401.30   | 745.80   | 819.20   | 860.90   | 865.20   | 538.10   | 6.04%                        |
| Residential   | N/A* | 391.90   | 720.00   | 794.00   | 854.30   | 858.80   | 500.50   | 5.01%                        |
| Houses for business use   | N/A  | 8.60     | 24.90    | 21.60    | 5.80     | 4.00     | 37.60    | 34.32%                       |
| <b>Total sales amount of<br/>commodity housing<br/>sold (RMB million)</b> | N/A* | 1,527.99 | 3,211.23 | 4,436.75 | 2,829.61 | 3,815.06 | 4,752.16 | 25.47%                       |
| Residential   | N/A* | 1,480.32 | 3,063.76 | 4,239.02 | 2,762.24 | 3,751.30 | 4,385.98 | 24.26%                       |
| Houses for business use   | N/A* | 43.81    | 144.93   | 177.25   | 61.78    | 51.84    | 366.18   | 52.91%                       |
| <b>Average selling price<br/>(RMB/sq.m.)</b>                              | N/A* | 3,808    | 4,306    | 5,416    | 3,287    | 4,409    | 8,831    | 18.32%                       |
| Residential   | N/A* | 3,777    | 4,255    | 5,339    | 3,233    | 4,368    | 8,763    | 18.33%                       |
| Houses for business use   | N/A* | 5,094    | 5,810    | 8,212    | 10,652   | 12,960   | 9,739    | 13.84%                       |

*Note:* Some data is not available. As introduced by Hainan Statistical Bureau, residential generally includes normal residential, villas and apartments. Houses for business use generally include retail shops, shopping malls, and hotels etc.

*Source:* Hainan Statistical Yearbook 2009 to 2015.

The real estate investment in Wenchang City kept a rapid growth from 2008 to 2014, which represents a CAGR of approximately 51.0%. The total residential areas sold in Wenchang City amounted to approximately 500,500 sq.m. in 2014. The demand of residential areas kept a steady growth from 2009 to 2013, and fell in 2014. The average selling price of residential has witnessed an increase from approximately RMB3,777 per sq.m. in 2009 to approximately RMB8,763 per sq.m. in 2014.

In 2010, the State Council has published “Opinions of the State Council on promoting the construction of Hainan International Tourism Island”. Since then, a large number of famous real estate enterprises have acquired development land in Wenchang City. Some of the enterprises may have better track record, better financial, marketing and land resources, more extensive sales networks and stronger brand. Competition amongst real estate developers involves a number of factors, including product quality, service quality, price, financial resources, brand recognition, ability to acquire proper land reserves and other factors. Increasing competition in this city may lead to an increase in competition for quality sites, land acquisition costs, intensified price competition and delay in the new property developments review and approval by the governmental authorities.

### ***Tunchang County***

Tunchang County is located in the middle north of Hainan Province, which is the transportation hub of Hainan Province. The county’s total land area is approximately 1,231.5 sq.km and its total population was approximately 260,200 by the end of 2013. The main industry of Tunchang County is agriculture and tourism. Tunchang County is famous for its Muse holiday resort and Wolong Mountain Holiday zone. The economy of Tunchang County kept growing from 2008 to 2014, which showed a CAGR of GDP of approximately 13.6%.



## INDUSTRY OVERVIEW

The table below sets out the key economic and demographic indicators for Tunchang County for the years indicated:

|  | 2008  | 2009   | 2010   | 2011   | 2012   | 2013   | 2014   | CAGR<br>(2008-2014) |
|--|-------|--------|--------|--------|--------|--------|--------|---------------------|
| <b>GDP (RMB billion)</b>                                     | 2.51  | 2.67   | 3.26   | 3.96   | 4.32   | 5.03   | 5.39   | 13.57%              |
| <b>GDP per capita (RMB)</b>                                  | 8,651 | 9,149  | 10,923 | 15,411 | 16,742 | 18,001 | 20,632 | 15.59%              |
| <b>Gross fixed asset investment (RMB billion)</b>            | 0.44  | 0.57   | 1.14   | 2.28   | 2.77   | 3.29   | 3.51   | 41.40%              |
| <b>Per capita disposable income of urban residents (RMB)</b> | 9,207 | 10,648 | 12,447 | 15,123 | 17,512 | 19,631 | 21,042 | 14.77%              |

Source: Hainan Statistical Year Book 2009 to 2015.

The total GDP of Hainan Province in 2014 was approximately RMB350.1 billion, which increased by approximately 10.2% compared with last year. Tunchang County contributed approximately 1.5% of the GDP of Hainan Province in 2014. The GDP per capita in Hainan Province was approximately RMB38,924 in 2014, while the GDP per capita in Tunchang County was approximately RMB20,632. The fixed asset investment in Tunchang County kept a stable growth from 2008 to 2014. It witnessed a rapid growth from 2010 to 2013. The growth rate slowed down in 2014. In 2014, Tunchang County per capita disposable income of urban residents was approximately RMB21,042, an increase of approximately 7.2% over 2013.

The table below sets out the key real estate indicators for Tunchang County for the years indicated:

|   | 2008  | 2009  | 2010   | 2011   | 2012   | 2013   | 2014   | CAGR<br>(2008/2009-2014) |
|---|-------|-------|--------|--------|--------|--------|--------|--------------------------|
| <b>Real estate investment (RMB million)</b>                       | 36.37 | 37.60 | 283.08 | 781.67 | 750.61 | 505.67 | 829.07 | 68.39%                   |
| <b>Total GFA of commodity housing sold (thousand sq.m.)</b>       | N/A*  | 21.50 | 70.80  | 97.70  | 126.20 | 189.90 | 51.20  | 18.95%                   |
| Residential   | N/A*  | 18.40 | 60.60  | 76.10  | 105.40 | 160.80 | 43.30  | 18.67%                   |
| Houses for business use   | N/A*  | 3.00  | 10.10  | 21.60  | 16.10  | 15.20  | 7.90   | 21.37%                   |
| <b>Total sales amount of commodity housing sold (RMB million)</b> | N/A*  | 38.49 | 206.56 | 302.97 | 362.02 | 696.53 | 242.43 | 44.49%                   |
| Residential   | N/A*  | 28.08 | 156.13 | 196.49 | 252.90 | 541.70 | 184.53 | 45.72%                   |
| Houses for business use   | N/A*  | 10.11 | 50.13  | 106.48 | 89.11  | 94.94  | 57.93  | 41.52%                   |
| <b>Average selling price (RMB/sq.m.)</b>                          | N/A*  | 1,790 | 2,917  | 3,101  | 2,869  | 3,668  | 4,735  | 21.47%                   |
| Residential   | N/A*  | 1,526 | 2,578  | 2,581  | 2,399  | 3,369  | 4,262  | 22.80%                   |
| Houses for business use   | N/A*  | 3,370 | 4,942  | 4,932  | 5,535  | 6,246  | 7,265  | 16.60%                   |

\*Note: Some data is not available. As introduced by Hainan Statistical Bureau, residential generally includes normal residential, villas and apartments. Houses for business use generally include retail shops, shopping malls, and hotels etc.

Source: Hainan Statistical Yearbook 2009 to 2015

## INDUSTRY OVERVIEW

The real estate investment in Tunchang County increased rapidly from 2010 to 2012. The main reason for that was the introduction of International Tourism Island for Hainan Province in 2010. The real estate investment in 2014 was approximately RMB829.1 million. The total residential areas sold in Tunchang County amounted to approximately 43,300 sq.m. in 2014. The demand of residential areas kept a steady growth from 2009 to 2013 and fell in 2014. The average selling price of residential areas has witnessed an increase from approximately RMB1,526 per sq.m. in 2009 to approximately RMB4,262 per sq.m. in 2014. The houses for business use in Tunchang County is developing. The total houses for business use sold in Tunchang County amounted to approximately 7,900 sq.m. in 2014. The average selling price of houses for business use has doubled from approximately RMB3,370 per sq.m. of 2009 to RMB7,265 per sq.m. of 2014.

Since Tunchang County lacks sea coast resources and convenient transportation, there are no large real estate developers in Tunchang County so far. In light of the transportation development in Tunchang County, the real estate market of Tunchang County has potential in the future.

### ***Danzhou City***

Danzhou City is situated in the northwest of Hainan Province, which is the third largest economic cities of Hainan Province and the economic, transportation, telecommunication and cultural center of West Hainan Province. The total area of Danzhou City is approximately 3,265.18 sq.km., with a sea coast line of approximately 267.27 km. The total population was approximately 964,297 by the end of 2014. The main industries in Danzhou City are agriculture, services and tourism. The Yangpu Economic Development Zone, which is the fourth tariff-free zone in China, is located in Danzhou City. Danzhou City showed a rapid growth of economy with a CAGR of GDP of approximately 11.2% from 2008 to 2014.

The table below sets out the key economic and demographic indicators for Danzhou City for the years indicated:

|  | 2008   | 2009   | 2010   | 2011   | 2012   | 2013   | 2014   | CAGR<br>(2008-2014) |
|--|--------|--------|--------|--------|--------|--------|--------|---------------------|
| <b>GDP (RMB Billion)</b>                                     | 23.26  | 25.37  | 31.18  | 37.26  | 41.96  | 40.31  | 43.99  | 11.20%              |
| <b>GDP per capita (RMB)</b>                                  | 10,617 | 10,962 | 29,365 | 39,716 | 44,719 | 46,902 | 45,567 | 27.48%              |
| <b>Gross fixed asset investment (RMB Billion)</b>            | 1.94   | 2.33   | 9.08   | 10.87  | 17.74  | 24.18  | 23.30  | 51.32%              |
| <b>Per capita disposable income of urban residents (RMB)</b> | 11,053 | 12,643 | 14,245 | 16,789 | 19,544 | 21,362 | 22,833 | 12.85%              |

Source: Hainan Statistical Year Book 2009 to 2015.

## INDUSTRY OVERVIEW

In 2014, Danzhou City achieved GDP of approximately RMB43.99 billion, which contributed approximately 12.6% of Hainan Province's total GDP, and increased by approximately 9.1% over 2013. In 2014, Danzhou City achieved GDP per capita of approximately RMB45,567 and fixed asset investment of approximately RMB23,300 million in 2014. In 2014, Danzhou City per capita disposable income of urban residents was approximately RMB22,833, representing an increase of approximately 6.9% over 2013.

The table below sets out the key real estate indicators for Danzhou City for the years indicated:

|   | 2008  | 2009  | 2010   | 2011     | 2012     | 2013     | 2014     | CAGR<br>(2008/2009/<br>2010-2014) |
|---|-------|-------|--------|----------|----------|----------|----------|-----------------------------------|
| <b>Real estate investment<br/>(RMB million)</b>                           | 31.00 | 63.35 | 590.02 | 1,904.27 | 2,366.36 | 3,207.60 | 4,376.43 | 128.19%                           |
| <b>Total GFA of commodity<br/>housing sold<br/>(thousand sq.m.)</b>       | N/A*  | 13.00 | 146.00 | 314.00   | 339.90   | 620.80   | 645.80   | 118.39%                           |
| Residential   | N/A*  | 13.00 | 123.30 | 288.40   | 325.80   | 575.40   | 640.60   | 118.04%                           |
| Houses for business use   | N/A*  | N/A   | 22.60  | 25.30    | 5.90     | 45.40    | 5.20     | -30.77%                           |
| <b>Total sales amount of<br/>commodity housing<br/>sold (RMB million)</b> | N/A*  | 23.31 | 492.06 | 1,568.87 | 1,648.80 | 2,727.60 | 2,232.56 | 149.03%                           |
| Residential   | N/A*  | 23.31 | 394.39 | 1,399.97 | 1,489.84 | 2,383.55 | 2,190.39 | 148.08%                           |
| Houses for business use   | N/A*  | N/A   | 97.67  | 164.79   | 42.26    | 344.05   | 42.17    | -18.94%                           |
| <b>Average selling price<br/>(RMB/sq.m.)</b>                              | N/A*  | 1,793 | 3,371  | 4,997    | 4,851    | 4,394    | 3,457    | 14.03%                            |
| Residential   | N/A*  | 1,793 | 3,198  | 4,854    | 4,573    | 4,142    | 3,419    | 13.78%                            |
| Houses for business use   | N/A*  | N/A   | 4,314  | 6,519    | 7,163    | 7,578    | 8,110    | 17.09%                            |

\*Note: Some data is not available. As introduced by Hainan Statistical Bureau, residential generally includes normal residential, villas and apartments. Houses for business use generally include retail shops, shopping malls, and hotels etc.

Source: Hainan Statistical Yearbook 2009 to 2015

The real estate investment in Danzhou City kept a rapid growth from 2008 to 2014, which represents a CAGR of approximately 128.2%. The total residential areas sold in Danzhou City amounted to approximately 640,600 sq.m. in 2014. The demand of residential areas kept a steady growth from 2009 to 2014. The average selling price of residential areas has witnessed an increase from approximately RMB1,793 per sq.m. in 2008 to approximately RMB3,419 per sq.m. in 2014.

In 2010, the State Council has published "Several opinions of the State Council on promoting the construction of Hainan International Tourism Island". Since then, a large number of famous real estate enterprises have acquired development land in Danzhou City. Some of the enterprises may have better track record, better financial, marketing and land resources, more extensive sales networks and stronger brand image. Competition amongst real estate developers involves a number of factors, including product quality, service quality, price, financial resources, brand recognition, ability to acquire proper land reserves and other factors. Increasing competition in this city may lead to an increase in competition for quality sites, land acquisition costs, intensified price competition and delay in the new property developments review and approval by the governmental authorities.

## INDUSTRY OVERVIEW

### HISTORICAL PRICE TRENDS OF LAND AND BUILDING CONSTRUCTION SERVICES COSTS

#### Overall PRC Land Prices

According to Land Resources Bureau of the PRC, the state-owned construction land supplied in 2014 was approximately 609,900 hectare, declined 18.8% compared with that in 2013. The supplied area for industrial use, commercial and services use, residential use, and infrastructure use was 147,300 hectare, 49,300 hectare, 102,100 hectare, and 311,200 hectare respectively. The state-owned construction land granted in 2014 was 271,800 hectare at a total contracted land premium of RMB3,340 billion, which showed a decrease of 27.5% and 27.4%, respectively, from 2013. Among the above land granted, 92.5% of total area was granted by open market tender, auction and listing at a total contracted land premium of RMB3,180 billion.

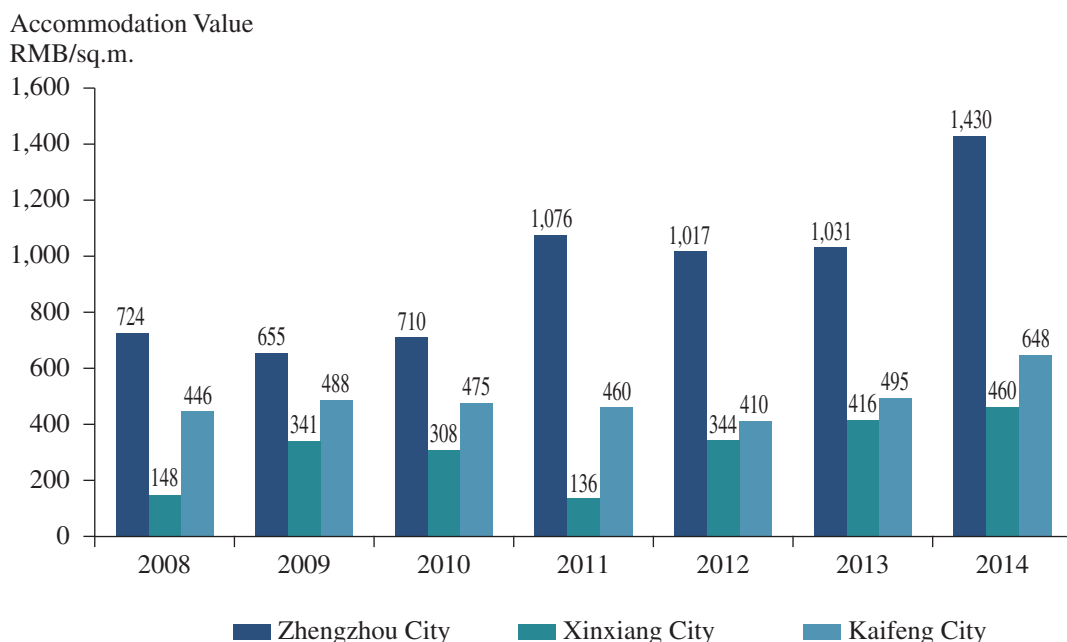
According to Land Resources Bureau of the PRC regarding the accommodation value of the nation's 105 major cities at the end of 2014 Q4, the accommodation value of land for composite use, commercial and services use, residential use, and industrial use was RMB3,522 per sq.m., RMB6,552 per sq.m., RMB5,277 per sq.m. and RMB742 per sq.m. respectively, which showed an increase of 5.2%, 3.9%, 4.8% and 6.0%, respectively, over 2013.

#### Land Prices of Henan Province

The state-owned construction land supplied in 2014 in Henan Province was approximately 27,753 hectare, which decreased 33.4% compared with that in 2013. The total land supplied for real estate used was 8,053 hectare, which decreased 23.0% over 2013. The total supply of land for commercial and services uses was 1,979 hectare, for industrial use was 8,873 hectare, and for residential use was 6,073 hectare, which showed a decrease of 30.7%, 15.5% and 20.1% respectively. The total land premium granted was RMB139,326 million. Among the above land granted, 95.4% of total area was granted by open market tender, auction and listing at a total contracted land premium of RMB132,876 million. The accommodation value was RMB857 per sq.m. which increased 15.9% over 2013.

The following diagrams represent the land transactions in terms of accommodation value, site area and gross floor area in Zhengzhou City, Xinxiang City and Kaifeng City, respectively:

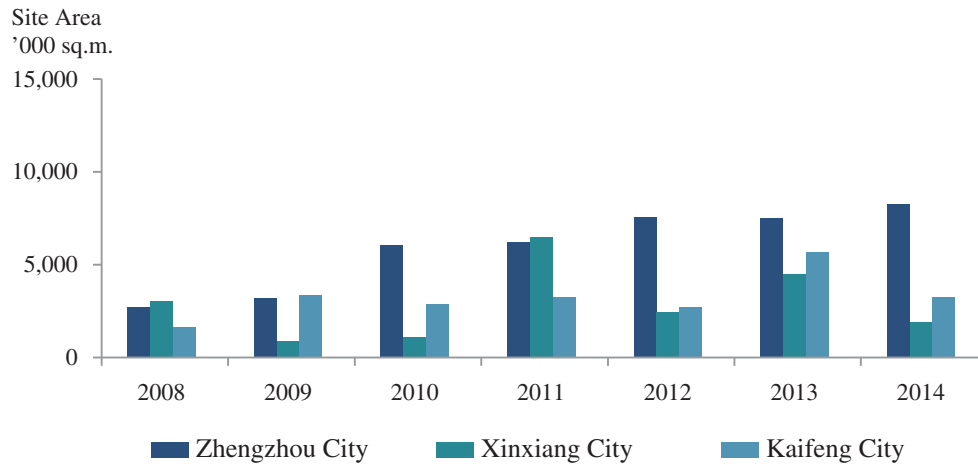
**Land transactions in terms of accommodation value**



Source: DTZ Report

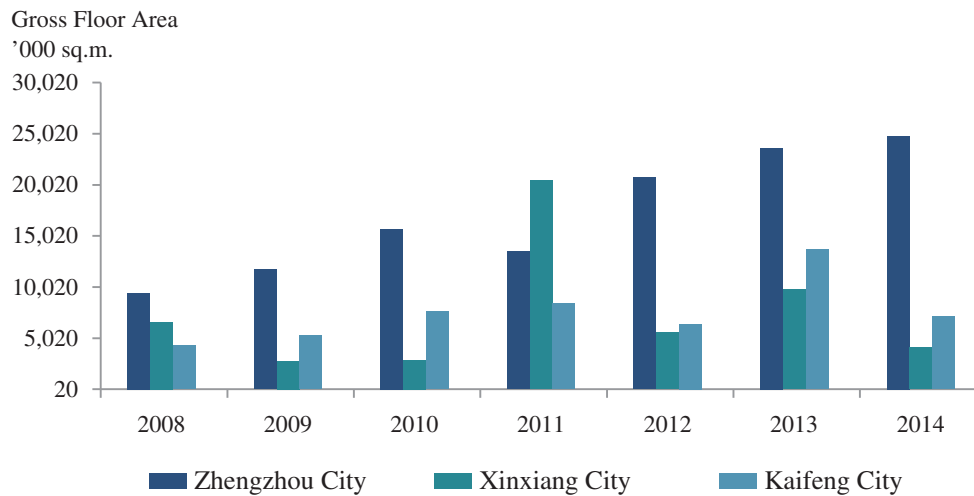
## INDUSTRY OVERVIEW

### Land transactions in terms of site area



Source: DTZ Report

### Land transactions in terms of gross floor area



Source: DTZ Report

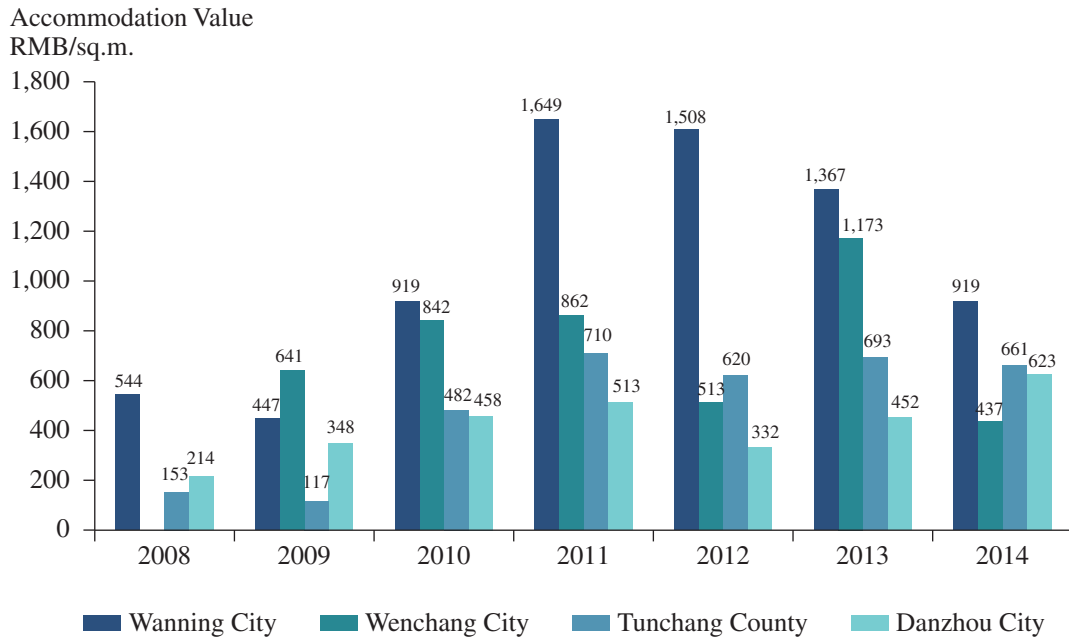
### Land Prices of Hainan Province

The state-owned construction land transacted in 2014 in Hainan Province was approximately 1,180 hectare, which decreased 50.2% compared with that in 2013. The total supply of land for residential use was 581 hectare, for industrial use was 120 hectare, and for commercial use was 183 hectare, which is 53.7%, 14.1% and 16.9% of total land transacted. The total land premium was RMB21,543 million.

## INDUSTRY OVERVIEW

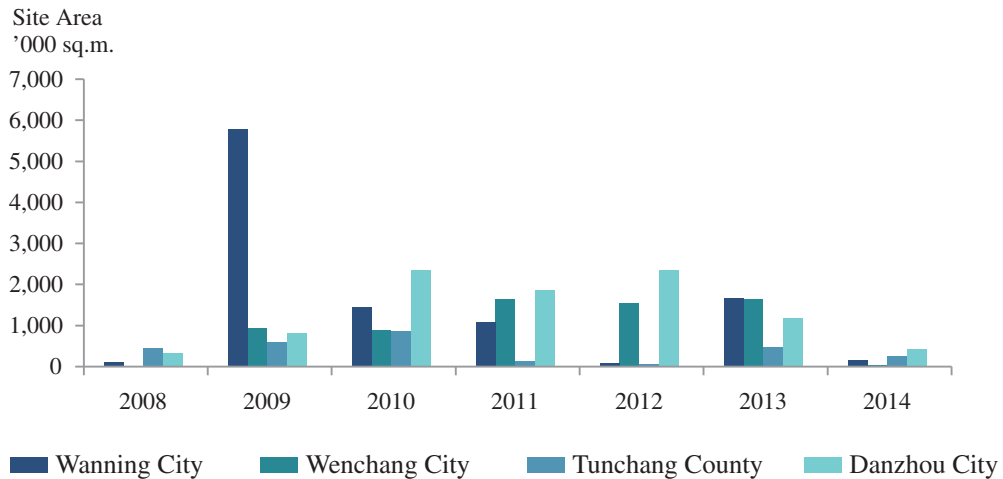
The following diagrams represent the land transactions in terms of accommodation value, site area and gross floor area in Wanning City, Wenchang City, Tunchang County and Danzhou City, respectively:

### Land transactions in terms of accommodation value



Source: DTZ Report

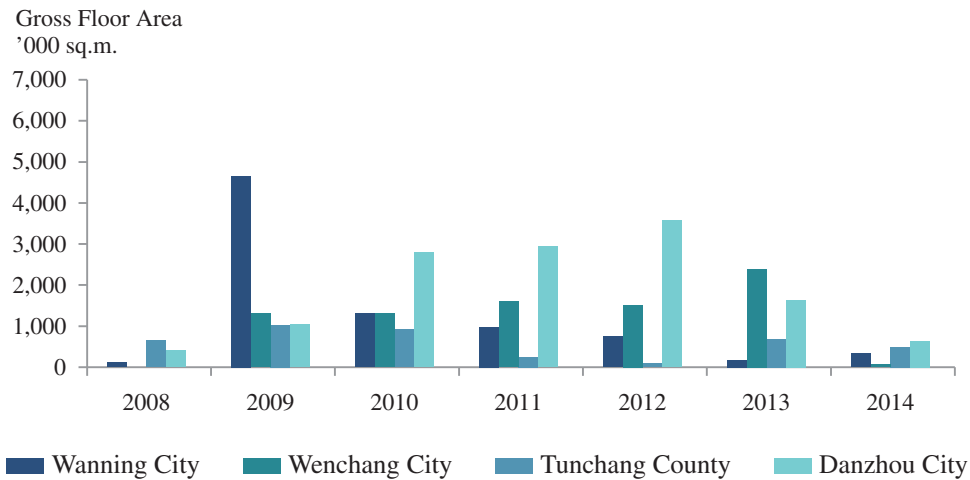
### Land transactions in terms of site area



Source: DTZ Report

## INDUSTRY OVERVIEW

### Land Transactions in terms of gross floor area



Source: DTZ Report

### Overall PRC Construction and Installation Costs

According to China Construction and Engineering Cost Information Web regarding the construction and installation costs of the nation's 30 large and medium-sized cities, the construction and installation costs of China for the years indicated are as follows:

|   | Second half of 2010 | First half of 2011 | Second half of 2011 | First half of 2012 | Second half of 2012 | First half of 2013 | Second half of 2013 | First half of 2014 | Second half of 2014 | First half of 2015 |
|---|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|
| High-rise residential property* (RMB/sq.m.)       | 1,595               | 1,633              | 1,700               | 1,730              | 1,774               | 1,811              | 1,835               | 1,839              | 1,817               | 1,791              |
| Small high-rise residential property* (RMB/sq.m.) | 1,411               | 1,461              | 1,461               | 1,576              | 1,570               | 1,591              | 1,639               | 1,637              | 1,654               | 1,629              |
| Multi-storey residential property* (RMB/sq.m.)    | 1,096               | 1,177              | 1,233               | 1,256              | 1,284               | 1,281              | 1,339               | 1,350              | 1,362               | 1,354              |

\*Note: As introduced by the Residential and Urban Construction Research Center, High-rise residential generally includes residential buildings above 25 storeys, whilst small high-rise residential generally includes residential buildings between 9 to 25 storeys, and multi-storey generally includes residential buildings under 9 storeys.

Source: China Construction and Engineering Cost Network of the Ministry of Housing

## INDUSTRY OVERVIEW

### Construction and Installation Costs of certain cities in Henan Province

According to China Construction and Engineering Cost Information Web regarding the construction costs of the nation's 30 large and medium-sized cities, the construction and installation costs of residential real estate development in Zhengzhou City are as follows:–

|   | Second<br>half of<br>2010 | First<br>half of<br>2011 | Second<br>half of<br>2011 | First<br>half of<br>2012 | Second<br>half of<br>2012 | First<br>half of<br>2013 | Second<br>half of<br>2013 | First<br>half of<br>2014 | Second<br>half of<br>2014 | First<br>half of<br>2015 |
|---|---------------------------|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------|
| High-rise residential property* (RMB/sq.m.)       | 1,382                     | 1,445                    | 1,496                     | 1,793                    | 1,765                     | 1,779                    | 1,762                     | 1,778                    | 1,766                     | 1,746                    |
| Small high-rise residential property* (RMB/sq.m.) | 1,209                     | 1,280                    | 1,326                     | 1,561                    | 1,535                     | 1,548                    | 1,535                     | 1,553                    | 1,543                     | 1,530                    |
| Multi-storey residential property* (RMB/sq.m.)    | 796                       | 831                      | 863                       | N/A                      | N/A                       | N/A                      | N/A                       | N/A                      | N/A                       | N/A                      |

*\*Note:* As introduced by the Residential and Urban Construction Research Center, High-rise residential generally includes residential buildings above 25 storeys, whilst small high-rise residential generally includes residential buildings between 9 to 25 storeys, and multi-storey generally includes residential buildings under 9 storeys.

*Source:* China Engineering Cost Network of the Ministry of Housing

According to DTZ Report, the construction and installation costs of Xinxiang City and Kaifeng City are generally similar to Zhengzhou City.

### Construction and Installation Costs of certain cities/county in Hainan Province

According to China Construction and Engineering Cost Information Web regarding the construction costs of the nation's 30 large and medium-sized cities, the construction and installation costs of residential real estate development in Haikou City are as follows:–

|   | First<br>half of<br>2012 | Second<br>half of<br>2012 | First<br>half of<br>2013 | Second<br>half of<br>2013 | First<br>half of<br>2014 | Second<br>half of<br>2014 | First<br>half of<br>2015 |
|---|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------|
| High-rise residential property* (RMB/sq.m.)       | 2,068                    | 2,265                     | 2,265                    | 2,285                     | 2,285                    | 2,223                     | 2,174                    |
| Small high-rise residential property* (RMB/sq.m.) | 1,880                    | 1,964                     | 1,964                    | 1,975                     | 1,975                    | 1,967                     | 1,975                    |
| Multi-storey residential* property (RMB/sq.m.)    | 1,504                    | 1,625                     | 1,625                    | 1,636                     | 1,636                    | 1,623                     | 1,621                    |

*\*Note:* As introduced by the Residential and Urban Construction Research Center, High-rise residential generally includes residential buildings above 25 storeys, whilst small high-rise residential generally includes residential buildings between 9 to 25 storeys, and multi-storey generally includes residential buildings under 9 storeys.

*Source:* China Engineering Cost Network of the Ministry of Housing

According to DTZ Report, the construction and installation costs of Wanning City, Wenchang City, Tunchang County and Danzhou City are generally similar to Haikou City.



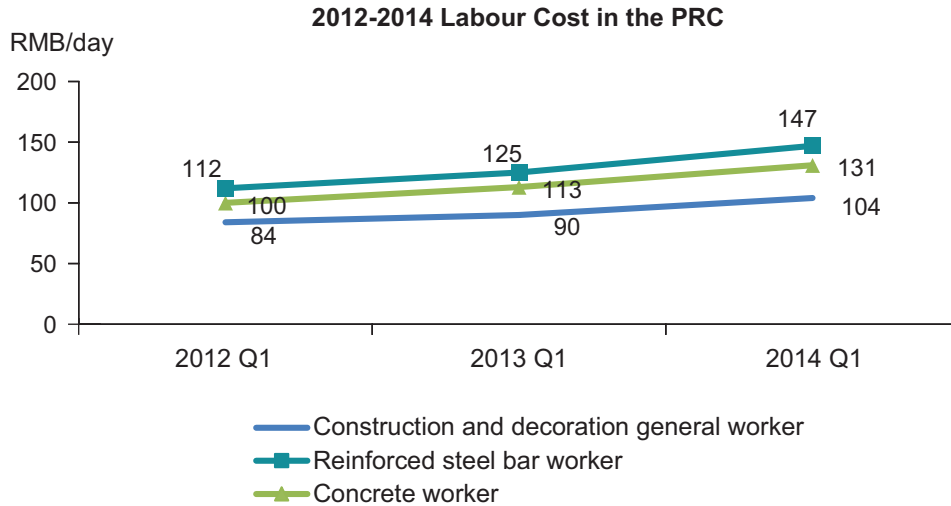
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## INDUSTRY OVERVIEW

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### Overall PRC Labour Costs

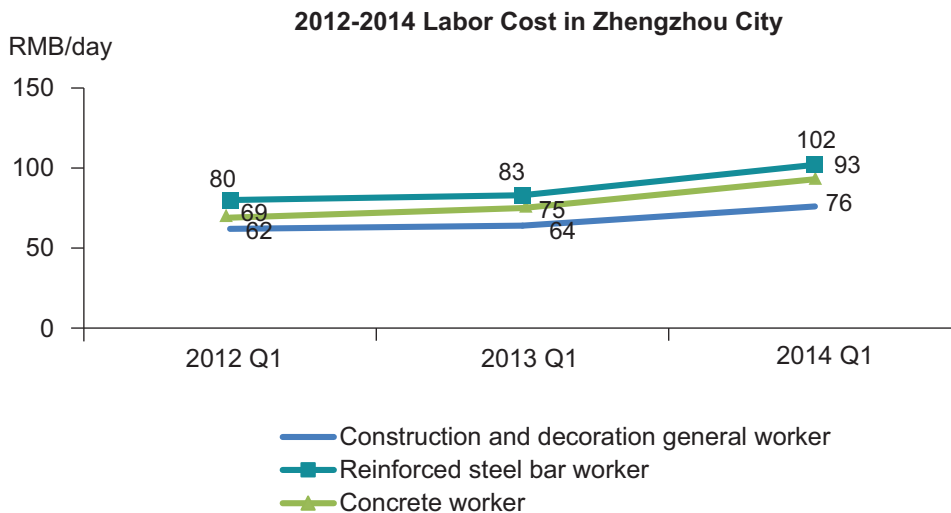
According to China Construction and Engineering Cost Information Web, the daily wages of construction/decorating worker, steel worker and concrete worker for the years indicated are as follows.



Source: China Construction and Engineering Cost Network of the Ministry of Housing

### Labour Costs of certain cities in Henan Province

According to China Construction and Engineering Cost Information Web, the daily wages of construction/decorating worker, steel worker and concrete worker in Zhengzhou City for the years indicated are as follows:



Source: China Engineering Cost Information Web of the Ministry of Housing

According to DTZ Report, the labour costs of Xinxiang City and Kaifeng City are generally similar to Zhengzhou.

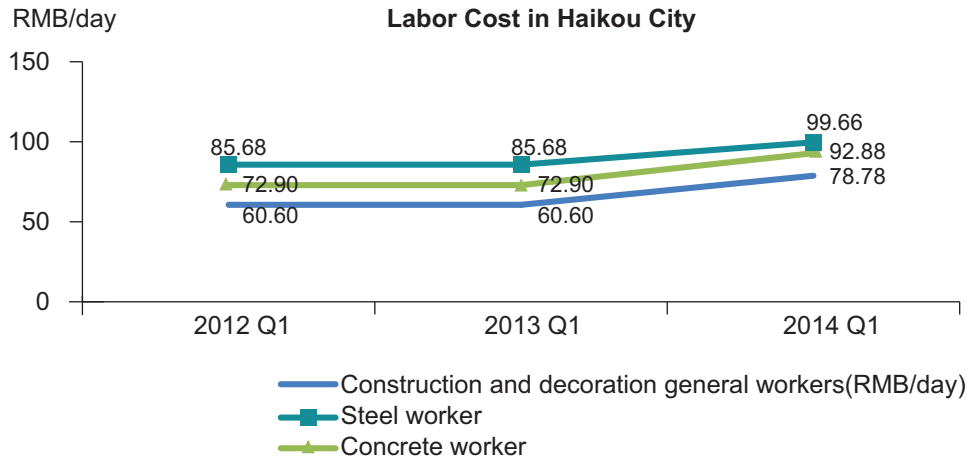
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## INDUSTRY OVERVIEW

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### Labour Costs of certain cities in Hainan Province

According to China Construction and Engineering Cost Information Web, the daily wages of construction/decorating worker, steel worker and concrete in Haikou City for the years indicated are as follows:



Source: China Engineering Cost Information Website of the Ministry of Housing

According to DTZ Report, the labour costs of Waning City, Wenchang City, Tunchang County and Danzhou City are generally similar to Haikou City.

### OVERVIEW OF PRC REGULATIONS

#### I. Establishment of real estate development enterprises

##### (I) State regulations

Pursuant to the Law of the People's Republic of China on Urban Real Estate Administration (Urban Real Estate Administration Law) (《中華人民共和國城市房地產管理法》) promulgated by the Standing Committee of National People's Congress ("NPC Standing Committee") on 5 July 1994 and revised on 30 August 2007 and 27 August 2009, real estate development enterprises refer to enterprises which engage in real estate development and operation for profits. According to the *Administration Ordinance on Development and Operation of Urban Real Estate* ("Development and Management Regulations") (《城市房地產開發經營管理條例》) promulgated by the State Council on 20 July 1998 and revised on 8 January 2011, real estate development enterprises shall comply with the relevant laws and administrative regulations on the establishment of enterprises as well as the following conditions:

1. with registered capital of RMB1 million or more; and
2. having four (4) or more full-time technical specialists holding qualification certificates in real estate and construction engineering specialty as well as more than two (2) full-time accounting staff holding qualification certificates.

The people's governments in the provinces, autonomous regions and municipalities may, based on local circumstances, impose more stringent requirements than the preceding provisions over the registered capital and professional and technical specialists of the established real estate development enterprises.

According to the *Development and Management Regulations*, developers who intend to set up real estate development enterprises shall apply to the industrial and commercial administrative departments of the local people's governments above the county level for registration. When the industrial and commercial administrative departments review the applications for registration of the establishment of real estate development enterprises, they shall consult the real estate development competent authorities at the same level. Within 30 days after obtaining the business license, the real estate development enterprises shall file its establishment with the real estate development competent authority in the location of its registration for a record.

##### (II) Local regulations

In addition to the above conditions, the local regulations in Henan Province make provisions on the establishment of real estate development enterprises:

The *Henan Urban Real Estate Development and Management Regulations* 《河南省城市房地產開發經營管理條例》 promulgated by the Standing Committee of Henan Provincial People's Congress ("Standing Committee of Henan Provincial People's Congress") on 31 May 2002 and amended on 30 July 2010 provide that:

The establishment of real estate development enterprises shall comply with the enterprise establishment conditions as specified by the laws and administrative regulations as well as the following conditions:

- (1) with registered capital of more than RMB2 million or more.
- (2) having five or more full-time technical specialists holding qualification certificates in real estate and engineering construction as well as at least three staff with intermediate or higher titles.

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## REGULATORY OVERVIEW

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- (3) having more than two or more full-time accounting staff holding accounting qualification certificates.

If real estate development enterprises established before the implementation of these regulations do not conform to the preceding provisions, such enterprises should satisfy the preceding provisions within one year after the implementation of these regulations. In case of failure to satisfy these regulations, such enterprises shall be canceled.

### **(III) Regulation on foreign-funded real estate enterprises**

#### *1. The principle of commercial presence*

The *Opinions on Regulating Foreign Capital Access into the Real Estate Market and Management* 《關於規範房地產市場外資准入和管理的意見》 promulgated and implemented by the Ministry of Construction of the People's Republic of China (“**the Ministry of Construction**”), the Ministry of Commerce of the People's Republic of China (“**the Ministry of Commerce**”), and the National Development and Reform Commission of the People's Republic of China (“**NDRC**”) on 11 July 2006, which stipulates that if foreign institutions and individuals (hereinafter referred to as “**foreign investors**”) invest in the purchase of non-self-use property within the territory, they should apply for the establishment of foreign-invested enterprises by following the principle of commercial presence in accordance with the foreign investment laws, regulations and relevant provisions. Upon approval by the approving authority and going through the registration, such enterprises shall engage in the relevant construction and operation activities within the approved scope.

The *Notice on the Issues Relating to the Implementation of the Opinions on Regulating Foreign Capital Access into the Real Estate Market and Management* 《關於貫徹落實〈關於規範房地產市場外資准入和管理的意見〉有關問題的通知》 further promulgated and implemented by the Ministry of Commerce on 14 August 2006, which stipulates that foreign-invested real estate enterprises refer to foreign-funded real estate enterprises which engage in the construction and operation of ordinary homes, apartments, villas, hotels (restaurants), resorts, office buildings, exhibition centers, commercial facilities and theme parks or land development or development projects for the purpose of the above-mentioned project construction.

#### *2. The principle of project companies*

The *Notice on Further Strengthening and Regulating the Approval and Supervision of Foreign Direct Investment in Real Estate Industry* 《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》 promulgated and implemented by the Ministry of Commerce and the State Administration of Foreign Exchange on 23 May 2007, pursuant to which, foreign investment in real estate development and management should follow the principles of the project company: (1) an enterprise which applies for the establishment of a real estate company should first obtain the land use right or the real estate building ownership, or has signed the land use right agreement or property transfer/purchase agreement with the land management department or the land developer/real estate building owner. In case of failure to satisfy the above requirements, the examination and approval department shall not approve. (2) if well established enterprise intends to establish the new real estate development or operation of foreign-invested enterprises, or a foreign-invested enterprise is engaged in the new real estate development and management, such enterprise should, in accordance with the relevant laws and regulations, apply to the examination and approval department for handling the related formalities for increasing the scope of business or expanding the operation scale.

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## REGULATORY OVERVIEW

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### 3. *Approval and registration of foreign-invested real estate enterprises*

The *Opinions on Regulating Foreign Capital Access into the Real Estate Market and Management* promulgated and implemented by the Ministry of Construction, the Ministry of Commerce, the National Development and Reform Commission on 11 July 2006, which regulates that the establishment of foreign-invested real estate enterprises shall be approved by the competent commercial department and the industry and commerce administration authorities and go through the registration procedures in accordance with the law, and shall be issued a one-year Foreign-invested Enterprise Approval Certificate and Business License. After paying the land use right transfer fee, the enterprise shall visit the land management department by virtue of the above license to apply for the State-owned Land Use Certificate and then visit the competent commerce department for renewal of the official Foreign-invested Enterprise Approval Certificate by virtue of the State-owned Land Use Certificate, and then visit the industry and commerce administration authority for renewal of the Business License in line with the operating period of the Foreign-invested Enterprise Approval Certificate. Finally, it should visit the tax authority for tax registration. Foreign investors who fail to obtain the Foreign-invested Enterprise Approval Certificate and the Business License for real estate investment shall not engage in real estate development and management activities.

### 4. *Registered Capital*

On 19 August 2015, the Ministry of Construction, the Ministry of Commerce, NDRC (the National Development and Reform Commission of the People's Republic of China), PBOC (People's Bank of China), SAIC (State Administration for Industry and Commerce of the People's Republic of China) and SAFE (State Administration of Foreign Exchange) promulgated and implemented the *Notice on Adjusting the Policies Concerning the Foreign Capital Access into the Real Estate Market and Management (Doc. No.122)* 《關於調整房地產市場外資准入和管理有關政策的通知》. The Notice specifies "cancellation on the requirement of all registered capital being paid before the foreign-invested real estate enterprises apply for domestic loan, overseas loan and borrowing of foreign exchange settlement".

### 5. *Filing of the foreign-invested real estate enterprises*

The Notice on the Filing of the Foreign Investment in the Real Estate Industry 《關於做好外商投資房地產業備案工作的通知》 promulgated by the Ministry of Commerce on 18 June 2008 and implemented on 1 July 2008, pursuant to which, the Ministry of Commerce authorises the provincial commercial department to verify the filing of documents of the foreign investment in the real estate industry. After the local competent commercial department has approved the matters (including the establishment of enterprises, capital increase, share expansion, equity transfer, mergers and acquisitions, etc.) in relation to foreign investment in real estate in accordance with the law, the documents which should be originally reported to the Ministry of Commerce for filing should be submitted to the provincial competent commercial department for verification.

In addition, the *Notice on Improving the Filing of the Foreign Investment in the Real Estate* 《關於改進外商投資房地產備案工作的通知》 promulgated by the Ministry of Commerce and the State Administration of Foreign Exchange on 24 June 2014 and implemented on 1 August 2014, pursuant to which, the filing process of foreign investment in real estate is simplified and the filing in the Ministry of Commerce is changed from the paper document filing to electronic data filing and random inspection is conducted during and after the events. The Ministry of Commerce authorises the provincial affairs department to verify the filing of documents of the foreign investment in the real estate. *Notice of the Ministry of Commerce and the State Administration of Foreign Exchange on Further Improving the Recordation of Foreign Investment in Real Estate* promulgated by Ministry of Commerce and the State Administration of Foreign Exchange on 6 November 2015, which further simplifies the administration of foreign-funded real estate enterprises. The publication procedure for recordation on the website of the

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## REGULATORY OVERVIEW

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Ministry of Commerce shall be cancelled. Foreign-funded real estate enterprises may, after completing the aforesaid work procedure, go through foreign exchange registration under foreign direct investment and other formalities with a bank according to relevant provisions on foreign exchange administration.

### 6. *Foreign exchange management for foreign-invested real estate enterprises*

The *Notice on Further Strengthening and Regulating the Approval and Supervision of Foreign Direct Investment in Real Estate Industry* promulgated 《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》 and implemented by the Ministry of Commerce and the State Administration of Foreign Exchange on 23 May 2007, pursuant to which, the foreign exchange administration departments and the foreign exchange designated banks shall not handle the procedures of foreign exchange settlement under the capital item for foreign-invested real estate enterprises which fail to complete the formalities of filing in the Ministry of Commerce or pass the joint annual inspection for foreign-invested enterprises.

The *Notice on Regulating the Issues Related to Foreign Exchange Management in the Real Estate Market* 《關於規範房地產市場外匯管理有關問題的通知》 promulgated and implemented by the SAFE and the Ministry of Construction on 1 September 2006 and revised on 4 May 2015, pursuant to which, the funds in the special foreign exchange accounts for foreign investors opened by foreign institutions and individuals in the domestic banks shall not be used for real estate development and management.

On 19 August 2015, the Ministry of Construction, the Ministry of Commerce, NDRC (the National Development and Reform Commission of the People's Republic of China), PBC (People's Bank of China), SAIC (State Administration for Industry and Commerce of the People's Republic of China) and SAFE (State Administration of Foreign Exchange) promulgated and implemented the *Notice on Adjusting the Policies Concerning the Foreign Capital Access into the Real Estate Market and Management (Doc. No.122)*. The Notice specifies "on and after 19 August 2015, foreign-invested real estate enterprises may directly go to the bank for the handling of procedures regarding the foreign direct investment related foreign exchange registration".

### 7. *Catalogue for Guidance of Foreign Investment Industries*

The *Catalogue for Guidance of Foreign Investment Industries* 《外商投資產業指導目錄》 promulgated by the National Development and Reform Commission, Ministry of Commerce on 24 December 2011 and implemented on 30 January 2012 provides that land development (joint ventures and cooperation only), construction and operation of luxury hotels, high-grade office buildings and international exhibition centers, real estate secondary market transactions and real estate agents and brokerage companies belong to the catalogue for the guidance of restricted foreign investment.

Pursuant to the *Catalogue for the Guidance of Foreign Investment Industries* 《外商投資產業指導目錄》 promulgated by the National Development and Reform Commission and Ministry of Commerce on 10 March 2015 and implemented on 10 April 2015, the real estate industry no longer belongs to the catalogue for the guidance of restricted foreign investment.

## II. **Qualification of real estate development enterprises**

### **(I) *Qualification classification and grading of real estate development enterprises***

According to *Development and Management Regulations*, real estate development enterprises shall put on records at the competent department of real estate development, which is located in the same region as the registration authority, within 30 days from the date of receipt of the business license. The competent department of real estate development shall approve the qualification grading of the record-filing real estate development enterprises based on assets, professional and technical personnel, development and business performance, etc. The real estate development enterprises shall, in accordance with the approved qualification grading, undertake corresponding real estate development projects. The specific measures shall be formulated by the construction administration department of the State Council.

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## REGULATORY OVERVIEW

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According to the *Regulations on the Qualification Management for Real Estate Development Enterprise* 《房地產開發企業資質管理規定》 (“**Doc. No. 77**”) promulgated by the Ministry of Housing and Urban-Rural Development of the People’s Republic of China (MOHURD) on 29 March 2000 and amended on 4 May 2015, enterprises which engaged in real estate development should apply for the approval of qualification grading according to the regulations. The enterprises which have not obtained the qualification grading certificate for real estate development shall not engage in real estate development business. The construction administration department of the State Council is in charge of the qualification management of the real estate development enterprises with national operations. The local competent departments of real estate development of the people’s governments at or above the county level are responsible for qualification management of local real estate development enterprises.

The qualification grading of real estate development enterprises implements the graded examination and approval. The enterprises which engage in real estate development shall be categorised into four grades, that is, Grade I, II, III, IV, in accordance with the registered capital and financial conditions, the scale of investment in real estate development and business experience, the engineering quality, as well as the hired professional personnel and quality control system. The enterprises with the qualification of Grade I shall go through the first trial conducted by the construction administration departments under the people’s governments of the provinces, the autonomous regions and municipalities directly under the Central Government, and then apply for examination and approval of the construction administration department of the State Council. The measures of examination and approval for the enterprises with the qualification of Grade II or below are formulated by the construction administration departments of the people’s governments of the provinces, the autonomous regions and municipalities directly under the Central Government. The enterprises which have passed the qualification examination shall be awarded the corresponding qualification certificates by the qualification examination departments. The competent department of real estate development shall approve and issue Interim Qualification Certificate to the qualified enterprises within 30 days upon receipt of the application for setting up the record. The Interim Qualification Certificate shall be valid for one year. The competent department of real estate development may extend the validity of Interim Qualification Certificate according to the enterprises’ actual operation conditions. However, the validity shall not be extended for more than two years. If the enterprises have not conducted any development project within a year since the date of receipt of Interim Qualification Certificate, no extension of validity shall be granted. The real estate development enterprises shall apply for the approval of qualification grading from the competent department of real estate development within one month before expiration of the Interim Qualification Certificate.

### ***(II) Business scope of real estate development enterprises***

According to the related provisions of Doc. No. 77, the enterprises with various qualification grading shall engage in the real estate development and management within the prescribed scope of business, and shall not bypass the immediate leadership and undertake the tasks. The construction scale of real estate projects undertaken by the real estate development enterprises with the qualification of Grade I is not restricted, they can undertake real estate development projects all over the country. The enterprises with the qualification of Grade II or below can undertake the development and construction projects with the area of 250,000 square meters, and the specific scope of business undertaken by them should be determined by the construction administration departments of the people’s governments of the provinces, the autonomous regions and municipalities directly under the Central Government.

### ***(III) Annual inspection of real estate development enterprises***

According to the related provisions of Doc. No. 77, the annual qualification inspection system shall be applied to the real estate development enterprises. For those enterprises which are not in conformity with the original qualifications or have poor business behaviors, they shall be degraded or punished in

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## REGULATORY OVERVIEW

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the way of canceling the qualification certificates by the original qualification examination and approval departments. The construction administration department of the State Council or its authorised agency shall be responsible for the annual qualification inspection of real estate development enterprises with the qualification of Grade I. The construction administration departments of the people's governments of the provinces, the autonomous regions and municipalities directly under the Central Government shall determine management approaches for the annual qualification inspection of real estate development enterprises with the qualification of Grade II or below.

### **(IV) Local regulations**

In addition to the above conditions, different local regulations governing our target markets have provisions on the qualifications of the establishment of real estate development enterprises:

#### *1. Henan*

The *Notice on Further Regulating the Management of Real Estate Development Enterprise Qualifications* 《關於進一步規範房地產開發企業資質管理工作的通知》 promulgated by the Housing and Urban Construction Department of Henan Province on 3 December 2014 provides that:

- (1) The qualifications of real estate development enterprises shall be approved by different Grades. Grade I qualifications shall be initially reviewed by the provincial Housing and Urban Construction Department and then reported to the Ministry of Housing and Urban-Rural Development for approval. Grade II qualifications shall be initially reviewed by the competent real estate development of the municipality directly under the province, county (city) under the province and the airport economic comprehensive experimental zone and then reported to the provincial Housing and Urban Construction Department for approval. Grade III or below qualifications (including Grade III, IV and tentative) shall be approved by the municipality directly under the province, county (city) under the province and the airport economic comprehensive experimental zone since 1 January 2015.
- (2) Newly established real estate development enterprise shall, within 30 days after the date of receipt of the business license, visit the competent real estate development department of the municipality directly under the province, county (city) under the province and the airport economic comprehensive experimental zone for filing. The competent real estate development department should issue the tentative qualification certificate to the enterprises which satisfy the requirements within 15 days and the tentative qualification certificate is valid for two years. If the development project is not completed, the validity period can be extended for a period not more than one year.

#### *2. Hainan*

The *Notice on the Relevant Issues Relating to the Adjustment of the Qualification Conditions of Real Estate Development Enterprises* 《關於調整房地產開發企業資質條件等有關問題的通知》 promulgated and implemented by Hainan Provincial People's Government Office on 1 November 2013 provides the regulations on the four-level qualifications and tentative qualifications as follows:

Level IV qualifications:

- (1) registered capital not less than RMB10 million;
- (2) engaged in real estate development and management for more than one year;
- (3) 100% quality pass rate of the completed construction building;
- (4) having at least 8 professional management personnel having the titles of architecture, structure, finance, real estate and related economy (3 construction engineering specialists, 2 finance specialists, 2 real estate or economics specialists, and 1 statistical specialist in line



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with the provincial labour department title classification), including at least 4 management officers with intermediate professional titles or above (2 engineering construction specialists, 1 finance specialist, 1 real estate or economics specialist), at least 2 full-time accounting staff holding the qualification certificates;

- (5) engineering technology, finance, and real estate personnel having the corresponding intermediate professional titles or above, and statistics and other personnel having the corresponding primary professional titles or above;
- (6) the commercial housing sales implementing the system of the Residential Quality Guarantee and the Residential Use Instructions; and
- (7) no occurrence of major incidents regarding quality.

Provisional qualifications: if the newly established real estate development enterprises intend to apply for the Provisional Qualification Certificate, such enterprises shall not be graded below level IV in qualification enterprises. Other conditions shall satisfy the requirements of level IV qualification standards except for Nos. 2, 3, 6, and 7 in the level IV qualifications.

Level II to IV enterprise qualifications shall be approved by the province. The provisional enterprise qualifications shall be approved by the county. Cities and counties shall assume the responsibility for approval, effectively simplify and standardise the approval procedures and provide quality services for enterprises. At the same time, they should strengthen market supervision, enhance the investigation and punishment of illegal activities of the enterprises, shareholders, management and employees and effectively regulate the real estate project construction and sales practices.

The Provisional Qualification Certificate is valid for one year. Cities and counties can extend the validity of the Provisional Qualification Certificate depending on the operation of the enterprise, but the extension shall not exceed two years. If there is no development project within one year after receipt of the Provisional Qualification Certificate, the validity of the Provisional Qualification Certificate shall not be extended. If the real estate development enterprise applies for verification of the qualification grading, such enterprise should apply to the Provincial Housing and Urban Construction Department within one month upon expiry of the Provisional Qualification Certificate. The Provincial Housing and Urban Construction Department shall verify the corresponding qualification grading based on its operating performance.

### III. Land use right of real estate development

#### (I) Land category

All land in the PRC is owned by the country or is collectively owned, and the particular cases are subject to the land location. According to The Law of the People's Republic of China on Land Administration (LLAPRC) 《中華人民共和國土地管理法》, which was implemented by the Standing Committee of the National People's Congress (NPCSC) on 1 January 1999 and amended on 28 August 2004, the land in urban areas is owned by the country. Except for the land owned by the country which is prescribed by law, the land in rural areas and suburban areas shall be collectively owned by peasants; homestead as well as private plots and private hilly land shall be collectively owned by peasants. Pursuant to law, the country shall have the right to recall the land ownership or land use rights for the interests of the public with compensation.

All land in the PRC is owned by the country or is collectively owned, but individuals and entities may obtain the land use right according to the law, and develop the land of which the land use right has obtained. According to *Interim Regulations for the Remising and Transfer of Urban State-owned Land Use Right of the People's Republic of China* 《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》 (“**Regulations on Urban Land**”) promulgated and implemented by the State Council on 19 May 1990,

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the state-owned land use rights could be further divided into two categories according to whether the land is obtained with compensation. The first category is the allotted land use right, which means the land users obtain free of charge the land use right in accordance with the law by various means. The second category is the assigned land use right, which means the country as a land owner assigns the land use right to the land users in certain years, and the land users pay the remising fee of the land use right to the State.

### **(II) Land remising**

#### **1. General regulations**

In April 1988, the National People's Congress (NPC) passed the *Amendments to the Constitution of the People's Republic of China* 《中華人民共和國憲法修正案(1998)》. It was regulated in the amendments that the land use right could be transferred in accordance with the provisions of the law, which paves the way for the subsequent law amendments of land use right transfer from the constitutional level. Subsequently, The NPCSC amended LLAPRC in December 1988, allowing the compensated transfer of land use right.

On 19 May 1990, the State Council issued the *Regulations on Urban Land* to regulate the procedures on the paid remising and transfer of land use right. According to the *Regulations*, the State implements the remising and transfer system of urban state-owned land use right in accordance with the principle of separation of ownership and use right, and reserves the ultimate ownership of land. But, the land use right can be assigned by the national and local governments at or above the county level after the remising fee for land use right has been paid to the country and the land shall be used for specific purposes according to the land remising contract, with the maximum term of 70 years.

The *Regulations on Urban Land* provides that the maximum term for sale varies with land uses as follows:

| <b>Land use</b>  | <b>Maximum term<br/>(years)</b> |
|--|---------------------------------|
| Residence  | 70                              |
| Industry   | 50                              |
| Education, science and technology, culture, health, and sports | 50                              |
| Commerce, tourism, and entertainment                           | 40                              |
| Integrated or others   | 50                              |

According to the *Regulations on Urban Land*, unless the law provides otherwise, domestic or foreign enterprises shall be entitled to obtain the land use right. The State shall not recall the land use right in accordance with the law prior to expiry of the remising period. Under special circumstances, if the State recalls the land within the remising period for the interest of the public, the State must give corresponding compensation according to the service life which the land user has used as well as the actual situation of the development and utilisation of land. In the case of compliance with the terms of the land remising contract, the user of land use right can exercise roughly the same rights as the land owners in the remising period, including possession, lease, transfer, mortgage and development of the land for sale or lease.

After paying the land remising fee according to the contract terms of ownership and obligation, the assignee of land can apply to the relevant land administration department for land use certificate. According to the *Property Law of the People's Republic of China (Property Law)* 《中華人民共和國物權法》 issued on 16 March 2007 and took effect on 1 October 2007, the land use right period of housing land shall be automatically extended prior to expiry, and the land use right period of the land for other uses should be handled according to relevant laws. In addition, if the State needs to recall the land within

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the land use right period for the interest of the public, the State should pay compensation to the residential property on the land and other owners of the real estate, and refund the remising fee of the relevant land.

According to the *Notice on Printing and Distribution Limited Land Projects Directory (2012) and Forbidden Land Project Directory (2012)* 《關於發佈實施〈限制用地項目目錄(2012年本)〉和〈禁止用地項目目錄(2012年本)〉的通知》, which were promulgated and implemented by the Ministry of Land and Resources of the People's Republic of China (Ministry of Land and Resources) and the National Development and Reform Commission (NDRC) on 23 May 2012, the assigned area of housing project shall not exceed the following standards: 7 hectares in small cities and municipal towns, 14 hectares in medium-sized cities, 20 hectares in big cities; plot ratio shall not lower than 1.0 (including 1.0).

### 2. Modes of land remising

According to the PRC laws and the State Council's notices, except for the land use right obtained through allocation, the use right of land for property development could be obtained through remising. There are two modes for remising of the land use right, namely agreement mode or bidding mode (that is, bid, auction or listing).

#### (1) Agreement mode

The *Regulation on the Remising of State-owned Land Use Right by Agreement (Regulation on the Remising by Agreement)* 《協議出讓國有土地使用權規定》 was promulgated by the Ministry of Land and Resources on 11 June 2003 and implemented on 1 August 2003. It is stipulated in the ministry's regulation that in the published sections, when each plot only has one intended land user, and if the plot is not used for commerce, tourism, entertainment, commodity housing and other purposes as the profit-oriented land, the land and resources competent administrative departments under city and county people's governments shall conduct the remising by agreement in accordance with the regulation. According to the *Regulation on the Remising by Agreement*, the local administrative department of land and resources, together with other relevant government departments, including that of urban planning, shall formulate relevant planning of land remising, including issues such as specific location, site, use, size, remising period, service conditions, planning and design conditions as well as the minimum price by agreement of remising (the minimum price by the agreement of remising shall not be less than the sum of paid use land fee, compensation fee for land acquisition (demolition) as well as the relevant taxes duly paid in accordance with national regulations of newly-increased construction. As for the areas where the benchmark land price is applied, the minimum price by the agreement of remising shall not be less than 70% of benchmark land price of the areas which the plot is located). The aforesaid planning shall be submitted to the relevant government for approval. After that, the local administrative department of land and resources and the concerned personage shall negotiate and make the Land Remising Contract according to the above planning. If the land use right, which prepares to be assigned, has two or more intended land users, the aforesaid land use right shall be assigned in the way of bidding, auction and listing or in the way of listing at the Land Exchange based on the remising regulation.

The assignee shall pay the land remising fee according to the terms of the contract, and shall submit the contract to the local administrative department of land and resources to finally obtain the land use certificate. Upon expiry of the remising period, the assignee can apply for an extension. After the approval by the relevant local state-owned land management department, a new contract shall be made to extend the remising period, and the land remising fee must be paid.

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If land users legally acquired the state-owned land use rights via transfer by an agreement need to change the land use specified by the State-owned Land Use Right Transfer Contract into commerce, tourism, entertainment, residential housing and other business purposes, the following conditions shall be satisfied:

- (1) obtaining the consent of the transferor and the urban planning department of the people's government at the city and county level;
- (2) signing the Agreement on Modification of the State-owned Land Use Right Transfer Contract or re-signing the State-owned Land Use Right Transfer Contract;
- (3) on the basis of the land use after the change, paying the corresponding land use right transfer fee at the market price of the land when the change is made; and
- (4) handling the registration for land use rights changes according to the law.

The *Regulations on Sale of the State-owned Land Use Right through Agreement (Trial)* 《協議出讓國有土地使用權規範(試行)》 issued by the Ministry of Land and Resources on 31 May 2006 and implemented on 1 August 2006 provide that the state-owned land use right can be transferred by means of agreement apart from situations which could be conducted by bidding, auction or quotation in accordance with laws, rules and regulations, including the following situations:

- (1) the land use other than the commerce, tourism, entertainment, commercial housing and other business purposes and there is only one intended land user for the same parcel of land after the land supply programme is launched;
- (2) transfer of land by agreement is allowed upon approval in accordance with the law if the originally allocated and leased land use right person applies for transfer by agreement, unless otherwise specified in the State-owned Land Allocation Decision, the State-owned Land Lease Contract, laws, regulations and administrative provisions clearly specify that the land use rights shall be recalled and re-transferred;
- (3) transfer of land by agreement is allowed upon approval in accordance with the law if the allocated land use right transfer applies for transfer by agreement, unless otherwise specified in the State-owned Land Allocation Decision, laws, regulations and administrative provisions clearly specify that the land use rights shall be recalled and re-transferred;
- (4) upon the application by the owner of land use right for renewal, which is approved after examination, the transfer of land can be made through agreement;
- (5) other circumstances specified by the laws, regulations and administrative regulations.

### (2) Bidding method

*Rules on the Assignment of the State-owned Land Use Right by Bidding, Auction and Quotation* 《招標拍賣掛牌出讓國有土地使用權規定》 promulgated by the Ministry of Land and Resources on 9 May 2002 and implemented on 1 July 2002 provide rules on the assignment of the land use right by bidding. The *Rules* were renamed *Rules on the Assignment of the State-owned Construction Land Use Right by Bidding, Auction and Quotation* (“*Rules on the Assignment*”) 《招標拍賣掛牌出讓國有建設用地使用權規定》 as amended on 28 September 2007 and took effect as from 1 November 2007. The *Rules on the Assignment* specify the land for industry, commerce, tourism, entertainment or commercial residence, or the land involving two or more intended land users shall be assigned by bidding. A series of measures specified in the *Rules on the Assignment* guarantee that the right to use the commercial land is assigned in an open and fair manner. For example, local land administration department shall take into account socio-economic factors and planning when deciding on the use of some lands and such decisions shall be reported to the government at city or county level for approval. The assignee may, after paying off all the land assignment fees as specified in the state-owned land assignment contract, apply for land registration and obtain the certificate for the use of state-owned land. Besides, the assignor shall publish

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the announcement on bidding, auction or quotation at least 20 days prior to the commencement date of bidding, auction or quotation and other procedure. The *Rules* also specify that for the land assigned by bidding, auction or quotation, the duration for accepting the bid shall not be less than 10 days.

For assignment by way of bidding, local state-owned land administration department that assigns the land use right shall examine qualifications of intended bidders and notify eligible bidders to participate in the bidding procedure by issuing a tender document. Bidders shall submit a sealed tender and pay security deposit. If there are less than three bidders, the assignor shall terminate the bidding activity. If there are no less than three bidders, the assignor shall announce names, bid prices and main content of bidding documents of the bidders one by one. If the land use right is assigned by bidding, a bid evaluation committee consisting of five or more members (including representative of the assignor and other experts) set up by local state-owned land administration department shall be responsible for bid opening and deciding on the winner.

If the land use right is assigned by auction, the relevant local state-owned land administration department will hold a public auction. According to relevant terms and conditions, the one who offer the highest bid will be awarded the land use right. The winner shall conclude a *Land Assignment Contract* with the local state-owned land administration department and obtain the land use right certificate after paying relevant land assignment fee within the specified period.

On 13 May 2011, the Ministry of Land and Resources promulgated and implemented the *Opinions on Insisting on and Improving the Assignment System of Land by Bidding, Auction and Quotation* 《關於堅持和完善土地招標拍賣掛牌出讓制度的意見》. The *Opinions* specify:

1. Correct understanding of the regulating effect of policies on assignment of land by bidding, auction or quotation;
2. Improvement of the system of announcement on bidding, auction or quotation plan for residential land;
3. Adjustment and improvement on policies on assignment of land by bidding, auction or quotation, including:
  - (1) Setting restrictions on property price or land price, and assigning the policy-related residential land by quotation or auction;
  - (2) Setting restrictions on the floorage of low-income housing under tie-in construction, and assigning the land for commodity housing by quotation or auction;
  - (3) Assessing the land development and utilisation conditions and land assignment price from an all-round perspective, and determining the owner of the land use right by bidding;
4. Active promotion of online assignment of the land use right; and
5. Improve contract on the assignment of land by bidding, auction or quotation.

### **(III) Land transfer**

Besides direct assignment by the government, investors may also obtain the land use right through signing a transfer contract with the land user who has already obtained the land use right. For any investment, development or use of land out of accordance with the deadline and conditions specified in the *Land Assignment Contract*, the land use right shall not be transferred. Rights and obligations set out in registration documents including the *Land Assignment Contract* shall be transferred along with the transfer of the land use right. For any land user that obtains the land use right by transfer, the land use period shall be the land use period under the *Land Assignment Contract* less the land use period already used by the original land user.

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According to the *Provisions on the Administration of Urban Real Estate Transfer* (“**Provisions on the Transfer**”) 《城市房地產轉讓管理規定》 promulgated by the Ministry of Construction on 7 August 1995 and implemented on 1 September 1995 and later amended on 15 August 2001, the term “real estate transfer” refers to the acts of the owner of real estate right to transfer its real estate to others by sales, gift or other lawful means, mainly including the following acts:

1. Establishing an enterprise with the status of legal person by converting the real estate as shares, thus changing the ownership of the real estate;
2. One party providing the land use right and the other party or parties providing the funds to develop and manage the real estate in the form of joint equity venture or contractual cooperative venture, thus changing the ownership of the real estate;
3. The ownership of real estate being transferred because of purchase, consolidation or merger of enterprises;
4. Paying a debt in kind of real estate; and
5. Other circumstances provided for by laws and regulations.

According to the *Provisions on the Transfer*, if the land use right is obtained by assignment, the following conditions shall be met when the real estate is transferred:

1. All assignment fees have been paid for the land use right according to the assignment contract, and the land use right certificate has been acquired;
2. Where investment and development are carried out according to the assignment contract, with respect to housing construction projects, more than 25% of the total project shall be completed; with respect to development of land in plot, the land shall be developed and constructed as planned, and the construction of the civil infrastructure and public facilities such as water supply and drainage, power supply, heat supply, roads and traffic, communication, etc. shall be completed for site preparation to create conditions for industrial land or other construction use; and
3. If the housing construction has been completed when the real estate is transferred, the owner shall also have the building ownership certificate.

According to the *Provisions on the Transfer*, the real estate is forbidden to be transferred in the following circumstances:

1. If the land use right is obtained by assignment, but the conditions provided for in Article 10 of the Provisions are not satisfied;
2. If the judicial organs or administrative organs rule according to law that the real estate shall be seized or real estate right be restricted by other means;
3. If the land use right has been recalled according to law;
4. For real estate under joint ownership, if the written approval of other joint owners has not been obtained;
5. If the ownership is in dispute;
6. If the ownership certificate has not been drawn or registered through registration according to law; and
7. Other circumstances in which the real estate is prohibited from transfer as stipulated by laws and administrative regulations.

All rights and responsibilities due to the current owner of the land use right according to the *Land Assignment Contract* will be transferred to the assignee of the land use right at the same time. If any old urban area is rebuilt under the urban planning, the relevant local government may also acquire the land use right from the land user, who shall have the right to obtain compensations for loss of the land use right.

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### IV. Land reserve for development of real estate

On 19 November 2007, the Ministry of Land and Resources, the Ministry of Finance and the PBOC promulgated and implemented *Measures for Land Reserve Administration* 《土地儲備管理辦法》. The *Measures* specify that a land reserve agency shall be a public institution which is established upon approval of the people's government at city and county levels, has independent corporate capacity, subordinates to the land and resources management departments and undertakes the land reserve work of this administrative jurisdiction in a unified way. The land reserve covers:

1. State-owned land lawfully reclaimed;
2. Land purchased by the government;
3. Land obtained by the government by exercising the right of first refusal;
4. Land which has gone through formalities of agricultural land conversion and land acquisition approval; and
5. Other lands obtained according to law.

Any need to adjust the land use due to rebuilding of old urban area under the urban planning shall be reported by the Land And Resources Management Department to empowered competent authority for approval, and the owner of the land use right will be given compensation for land acquisition. The Land Reserve Agency shall sign a *Land Use Right Acquisition Contract* with the owner of the land use right to purchase the land. Compensation standard for the land acquired shall be negotiated by the Land Reserve Agency and the owner of the land use right according to the land evaluation result with approval and confirmation by the Land and Resources Management Department, Finance Department or the institution specified by local regulations. Land that has completed the acquisition procedure shall be included in the land reserve after being deregistered with the registration authority.

With approval of the Land and Resources Administration Department, the Land Reserve Agency has the right to conduct preliminary development, protection, management and temporary use of the land incorporated into the reserve, and to carry out financing and other activities for preliminary development of the land to be reserved. The land incorporated into the reserve may be incorporated into the local land supply plan after completion of preliminary development.

### V. Development of real estate projects

#### (I) Commencement of real estate development projects

According to the *Urban Real Estate Administration Law* 《中華人民共和國城市房地產管理法》, those who have obtained the land use right through assignment for real estate development shall develop the land in accordance with the use and term as prescribed by the contract for assignment of the land use right. If the development has not started one year from the date for commencement of development as prescribed by the assignment contract, an idle land fee less than 20% of the assignment fee for the land use right may be collected. If the development has not started two years from the date, the right to use the land may be recalled without any compensation, except that the delays are caused by force majeure, the activities of government or governmental departments, or the necessary preparatory work for starting the development.

According to the *Measures for Disposal of Idle Land* 《閒置土地處置辦法》 promulgated by the Ministry of Land and Resources on 28 April 1999, later amended on 1 June 2012 and implemented on 1 July 2012, the land shall be regarded as idle land in the following circumstances:

If the owner of the state-owned land for construction does not commence development of the state-owned land for construction in one year after expiry of the deadline for commencement of development under the contract for compensated use of the state-owned construction land or decision on allocation; or the state-owned land for construction has been in the process of development, but the

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part already developed is less than one third of the total area that should have been developed, or the investment already made is less than 25% of the total investment, and the unapproved cease of development has lasted for one year or longer.

If the delay in commencement of development is caused by acts of governmental departments or force majeure like natural disaster, the land administration department may make disposal in the following ways upon negotiation with the owner of the State-owned construction land:

1. Extending the deadline for commencement of development. The government and the owner of the state-owned construction land use right shall sign a supplementary agreement to redefine the time for starting and completing the development and default liability. The deadline for commencement of development shall be extended for one year at most from the deadline of commencement of development specified in the supplementary agreement;
2. Adjusting the use of land and planning conditions. Relevant land use formalities shall be completed according to the use of land or new planning conditions, and the land assignment fee shall be calculated, collected or refunded on this basis;
3. Accepting temporary use of idle land as arranged by the government. After the original project have met the development conditions required, the owner of the state-owned construction land use right shall redevelop the idle land. The temporary use period shall not exceed two years calculated as from the date of temporary use arrangement;
4. Recalling the state-owned construction land use right with corresponding compensation;
5. Replacing the idle land. If the land assignment fee of idle land has been paid up and relevant project funds are available and the land is left idle because the planning is amended according to law. The government may replace the idle land with other state-owned land for construction of the same value and usage for development of the owner of the state-owned construction land use right. For the land assigned, the owner of the state-owned construction land use right and the government shall sign a new land assignment contract, which shall specify that the land is for replacement; and
6. Taking other disposal methods specified by the land administration department at city and county levels according to actual conditions.

Save as specified in Clause 4 above, the time for commencement of development shall be redefined according to the new agreement or provision.

On 8 September 2007, the Ministry of Land and Resources promulgated and implemented *Circular on Reinforcing Disposal of Idle Land* 《關於加大閑置土地處置力度的通知》. The *Circular* specifies that the idle land fee shall in principle be 20% of the land assignment fee. If required by law, the land shall be confiscated in strict accordance with the law.

On 3 January 2008, the State Council promulgated and implemented the *Notice on Promoting the Economical and Intensive Utilisation of Land* 《關於促進節約集體用地的通知》 to execute strict policies on disposal of idle land. The land which has been idle for two years or more shall be recalled uncompensated and rearranged for any other use. If the land does not meet the statutory conditions for recovery, it shall be promptly dealt with and fully used through changing its uses, replacement by parity value, temporary use or incorporation into government reserves. If the land has been idle for more than one year but less than two years, an idle land fee equals to 20% of the land assignment fee shall be collected. Should the price of land not been fully paid according to the contract, the land use right certificate shall not be issued, and the land use certificate shall not be issued partly according to the proportion of the land price which has been paid.

On 21 September 2010, the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development promulgated and implemented the *Notice on Further Strengthening the*



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*Control and Regulation of Land and Construction of Property Development* 《關於進一步加強房地產用地和建設管理調控的通知》. The *Notice* specifies that in areas where housing prices high, the supply of land designated for medium/small-set, price-capped housing shall be increased. The *Notice* specifies that as long as the existing land is efficiently used, the idle land legally recalled, the land incorporated into the reserve that can be supplied as “land ready for development” and the agricultural land conversion plan target shall be preferentially supplied as land for the aforesaid types of housing dominated by low-income housing. In areas where the aforesaid residential land supply plan is not completed, the land shall not be used for construction of large high-end residence.

According to the *Notice on Promoting the Stable and Sound Development of the Real Estate Market* 《關於促進房地產市場平穩健康發展的通知》 promulgated by the General Office of the State Council on 7 January 2010, the Land and Resources Departments shall step up investigation and disposal of idle land.

According to the *Provisional Measures to the Approval of Enterprise Investment Projects* which was promulgated and implemented by the National Development and Reform Commission on 15 September 2004 and has ceased to be in force now and *Catalogue of Investment Projects Subject to Governmental Approval* promulgated by the National Development and Reform Commission on 14 May 2014 and implemented on 14 June 2014, the enterprises, which invest on and build the projects which conform to approval system, shall formulate project application report according to related national requirements and submit projects to related authorities for approval. For the projects which do not fall in the investment catalogue, the enterprises shall only carry out filing. For the projects which fail to report to related authorities as required, the projects which commence construction prior to approval, and the projects which fail to construct according to the requirements specified in project approval document, once discover the above-mentioned problems, corresponding projects approval authorities shall immediately order the related enterprises to suspend construction and investigate principal's legal and administrative responsibility according to law.

### **(II) Planning of real estate project**

According to the *Measures for the Planning and Management of Assignment and Transfer of Urban State-owned Land Use Right* 《城市國有土地使用權出讓轉讓規劃管理辦法》 promulgated by the Ministry of Housing and Urban-Rural Development on 4 December 1992 and implemented on 1 January 1993 and later amended on 26 January 2011, a real estate developer that has obtained the land assignment contract shall, according to law, apply to the city planning authority for *Construction Land Planning Permit* (建設用地規劃許可證) upon presentation of the assignment contract. After obtaining the *Construction Land Planning Permit*, the real estate developer shall arrange necessary planning and design work according to relevant planning and design provisions.

According to requirements and procedures under the *Urban and Rural Planning Law of the People's Republic of China* 《中華人民共和國城鄉規劃法》 promulgated by the Standing Committee of the National People's Congress on 28 October 2007, implemented on 1 January 2008, and amended on 24 April 2015, the developer shall submit the planning and design proposal of a real estate project to and obtain the *Planning Permit for Construction Project* (建設工程規劃許可證) from the City Planning Bureau.

### **(III) Tendering and bidding of construction projects**

According to the *Tendering and Bidding Law of the People's Republic of China* 《中華人民共和國招標投標法》 promulgated by the Standing Committee of the National People's Congress on 30 August 1999 and implemented on 1 January 2000, bids shall be invited for the following construction projects undertaken within the territory of the People's Republic of China, including surveying and investigation, design, construction and supervision of such projects as well as the procurement of important equipment and materials for such projects: (I) large-scale infrastructure projects and public utility projects

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concerning public interest and public security; (II) projects that are totally or partially funded by the investment of state-owned funds or financed by the State; (III) projects using loans or aid funds from international organisations or foreign governments. The specific scope and scale standards for the projects shall be formulated by the development planning department of the State Council together with the other relevant departments of the State Council and then be submitted to the State Council for approval.

According to the *Regulation on the Implementation of the Tendering and Bidding Law of the People's Republic of China* 《中華人民共和國招標法實施條例》 promulgated by the State Council on 20 December 2011 and implemented on 1 February 2012, the term “projects” refers to construction projects, including new construction, refurbishment and expansion of buildings and structures and the relevant decoration, demolition and renovation; the term “goods relevant to project construction” refers to equipment and materials which constitute an integral part of projects and are required for realising the basic function of projects; the term “services related to project construction” refers to services such as surveying and investigation, design and supervision required for the completion of projects.

On 1 May 2000, the NDRC promulgated and implemented *Regulation on Scope of Bidding and Scale Standards for Construction Projects* 《工程建設項目招標範圍和規模標準規定》. The *Regulation* specifies the scope of projects where bids shall be carried out.

#### **(IV) Permit for commencement of construction projects**

According to the *Construction Law of the People's Republic of China* 《中華人民共和國建築法》 promulgated by the Standing Committee of the National People's Congress on 1 November 1997 and implemented on 1 March 1998 and later amended on 22 April 2011, before the commencement of construction projects, the construction entity shall apply to the construction authority under the people's government at or above county level at the location of the projects for a *Construction Permit* (施工許可證).

The following conditions are required for the application for a *Construction Permit*:

1. Land use approval formalities have been completed for the construction projects;
2. Planning permits have been obtained for construction projects within urban planned districts;
3. Where demolition and relocation are involved, the progress of demolition and relocation should comply with the requirements of construction;
4. Constructing enterprises for the projects have been determined;
5. Work-drawings and technical data are available to meet the need of construction;
6. Specific measures are available to ensure the quality and security of construction;
7. Funds of construction are available; and
8. Other conditions stipulated by laws and administrative regulations are met.

The construction authority shall issue the *Construction Permit* to qualified applicants within 15 days from the date of receipt of applications. The construction entity shall start to build the projects within three months since obtaining the *Construction Permit*.

According to the *Measures for Administration of Construction Permits for Construction Projects* 《建築工程施工許可管理辦法》 (the “**Measures**”) promulgated by the Ministry of Housing and Urban-Rural Development on 15 October 1999 and implemented on 1 December 1999 and later amended on 4 July 2001 and 25 June 2014, for the construction and decoration of all kinds of buildings and annexes thereof and the installation of supporting lines, pipes, equipment and the construction of infrastructure projects in the cities and towns within the territory of the People's Republic of China, the construction entity shall, prior to starting the construction, apply to the department of housing and urban-rural

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development under the people's government at or above county level at the location of the projects for a *Construction Permit* in accordance with the provisions of the Measures. The real estate developer shall apply to relevant construction authority for the *Construction Permit for Construction Project*.

### **(V) Environmental protection of real estate projects**

#### *1. Environmental impact assessment*

According to the *Environmental Protection Law of the People's Republic of China* 《中華人民共和國環境保護法》 promulgated by the Standing Committee of the National People's Congress on 26 December 1989, later promulgated on 24 April 2014 and implemented on 1 January 2015, compilation of draft development plans and construction of projects with environmental impacts shall be subject to environmental impact assessment in accordance with the law. Development plans without environmental impact assessment made in accordance with the law are prohibited from implementation. Construction projects without any environmental impact assessment conducted in accordance with the law shall not commence.

According to the *Law of the People's Republic of China on Assessment of Environmental Impacts* 《中華人民共和國環境影響評價法》 promulgated by the Standing Committee of the National People's Congress on 28 October 2002 and implemented on 1 September 2003, compilation of draft development plans and construction of projects with environmental impacts shall be subject to environmental impact assessment in accordance with the law. The construction entity shall work out the report of environmental impacts, the report form of environmental impacts or the registration form of environmental impacts according to the following principles: (I) if the environmental impacts may be significant, it shall work out a report of environmental impacts so as to include an all-round assessment of the environmental impacts; (II) if the environmental impacts may be mild, it shall work out a report form of environmental impacts so as to include an analysis or special assessment of environmental impacts; (III) if the environmental impacts may be insignificant so that it is unnecessary to conduct an assessment of environmental impacts, it shall fill in a registration form of environmental impacts. Moreover, installations for the pollution prevention and control at a construction project shall be designed, built and commissioned together with the principal part of the project. Installations for the pollution prevention and control shall comply with the requirements of the approved environmental impact assessment documents, and shall not be dismantled or left idle without authorisation.

#### *2. Environment-related acceptance of completed construction projects*

According to the *Measures for Administration of Environment-related Acceptance of Completed Construction Projects* 《建設項目竣工環境保護驗收管理辦法》 promulgated by the Ministry of Environmental Protection on 27 December 2001, implemented on 1 February 2002 and amended on 22 December 2010, after completion of the construction project, the construction entity shall apply to the empowered environmental protection authority for environment-related acceptance of the completed construction project. Construction projects whose application report of environment-related acceptance of completed construction projects, application form of environment-related acceptance of completed construction projects or registration card of environment-related acceptance of completed construction projects that are not approved shall not be put into operation or used.

### **(VI) Fire prevention management of real estate projects**

According to the *Fire Prevention Law of the People's Republic of China* 《中華人民共和國消防法》 promulgated by the Standing Committee of the National People's Congress on 29 April 1998 and implemented on 1 September 1998, later amended on 28 October 2008 and implemented on 1 May 2009, the fire facilities design and works of construction projects shall conform to the State's fire prevention technical standards for engineering construction. The development, design, construction, supervision and other entities shall be responsible for the fire facilities design and works quality of construction projects according to law.

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*Provisions on the Supervision and Administration of Fire Prevention of Construction Projects* 《建設工程消防監督管理規定》 promulgated by the Ministry of Public Security on 30 April 2009, implemented on 1 May 2009 and later amended on 17 July 2012 and implemented on 1 November 2012 shall apply to the fire prevention supervision and administration of new construction, expansion, reconstruction (including indoor and outdoor improvements, thermal insulation in buildings, and modification of uses) and other construction projects. The *Provisions* also specify the procedure and standard for review of fire facilities design and acceptance of fire prevention facilities.

### **(VII) Completion acceptance of real estate projects**

According to the *Administration Ordinance on Development and Operation of Urban Real Estate* 《城市房地產開發經營管理條例》 promulgated and implemented by the State Council on 20 July 1998 and later amended with immediate effect on 1 November 2002 and 19 May 2004, respectively, took effect on 8 January 2011, the *Administrative Measures for the Filing of Completion Acceptance of Housing, Building and Municipal Infrastructure Projects* 《房屋建築和市政基礎設施工程竣工驗收規定》 promulgated and implemented by the Ministry of Housing and Urban-Rural Development on 4 April 2000 and amended and implemented on 19 October 2009 and the *Provisions on Completion Acceptance of Housing, Building and Municipal Infrastructure Projects* promulgated by the Ministry of Housing and Urban-Rural Development and implemented on 2 December 2013, upon completion of a real estate development project, the real estate developer shall submit an application for housing completion acceptance to and file the project with the real estate development authority under the local people's government at or above county level at the location of the project and obtain a filing form for the completion acceptance of construction project. Real estate projects may be delivered after being accepted as qualified.

### **(VIII) Insurance of real estate projects**

PRC laws, administrative regulations and departmental rules do not mandatorily require real estate developers to buy insurance for their real estate projects across the country.

According to the *Construction Law of the People's Republic of China* 《中華人民共和國建築法》 promulgated by the Standing Committee of the National People's Congress on 1 November 1997, effective as of 1 March 1998 and amended on 22 April 2011, construction enterprises shall buy accident injury insurance for workers engaged in dangerous operation and pay insurance premium for them.

On 23 May 2003, the Ministry of Construction promulgated the *Guiding Opinions on Strengthening Construction Accident Injury Insurance Work* 《關於加強建築意外傷害保險工作的指導意見》. The *Guiding Opinions* further highlight the importance of accident injury insurance for construction projects, specifically:

1. The construction accident injury insurance shall cover all construction projects and persons engaged in construction and management at the construction sites. Persons for whose work injury insurance has been bought at the location of the enterprise may also participate in construction accident injury insurance when engaged in on-site construction.
2. The insurance period shall start from the date of commencement of the construction project to the date on which the project is accepted as qualified upon completion. The insurance liability shall terminate automatically in case of earlier completion of the project. Insurance extension formalities shall be completed if the construction period is postponed.
3. Insurance premium shall be included in the construction and installation fees, and paid by the construction enterprise, which shall not apportion the premium to its employees.

### VI. Expropriation and compensation

According to the *Regulation on the Expropriation of Houses on State-owned Land and Compensation* 《國有土地上房屋徵收與補償條例》 promulgated by the State Council on 21 January 2011, where a house on state-owned land is expropriated for public interest, the house expropriation department shall make fair compensation to the owner. For public interest such as safeguarding the national security and promoting the national economic and social development, the government at city and county levels will make a decision to expropriate the house in any of the following circumstances:

1. Necessary for national defense and foreign affairs;
2. Necessary for the construction of energy, transportation, water conservation and other infrastructure as organised and implemented by the government;
3. Necessary for a public causes such as science and technology, education, culture, health, sports, environment and resource protection, disaster prevention and mitigation, protection of cultural relics, social welfare or municipal public utilities as organised and implemented by the government;
4. Necessary for the construction of a low-income housing projects organised and implemented by the government;
5. Necessary for the rebuilding of old urban area where dilapidated houses concentrate and sub-standard infrastructure organised and implemented by the government according to the relevant provisions of the Urban and Rural Planning Law; or
6. Necessary for any other public interest as prescribed by laws or administration regulations.

The government at city and county levels shall be responsible for the house expropriation and compensation within its administrative region. The expropriation and compensation shall be organised and implemented by the house expropriation department designated by the government at city and county levels. The house expropriation department shall work out a compensation scheme and submit the same to the government at city and county levels for approval. The government at city and county levels shall organise discussion on the compensation scheme and announce it for public opinions.

The compensation for expropriation may be made in the form of money or exchange of the house ownership. For monetary compensation made in the form of money, the compensation amount shall be evaluated based on the market price of the house. For compensation made in the form of exchange or substitution of the house ownership, the government and the owner of the expropriated house shall compare the compensation amount payable and the price of the house substitute and calculate the difference. Besides the compensation for expropriation, the government will also pay relocation allowance to the owner of the expropriated house.

On 31 August 2006, the State Council promulgated *Circular on Intensifying the Land Control* 《關於加強土地調控有關問題的通知》. The *Circular* requires raising the collection standards for urban land use tax and farmland occupation tax.

### VII. Real estate transactions

#### (I) Sales of commodity housing

According to the *Administrative Measures for the Sale of Commodity Houses* 《商品房銷售管理辦法》 (“*Sale Measures*”) promulgated by the Ministry of Construction on 4 April 2001 and effective as of 1 June 2001, sales of commodity housing include cash sale and pre-sales. Cash sale of commodity houses refers to the act of real estate developers selling completed and accepted commodity houses to buyers and buyers paying a price for the houses. Pre-sales of commodity houses refers to the act of real estate developers pre-selling commodity houses under construction to buyers and buyers making a down payment or full payment for the houses.

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### 1. *Permit for pre-sales of commodity houses*

According to the *Urban Real Estate Administration Law* 《中華人民共和國城市房地產管理法》, to pre-sell a commodity house, a developer shall:

- (1) have fully paid the charge for the right of land use and have obtained the land use right certificate;
- (2) hold the planning permit for construction project;
- (3) make sure that, based on the price of the commodity house available for pre-sales, the funds put into construction shall account for more than 25% of the total investment in the construction project and the schedule of construction and date of completion and delivery have been determined; and
- (4) have obtained the permit for pre-sales of commodity houses after registration with real estate administration authority of local people's government at or above county level.

A developer who plans to pre-sell a commodity house shall, in accordance with relevant rules of the state, file the pre-sales contract with the real estate administration authority and land administration authority of local people's government at or above county level.

According to the *Administrative Ordinance on Development and Management of Urban Real Estate* 《城市房地產開發經營條例》 promulgated by the State Council on 20 July 1998 and revised on 1 August 2011, to pre-sell a commodity house, a developer shall:

- (1) have fully paid the charge for the right of land use and have obtained the land use right certificate;
- (2) hold the planning permit for construction project and the builder's license;
- (3) make sure that, based on the price of the commodity house available for pre-sales, the funds put into construction shall account for more than 25% of the total investment in the construction project and the schedule of construction and date of completion and delivery have been determined; and
- (4) have obtained the permit for pre-sales of commodity houses after registration with relevant authority.

*Measures for the Administration of pre-sale of Urban Commodity Houses* ("Measures for pre-sale") 《城市商品房預售管理辦法》 was promulgated by the Ministry of Construction on 15 November 1994, implemented on 1 January 1995 and amended respectively on 15 August 2001, 20 July 2004 and 20 July 2014.

According to the *Measures for pre-sale*, pre-sales of any commodity house is subject to specific formalities. A real estate developer who plans to pre-sell a commodity house needs to apply to the real estate administration authority for the *Permit for pre-sale*. To pre-sell a commodity house, a developer shall:

- (1) have fully paid the charge for the right of land use and have obtained the land use right certificate;
- (2) hold the planning permit for construction project and the builder's license; and
- (3) make sure that, based on the price of the commodity house available for pre-sales, the funds put into construction shall account for more than 25% of the total investment in the construction project and the schedule of construction and date of completion and delivery have been determined.

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### 2. Regulation on proceeds from pre-sales of commodity houses

According to *Measures for the Administration pre-sale of Urban Real Estate Law*, proceeds from Pre-sales of commodity houses shall only be used to cover the cost of development of relevant real estate project.

On 13 April 2010, Ministry of Housing and Urban-Rural Development promulgated the *Notice of Relevant Issues Relating to Further Enhancing Supervision on the Real Estate Market and Improving the pre-sale System of Commodity Houses* 《關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知》. The *Notice* specifies that:

- (1) For commodity houses without the permit for pre-sales, relevant developers shall not pre-sell the said houses or collect deposits or advances from house buyers in the form of subscription, reservation, queue registration, issuing VIP cards, etc. or participate in any trade fair. For commodity houses with the permit for pre-sales, relevant developers shall, within ten days, make a one-off announcement of all houses for sale and their prices, and sell these houses at the announced prices. Real estate developers shall not sell reserved houses before initial registration of the house ownership, or pre-sell commodity houses in the form of cost-returned sale or after-sale lease guarantee, or conduct fictitious trading;
- (2) The smallest unit for application for permits for advanced sale is a block, not a floor or an apartment;
- (3) Real estate developers shall sell commodity houses according to their pre-sales plans. Any significant change in the pre-sales plan shall be reported to the competent authority and be announced;
- (4) Sale of commodity houses is registered with real names. After subscription, the name of house buyers shall not be changed without authorisation. If a house buyer has ordered a commodity house but fails to sign the pre-sales contract within the specified time, the order shall become invalid and the ordered house shall be open for sale again; and
- (5) Supervision on proceeds from pre-sales shall be enhanced. Measures should be taken to popularise the supervision system on proceeds from pre-sales in places where the system is established; and measures for supervision on proceeds from pre-sales of commodity houses shall be formulated as soon as possible in places where relevant supervision system has not been established yet. Proceeds from pre-sales of commodity houses shall be kept in an account under the supervision of relevant regulatory authority so as to make sure that these proceeds are used for construction of the commodity housing project. The proceeds may be allocated as per the progress of construction as long as there are enough funds left to finance the construction project until completion.

### 3. Sale of commodity houses upon completion

According to *Sale Measures*, commodity houses may be sold upon completion only if the following conditions are met:

- (1) The real estate developer who plans to sell a completed commodity house shall have the business license of enterprise as legal person as well as the qualification certificate for real estate development enterprises;
- (2) The relevant real estate developer has obtained the land use right certificate or document of approval for land use;
- (3) The relevant real estate developer has the planning permit for construction project and the builder's license;
- (4) The relevant commodity houses have been completed and accepted;

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- (5) The relocated households have been resettled into new places;
- (6) Necessary supporting facilities such as water, electricity, heat, gas and communications equipment are available for use; other necessary supporting facilities and community facilities are also available for use or will be available for use on schedule; and
- (7) A property management plan has been made.

According to *Regulations on Clearly Marking the Price of Commodity Houses* 《商品房銷售明碼標價規定》 promulgated by the National Development and Reform Commission on 16 March 2011 and effective as of 1 May 2011, any real estate developer or real estate agent shall mark clearly the prices of newly constructed or second-hand commodity houses. The regulations require real estate dealers to mark clearly the prices of commodity houses and relevant expenses as well as the factors affecting the prices of commodity houses. For real estate development projects that have obtained the permit for pre-sales or have been filed for sale of completed houses, relevant real estate dealers shall make a one-off announcement of all houses available for sale within the specified time. In addition, real estate dealers shall disclose the actual transaction price of and relevant information about the houses sold. Real estate dealers shall not charge extra fees for a commodity house in addition to the marked price, or collect any unmarked fees. In addition, real estate dealers shall not mislead house buyers with false or nonstandard price tags or conduct price fraud with false or misleading price tags.

On 26 February 2013, the General Office of the State Council promulgated the *Notice on Further Improving Regulation of the Real Estate Market* 《關於繼續做好房地產市場調控工作的通知》. The *Notice* aims to stabilise market prices of real estate and emphasise the government's decisions on improving regulation and taking macroeconomic measures. These decisions include but not limited to:

- (1) Put a limit on house buying;
- (2) Increase the down payment of a second house;
- (3) Suspend providing instalment plan for buyers buying a third house or above; and
- (4) Levy individual income tax (at a rate of 20%) on proceeds from house selling.

### **(II) Property mortgage**

In China, the major laws and regulations which govern real estate mortgage are *The Property Rights Law of the People's Republic of China* 《中華人民共和國物權法》, *The Guaranty Law of the People's Republic of China* 《中華人民共和國擔保法》 and *Measures on the Administration of Mortgage of Urban Real Estate* 《城市房地產抵押管理辦法》. According to the said laws and regulations, land use right, the house and other ancillary buildings on the land can all be mortgaged. The right of use of the land where the house is located must be mortgaged together with the ownership of the legally obtained house. The mortgager and the mortgagee shall sign a written mortgage contract and mortgage of real estate shall be registered. After signing the real estate mortgage contract, the mortgager and the mortgagee shall register with the real estate administration authority at the location of the mortgaged real estate. The real estate mortgage contract shall take effect as from the date of registration. When registering mortgage of a piece of real estate with a legal building ownership certificate, the registration authority shall add "House Encumbrance" to the said ownership certificate and issue a *House Encumbrance Certificate* to the mortgagee. If the collateral is a commodity house for pre-sales or under construction, the registration authority shall set down relevant details on the mortgage contract. If a mortgaged real estate is completed during the mortgage term, the contracting parties shall re-register such mortgage after obtaining the building ownership certificate.



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### **(III) Lease of property**

Both *Urban Land Regulations* and *Urban Real Estate Administration Law* allow lease and assignment of the right to use a piece of land and the house built on it. The *Administrative Measures for Commodity House Leasing* (the “**Leasing Measures**”) 《商品房屋租賃管理辦法》 promulgated by Ministry of Housing and Urban-Rural Development on 1 December 2010 and effective as of the same date has replaced the *Administrative Measures for Urban House Leasing* 《城市房屋租賃管理辦法》. According to the *Leasing Measures*, the contracting parties shall register with local house administration authority within 30 days after conclusion of the lease contract, otherwise they shall be liable to a fine of under RMB10,000. According to *Urban Real Estate Administration Law*, if the house leased is built on allotted land or on land obtaining land use right in the form of allotment, the house owner shall turn in land profits included in the rent to the State.

According to the *Contract Law of People’s Republic of China* 《中華人民共和國合同法》 promulgated by National People’s Congress on 15 March 1999, the term of a lease contract shall not be more than 20 years.

## **VIII. Real estate financing**

### **(I) Loans and real estate developers**

On 5 June 2003, People’s Bank of China promulgated the *Circular on Further Strengthening the Administration of Real Estate Credit Business* 《關於進一步加強房地產信貸業務管理的通知》. According to the *Circular*, loans from commercial banks shall be preferably used to support residential projects designed for low- and middle-income families and there should be proper limitations on loans provided for developers developing large-sized and high-end commodity houses or villas. The *Circular* also specifies that the self-owned funds of a real estate developer applying for a loan shall account for at least 30% of the total investment of the project. In addition, banks are prohibited from advancing funds to real estate developers who plan to use the funds as working capital or for payment of land assignment fee.

On 12 August 2003, the State Council promulgated the *Circular on Promoting the Continuous and Healthy Development of the Real Estate Markets* 《關於促進房地產市場持續健康發展的通知》. The *Circular* lists a series of measures to supervise the real estate market and develop housing credit business. These measures include but not limited to improving the raising and issuance of housing provident funds, improving guarantee system for housing loans and stepping up supervision on housing loans.

On 30 August 2004, CBRC promulgated the *Guidelines for Risk Management of Real Estate Loans of Commercial Banks* 《商業銀行房地產貸款風險管理指引》. The *Guidelines* specify that:

1. No loan shall be provided in any form to projects without the required land use right certificate, construction land planning permit, planning permit for construction project and construction permit for construction project;
2. Real estate developers who apply for a loan from commercial banks must meet a minimum capital ratio of 35% for their investment projects;
3. Commercial banks shall set up a strict mechanism for loan application approval; and
4. Commercial banks shall conduct in-depth investigation into real estate enterprises which apply for a loan. The investigation shall cover basic background of the enterprises such as their nature, shareholders and credit rating, operational and financial situation in the last three years; development experience, details about past development projects, business transactions with affiliated companies, etc.

On 27 September 2007, the People’s Bank of China and CBRC promulgated the *Notice on Strengthening the Administration of Commercial Real Estate Credit Loans* 《關於加強商業性房地產信貸管理的通知》. According to the *Notice*, the PRC government has tightened control over commercial

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banks' provision of loans for real estate developers so as to prevent excessive granting of credit. Commercial banks shall not provide loans to real estate developers who have been found hoarding land or houses by Ministry of Land and Resources and competent construction authority. In addition, commercial banks shall not borrow a loan with a commodity house that has remained idle for more than three years as collateral.

On 29 July 2008, the People's Bank of China and CBRC promulgated the *Notice on Promoting Economical and Intensive Use of Land through Finance* 《關於金融促進節約集體用地的通知》. The *Notice* specifies that:

1. Commercial banks are prohibited from granting loans to real estate developers who plan to use the loan for payment of land assignment fees;
2. For mortgaged land reserve loans, there should be a legal land use right certificate; the mortgage rate shall not exceed 70% of the estimated value of the collateral; and the term of loan shall not be more than two years in principle;
3. If more than one year has passed after the commencement date specified in the land assignment contract and less than one third of the area of the planned project is completed or actual investment is less than one fourth of the total investment of the planned project, commercial banks shall be cautious in offering loans or extending the loan period;
4. Commercial banks are prohibited from granting loans to real estate developers who have had a land remain idle for more than two years; and
5. Idle land shall not be used as collateral.

On 25 May 2009, the State Council promulgated the *Notice on Adjusting the Capital Ratios for Fixed Asset Investment Projects* 《關於調整固定資產投資項目資本金比例的通知》. The *Notice* specifies that the minimum capital ratio shall be 20% for economically affordable houses and ordinary commodity houses and 30% for other real estate projects. These regulations apply to both domestic and overseas investment projects.

On 7 January 2010, the General Office of the State Council promulgated the *Circular on Promoting the Stable and Healthy Development of the Real Estate Markets* 《關於促進房地產市場平穩健康發展的通告》. The *Circular* forbids the banks to grant loans to real estate development projects or developers in violation of credit regulations or policies.

On 29 September 2010, the People's Bank of China and CBRC promulgated the Notice on the implementation of the Circular of General Office of the State Council on Promoting the Stable and Healthy Development of the Real Estate Markets. The Notice stipulates: To further improve real estate credit risk management system, strictly forbid granting loans to noncompliant real estate development enterprises which have inadequate project capital, incomplete four certificates, etc. For real estate enterprises acting in violation of laws and regulations by reversing land, speculating in land, hoarding properties and artificially forcing up prices by due diligence of financial institutions and (or) the department of land and resources and competent construction authority, the financial institutions shall not provide new loans to the developers and existing loans shall promptly take property preservation measures.

On 29 September 2010, the People's Bank of China and CBRC jointly promulgated the *Notice on Issues concerning the Improvement of Differential Housing Credit Policies* 《關於完善差別化住房信貸政策有關問題的通知》. The *Notice* specifies that commercial banks shall stop granting renewable loans to new development projects of real estate developers who keep the land idle, change the use and nature of land, postpone commencement or completion, hoarding property, etc.

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### (II) Trust financing

On 28 April 2001, the Standing Committee of the National People's Congress promulgated the *Trust Law of the People's Republic of China* ("Trust Law") 《中華人民共和國信託法》 which became effective as of 1 October 2001. The *Trust Law* specifies that all civil, commercial and charitable trust activities among the trustor, trustee and beneficiary within the territory of the People's Republic of China shall be governed by the *Trust Law*. The term trust in the *Trust Law* refers to the act of the trustor, out of trust in the trustee, consigning his property right to the trustee, letting the trustee, following the will of the trustor and in the name of his own, manage or dispose of the said property for the interest of the beneficiary or for other specific purposes. Trust property is different from the property owned by the trustee. If the trustee dies or is legally dissolved, cancelled or declared bankrupt as a legal person, the trusteeship shall terminate accordingly and the trust property shall not be deemed the trustee's heritage or property to be liquidated.

The establishment of a trust shall serve a legitimate purpose of trust and shall be in written form. To establish a trust, there must be certain trust property and the trust property including lawful property rights must be property lawfully owned by the trustor. Where establishment of a trust shall be registered according to the provisions of laws or administrative regulations, such trust registration shall be made, otherwise the trust shall be legally invalid.

According to the *Measures for the Administration of Trust Companies* 《信託公司管理辦法》 promulgated by CBRC on 23 January 2007 and effective as of 1 March 2007, "trust financing companies" refer to the financial institutions which are established in accordance with the *Company Law of the People's Republic of China* 《中華人民共和國公司法》 and these *Measures* and mainly deal with trust business; "trust activities" refer to any activities of the trust financing companies' regarding making commitments to trust and handling trust affairs under fiduciary capacity for the purpose of collecting remunerations. When engaging in trust activities, a trust financing company shall observe the laws and administrative regulations and the provisions of trust documents, and shall not damage national interests, public interests or the legitimate rights and interests of a third party. A trust financing company may apply for engagement in cash trust, chattel trust, real estate trust or any other business approved by the PRC laws and regulations or by CBRC. A trust financing company shall do its duty and honestly, prudently and efficiently manage or dispose of trust property. Trust property shall not be deemed free property of the trust financing company or debt payable by the trust financing company to the beneficiary. Where a trust financing company is terminated by means of liquidation or dissolution, the trust property shall not be a part of its property to be liquidated.

The *Measures for the Administration of Trust Companies' Trust Plans of Assembled Funds* ("*Measures for Administration of Trust Plans*") 《信託公司集合資金信託計劃管理辦法》 promulgated by CBRC on 23 January 2007, effective as of 1 March 2007 and implemented on 1 March 2007 and later amended on 27 December 2008 and implemented on 4 February 2009, applicable to trust plans of assembled funds ("trust plans") established within the territory of the People's Republic of China. According to the *Measures for Administration of Trust Plans*, trust plans shall be established following relevant industry policies, laws and regulations and shall have specific investment goals and strategies. In these *Measures*, trust plans include any trust activities in which trust financing companies act as trustees and manage, dispose of or sell the property of trustors in accordance with the will of the trustors and for the interests of the beneficiaries. The property of trust plans shall be separated from the inherent property of a trust financing company. No trust financing company may incorporate the property of trust plans into its inherent property. If a trust financing company is dissolved, cancelled or declared bankrupt according to the law, the property of trust plans shall not be treated as liquidated.

During the duration of the trust plans, a trust financing company shall choose a well-established commercial bank to serve as the custodian. A trust financing company shall have a specific department and employees for management of the trust plans. In addition, a trust financing company shall disclose relevant information about the trust plans in accordance with the relevant laws and regulations.

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On 28 October 2008, the CBRC promulgated *Notice on Relevant Issues Concerning Stepping Up Supervision on Real Estate and Securities Businesses of Trust Companies* 《關於加強信託公司房地產、證券業務監管有關問題的通知》. The *Notice* specifies that:

1. No trust loan shall be provided to real estate projects without certificate for the use of state-owned land, construction land planning permit, planning permit for construction project and construction permit for construction project, and indirect provision of real estate loans in the form of buyback commitment of investment surcharge and buyback of commodity houses for pre-sales is also forbidden;
2. Real estate developers applying for loans (including indirect loans in the form of buyback commitment of investment surcharge and buyback of commodity houses for pre-sales) from trust companies shall be a second-grade or above real estate developer approved by the construction authority of the State;
3. The capital ratio of development projects shall not be lower than 35% (excluding economically affordable houses);
4. It is forbidden to grant liquidity loans to real estate developers, to indirectly grant liquidity loans in the form of purchasing assets of real estate developers based on buyback commitment, or to grant loans to real estate developers who plan to use the loan for payment of land assignment fee; and
5. The loans for land reserve government agencies should be issued by mortgage and should not exceed 70% of appraised value of the acquired land. The acquired land shall have a legal certificate for the use of state-owned land and the loan period shall not be more than two years.

### **(III) Individual housing loan**

#### **1. National regulations**

On 31 May 2006, the People's Bank of China promulgated the *Notice on Relevant Matters Concerning the Adjustment of Housing Credit Policies* 《關於調整住房信貸政策有關事宜的通知》. The *Notice* specifies that since 1 June 2006 the down payment of individual housing mortgage loans shall not be less than 30% of the total price. Down payment for a house for self use and with a floorage of less than 90 sq.m. may still be 20% of the total price.

On 27 September 2007, the People's Bank of China and CBRC promulgated the *Notice on Stepping Up Management of Commercial Real Estate Credit Loans* 《關於加強商業性房地產信貸管理的通知》. The *Notice* specifies that down payment for a second housing unit shall not be less than 40% of the housing price and the lending rate shall not be lower than 1.1 times of the benchmark interest rate published by the People's Bank of China for loan of the same grade and term. According to *Supplementary Notice on Stepping Up Management of Commercial Real Estate Loans* 《關於加強商業性房地產信貸管理的補充通知》 promulgated by People's Bank of China and CBRC, if the frequency of loan application are based on family members (including the debtor and his/her spouse and minor children) of the borrower, any borrower whose family member has already bought a house shall be deemed a second-time house buyer.

On 7 January 2010, the General Office of the State Council promulgated the *Circular on Promoting the Stable and Healthy Development of the Real Estate Markets* 《關於促進房地產市場平穩健康發展的通知》. According to the *Circular*, for families (including the debtor and his/her spouse and minor children) who have already purchased a housing unit by instalments and apply for purchasing a second housing unit or above, the percentage of down payment shall be at least 40% of the total price and the lending rate shall be determined based on the credit risk.

The *Notice on Resolutely Curbing the Soaring of Housing Prices in Some Cities* 《關於堅決遏制部分城市房價過快上漲的通知》 promulgated by the State Council on 17 April 2010 puts forward stricter differential housing credit policies. The *Notice* specifies that:

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- (1) For families (including the debtor and his/her spouse and minor children, the same below) who purchase the first housing unit with a GFA of 90 sq.m. or above the down payment of loan shall be at least 30% of the total price;
- (2) For families who purchase a second housing unit by instalments, the down payment of loan shall be increased from 40% to not less than 50% of the total price, and the lending rate shall not be less than 1.1 times of the benchmark interest rate published by the People's Bank of China for loan of the same term; and
- (3) For families who purchase a third housing unit or above by instalments, the down payment ratio of loans and the lending rate shall be substantially increased. In addition, banks may suspend provision of loans for buyers purchasing a third housing unit or above in places where housing prices are surging and housing is in short supply.

On 26 May 2010, the Ministry of Housing and Urban-Rural Development, People's Bank of China and CBRC jointly promulgated the *Notice on Specifying the Criteria for Defining a Second Housing Unit in Commercial Individual Housing Loans* 《關於規範商業性個人住房貸款中第二套住房認定標準的通知》. According to the *Notice*, whether an applicant for commercial individual housing loans is purchasing a second housing unit or not depends on the number of housing units actually owned by his/her family members (including the loan applicant and his/her spouse or minor children). For application for commercial individual housing loan, urban competent real estate authority shall query about the applicant's family housing registration records through the housing registration information system and provide a written result of query. If the bank, based on the number of housing units owned by the applicant, determines that the applicant is applying loan for purchase of a second (or above) housing unit, it shall adopt loan policies for purchasing a second housing unit. The provisions in the *Notice* also apply to non-local residents who can certify that they have been paying local tax or social insurance for 1 year or above.

On 29 September 2010, the People's Bank of China and CBRC promulgated the *Notice on Issues concerning the Improvement of Differential Housing Credit Policies*. The *Notice* 《關於完善差別化住房信貸政策有關問題的通知》 specifies that the minimum percentage of down payment for purchasing the first housing unit by instalments shall be increased to 30%; and all commercial banks in China shall suspend granting housing loans to applicants who purchase a third or housing units or above and non-local residents who cannot certify their payment of local tax or social insurance for 1 year or above.

On 2 November 2010, the Ministry of Housing and Urban-Rural Development, Ministry of Finance, People's Bank of China and CBRC jointly promulgated the *Notice on Issues concerning Regulating the Policies for Individual Housing Provident Fund Loans* 《關於規範住房公積金個人住房貸款政策有關問題的通知》. The *Notice* specifies that:

- (1) Individual housing provident fund loans can only be used by employees who pay housing provident funds to purchase, build, renovate or repair ordinary housing units for self use so as to meet basic housing need. Individual housing provident fund loans are forbidden to be used for speculative housing purchase.
- (2) Down payment of individual housing provident fund loans for the first ordinary housing unit for self use with a GFA below 90 sq.m. (inclusive) shall be at least 20% of the total price and that for the same with a GFA above 90 sq.m. shall be at least 30% of the total price.
- (3) Individual housing provident fund loans for a second housing unit shall only be granted to employees who pay housing provident funds, whose current per capita floorage is below local average and who purchase an ordinary housing unit only for self use and for improvement of living conditions. Down payment of loans for a second house shall be at least 50% of the total price and the lending rate shall not be lower than 1.1 times of the interest rate of individual housing provident fund loans for purchasing the first housing unit of the same term.

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- (4) Stop granting individual housing provident fund loans to employees who pay housing provident funds and plan to purchase a third (or above) housing unit.

On 29 September 2014, the People's Bank of China and CBRC jointly promulgated the *Notice on Further Improving Housing Financial Services* 《關於進一步做好住房金融服務工作的通知》. The *Notice* specifies that for a family who purchases the first ordinary housing unit for its own use with a loan, the minimum down payment ratio of the loan shall be 30% and the lower limit of the lending rate shall be 0.7 times of the benchmark lending rate. The specific ratio and rate shall be determined by the banking financial institutions according to risks. If a family who has one housing unit and has paid off relevant housing loans applies again for a loan to purchase an ordinary commodity house to improve the living conditions, the banking financial institutions shall implement the loan policy for the first housing unit. In cities which have cancelled or have not implemented "purchase restrictions", if a family who has two or more housing units and has paid off the relevant housing loans applies again for a loan to purchase a housing unit, the banking financial institution shall prudently consider and determine the down payment ratio and lending rate according to the borrower's repayment capability, credit status, etc. The banking financial institutions may issue housing loans to eligible non-residents according to the local urbanisation development plan.

On 30 March 2015, the People's Bank of China, Ministry of Housing and Urban-Rural Development and CBRC jointly promulgated the *Notice on Issues concerning Individual Housing Loan Policies* 《關於個人住房貸款政策有關問題的通知》. The *Notice* specifies:

- (1) Banking financial institutions are encouraged to continue with granting loans that combine commercial individual housing loans and housing provident fund loans to support residents' purchase of ordinary housing units for their own use. If a resident's family who has one housing unit and has not paid off the relevant housing loans applies again for a commercial individual housing loan for purchase of an ordinary housing unit for own use to improve the living conditions, the minimum down payment ratio shall not be lower than 40%, and the specific down payment ratio and lending rate shall be rationally determined by the banking financial institution according to the borrower's credit status, repayment capability, etc.
- (2) For a family under housing provident fund scheme which uses housing provident fund loans to purchase the first ordinary housing unit for its own use, the minimum down payment ratio shall be 20%. If a family under housing provident fund scheme which has one housing unit and has paid off the relevant housing loans applies again for a housing provident fund loan for purchase of an ordinary housing unit for its own use to improve the living conditions, the minimum down payment ratio shall be 30%.

On 31 August 2015, Ministry of Housing and Urban-Rural Development, Ministry of Commerce and the People's Bank of China jointly promulgated the *Notice on adjusting the minimum down payment ratio of individual housing provident fund loans for house-purchase* 《關於調整住房公積金個人住房貸款購房最低首付款比例的通知》. The *Notice* specifies "if a family who has one housing unit and has paid off relevant housing loans applies again for a housing provident fund loan to purchase a housing unit to improve the living conditions, the minimum down payment ratio shall fall into 20%".

On 24 September 2015, People's Bank of China and CBRC jointly promulgated the *Notice on Further Improvement differential housing credit policy* 《關於進一步完善差別化住房信貸政策有關問題的通知》. The *Notice* specifies that in cities that not adopted restriction measures, for a family who purchases the first ordinary house with commercial individual housing loan, the minimum down payment ratio shall not fall below 25%.

On 29 September 2015, the Ministry of Housing and Urban-Rural Development, the Ministry of Finance, and the People's Bank of China jointly released the *Circular on Practically Improving the Efficiency in the Use of the Housing Provident Fund* (關於切實提高住房公積金使用效率的通知), which came into effect on 8 October 2015. Pursuant to such Circular:

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- (1) If the utilisation ratio of housing provident fund in cities is lower than 85% as of the end of August 2015, the relevant authorities of such cities may consider to increase the maximum amount of housing provident fund loan to be granted to individual for purchase of personal residence after taking into full account the factors such as local house price, borrowing need and the borrower's repayment capacity. Provided that the borrower's basic living costs are assured, the ratio between monthly repayment and monthly incomes shall be controlled in the range of 50-60%. The repayment period of the loan may be extended to 5 years after the borrower reaches his/her statutory retirement age, and the maximum period of loan could be 30 years. The transaction of monthly transfer of housing provident fund for setting off against the principal and interests of loan through shall be promoted; and
- (2) Non-local loans shall be fully promoted. If an employee intends to purchase house in a place ("**Purchase Place**") other than the place where he/she pays housing provident fund, he/she may, in accordance with the relevant policies of the Purchase Place regarding housing provident fund loan, apply to the housing provident fund management center of the Purchase Place for individual housing loan.

On 1 February 2016, the People's Bank of China and the China Banking Regulatory Commission promulgated the *Notice on Issues Concerning Adjusting Individual Housing Loan Policies*. The notice specifies that (i) in cities where purchase restriction measures are not implemented, for a family who purchases the first ordinary house with commercial individual housing loan, the minimum down payment ratio shall be 25% in principle, while 5 percentage points fluctuating downward is allowed at different places; (ii) for a family who owns 1 set of house with outstanding housing loans and reapplies for purchasing ordinary house with commercial individual housing loans to improve living conditions, the minimum down payment ratio shall not be lower than 30%.

### 2. Local regulations

#### Henan:

On 17 April 2015, the Henan Provincial Department of Housing and Urban-Rural Development, Henan Province Development and Reform Commission, Department of Land and Resources of Henan Province, Finance Department of Henan Province, Henan Local Taxation Bureau, People's Bank of China, Zhengzhou Center Sub-branch and CBRC Henan Office jointly promulgated *Several Opinions Concerning Promoting Steady and Sound Development of the Real Estate Market* 《關於促進房地產市場平穩健康發展的若干意見》. Later, on 21 April 2015, the People's Government of Henan Province forwarded the *Notice of Henan Provincial Department of Housing and Urban-Rural Development and Other Departments on Several Opinions Concerning Promoting Steady and Sound Development of the Real Estate Market* 《河南省人民政府辦公廳轉發省住房城鄉建設廳等部門關於促進房地產市場平穩健康發展若干意見的通知》. The aforesaid *Notice* specifies:

- (1) For a family who purchases the first ordinary housing unit for its own use with a loan, the minimum down payment ratio of the loan shall be 30% and the lower limit of the lending rate shall be 0.7 times of the benchmark lending rate. If a family who has one housing unit and has paid off relevant housing loans applies again for a loan to purchase an ordinary commodity housing to improve the living conditions, the banking financial institution shall implement the loan policy for the first housing unit. If a resident's family who has one housing unit and has not paid off the relevant housing loans applies again for a commercial individual housing loan to purchase an ordinary housing unit for its own use to improve the living conditions, the minimum down payment ratio shall not be lower than 40%, and the minimum down payment ratio and lending rate of the commercial individual housing loan shall be rationally determined by the banking financial institutions based on the State's unified credit policy.
- (2) The banking financial institutions shall first meet the loan demands of purchasers buying the first housing unit and the first improvement-targeted housing unit, improve the loan approval

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efficiency and shorten the loan issue period; and specify the loan issue date when concluding the loan contract and issue loans within the specified period.

- (3) In principle, the lending rate implemented by the local corporate financial institutions in the province for a family who purchases the first housing unit and the first ordinary improvement-targeted housing unit for its own use shall not be higher than the benchmark lending rate.
- (4) Relaxing conditions for housing provident fund loans. Any employee who has consecutively fully contributed to the housing provident fund for over six months (inclusive) may apply for individual housing provident fund loan. For a family under housing provident fund scheme which uses housing provident fund loans to purchase the first ordinary housing unit for its own use, the minimum down payment ratio shall be 20%, and the maximum loan amount shall not be lower than 80% of the total house price of a local commodity housing measuring 90 sq.m. in floorage. And the age for loan repayment may be extended to five years after the mandatory age for retirement. If a family who has one housing unit and has paid off relevant housing loans applies again for a housing provident fund loan to purchase an ordinary housing unit for its own use to improve the living conditions, the minimum down payment ratio shall be 30%.
- (5) Relaxing conditions for housing provident fund extraction. To purchase a housing unit for his own use, an employee may apply for extracting the housing provident fund with a house purchase contract (Building Ownership Certificate) which will mature within five years, and may also extract the housing provident funds of his spouse, parents and children, but the total extraction amount shall not exceed the total house price. An employee who has consecutively contributed to the housing provident fund for three months may extract the housing provident fund to pay house rent with a proof of no house ownership. A non-resident employee in the administrative region who terminates labour relationship with his unit may apply for cancelling his housing provident fund account and extract the housing provident funds all at once.
- (6) Reducing taxes relating to housing transactions, and fully implementing relevant preferential tax policies of the State. Where an individual sells an ordinary housing unit held for more than two years (inclusive, the same below) after the day of purchase, he shall be exempt from the business tax. Time of an individual holding a housing unit after the day of purchase shall be calculated based on the current policies. Where an individual sells a non-ordinary housing unit held for more than two years after the day of purchase, a business tax shall be collected on the basis of the balance between the sales income and the purchase price of the housing unit.

### Hainan Province:

On 19 November 2008, the Hainan Provincial People's Government promulgated and implemented the *Opinions of the Hainan Provincial People's Government on Promoting Sustainable, Steady and Sound Development of the Real Estate Industry* 《關於促進房地產業持續穩定健康發展的意見》 which was amended on 15 December 2011. The *Opinions* specify:

- (1) Any resident who has normally contributed to the housing provident fund for more than six months in the province may apply for an individual housing provident fund loan. The maximum repayment age for commodity housing loans shall be adjusted from 60 years old (male) and 55 years old (female) to 65 years old (male) and 60 years old (female). The maximum amount of a housing provident fund loan shall be RMB500,000 in Haikou and Sanya and RMB300,000 in other cities. The down payment ratio of housing provident fund mortgage loans shall be adjusted to 20%.
- (2) The maximum term and maximum amount of second-hand housing loans shall be 20 years and RMB300,000, respectively.
- (3) Real estate developers and commercial banks shall actively cooperate with the house purchasers in completing procedures in relation to housing provident fund loans. Those who fail or refuse to cooperate shall be subject to public admonition and sanctions given according to relevant provisions.



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- (4) Any resident in the province may apply for extracting his own housing provident fund for house decoration. The standard extraction amount for house decoration shall be temporarily set at RMB300 per sq.m. at most.

### IX. Property rights

According to the *Property Rights Law* promulgated by the National People's Congress on 16 March 2007, the property rights of the State, collectives, individuals or any other right holder shall be protected by laws and shall not be infringed upon by any entities or individuals.

1. The varieties and contents of real rights shall be specified in laws. The creation, change, transfer or elimination of the property right of a real estate shall be registered according to laws. Unless otherwise specified by laws, the creation, change, transfer or elimination of the property right of a real estate shall become effective after it is registered according to laws.
2. The creation or transfer of the property right of a movable property shall be delivered according to laws. Unless otherwise specified by laws, the creation or transfer of the real right of a movable property shall become effective when it is delivered.

Moreover, the State Council promulgated on 24 November 2014 and effective as of 1 March 2015 the *Interim Regulation on Real Estate Registration* 《不動產登記暫行條例》. According to this Regulation, the State applies a uniform registration system for real estate. "Real estate" refers to land, sea area and fixtures such as buildings and woods. This Regulation shall apply to the initial registration, change of registration, transfer of registration, deregistration, correction of registration, opposition against registration, advanced notice registration, seizure of registration, etc. of real estate. Real estate shall be registered based on the real estate unit. The real estate unit is given a unique code.

### X. Taxation system of China

#### (I) Income tax

According to the *Enterprise Income Tax Law of the People's Republic of China* 《中華人民共和國企業所得稅法》 promulgated by the National People's Congress on 1 March 2007 and effective as of 1 January 2008, the enterprise income tax rate shall be 25%, but such a provision does not apply to the enterprises which enjoy preferential tax treatments.

According to the *Notice on the Implementation of the Transitional Preferential Policies in respect of Enterprise Income Tax* promulgated by the State Council 《關於實施企業所得稅過渡優惠政策的通知》 on 26 December 2007, enterprises which enjoy the preferential policy of "2-year exemption and 3-year half payment", "5-year exemption and 5-year half payment" of the enterprise income tax and other preferential treatments in the form of tax reductions and exemptions within specified periods may, after implementation of new taxation laws, continue to enjoy the preferential tax treatments according to the preference provisions and periods specified in the original taxation laws, administrative regulations and relevant documents until the expiry of the specified periods. However, for those which do not enjoy the preferential treatment due to failure to make profits, the term of preferential treatment shall be counted as from 1 January 2008.

#### (II) Business tax

According to the *Provisional Regulations of the People's Republic of China on Business Tax* promulgated by the State Council 《中華人民共和國營業稅暫行條例》 on 13 December 1993 and later amended on 10 November 2008 and implemented on 1 January 2009, all units and individuals engaged in provision of services as prescribed in the *Regulations*, transfer of intangible assets or sale of real estate within the territory of the People's Republic of China shall pay a business tax. A business tax shall be paid to the relevant local taxation authority as per a rate of 5% for sale of a real estate and other new value-added facilities on the land.

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According to the *Notice of the State Administration of Taxation on the Issue concerning Business Tax on the Return of Land-Use Right by the Land User to the Land Owner* 《關於土地使用將土地使用權歸還給土地所有者行為營業稅問題的通知》 promulgated and implemented by the State Administration of Taxation on 27 March 2008, taxpayers who return land use rights to a landowner may be exempted from business tax upon provision of official documents relating to the withdrawal of land use rights by the local people's government at or above the county level.

According to the *Notice on Adjusting the Business Tax Policies on Individual Housing Transfers* 《關於調整個人住房轉讓營業稅政策的通知》 promulgated by the Ministry of Finance and the State Administration of Taxation on 30 March 2015 and implemented on 31 March 2015, where an individual sells a housing unit held for less than two years from the date of purchase, business tax shall be levied in full amount; where an individual sells a non-ordinary housing unit held for more than two years (inclusive) from the date of purchase, business tax shall be levied on the basis of the balance between the sales income and the purchase price of the housing unit; where an individual sells an ordinary housing unit held for more than two years (inclusive) from the date of purchase, he shall be exempted from business tax.

The Ministry of Finance, the State Administration of Taxation and the Ministry of Housing and Urban-Rural Development promulgated the *Notice on Adjusting the Preferential Policies on Deed Tax and Business Tax during Real Estate Transactions* 《關於調整房地產交易環節契稅營業稅優惠政策的通知》 and implemented it on 22 February 2016. The notice specifies that, where an individual sells an ordinary housing unit held for less than two years after the day of purchase, the business tax thereon shall be collected in full amount; where any individual sells an ordinary housing unit held for more than two years (inclusive) after the day of purchase, he shall be exempt from the business tax thereon.

### **(III) LAT**

According to the *Provisional Regulations of the People's Republic of China on Land Appreciation Taxes* 《中華人民共和國土地增值稅暫行條例》 promulgated by the State Council on 13 December 1993, implemented on 1 January 1994 and amended on 8 January 2011, land appreciation tax (LAT) applies to domestic and overseas individual or corporate investors. LAT shall be paid as the land value increases, that is, based on the balance of the sales proceeds deducted by various designated items. LAT shall be calculated based on a progressive tax rate in excess of specific amount ranging from 30% to 60%. Apart from the abovementioned deductions, property developers may enjoy additional deductions equivalent to 20% of the payment for acquisition of the land use right and the cost for land development and building of new houses or relevant facilities. If a taxpayer builds an ordinary house and the value added does not exceed 20% of the total deductions permitted by PRC laws, LAT may be exempted; if the value added exceeds 20% of the total deductions, such exemption shall not apply and the taxpayer shall pay a LAT for the total value added based on the deductions. Such deductions include:

1. Payment for the acquisition of land use right;
2. Cost and expenses for land development;
3. Cost and expenses for building new housing and supporting facilities, or evaluated prices of houses and buildings;
4. Taxes relating to transfer of real estate; and
5. Other deductions specified by the Ministry of Finance.

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Progressive tax rate in excess of specific amount of the LAT is calculated as follows:

| LAT   | LAT rate |
|---|----------|
|   | (%)      |
| Not in excess of 50% of the amount of deductions  | 30       |
| Not in excess of 100% of the amount of deductions | 40       |
| Not in excess of 200% of the amount of deductions | 50       |
| In excess of 200% of the amount of deductions     | 60       |

If a taxpayer builds an ordinary standard residential apartment and the value added does not exceed 20% of the total deductions permitted by PRC laws, LAT may be exempted.

According to the *Notice on the Relevant Issues Concerning the Settlement Management of Land Appreciation Tax on Real Estate Enterprises* 《關於房地產開發企業土地增值稅清算管理有關問題的通知》 promulgated by the State Administration of Taxation on 28 December 2006 and implemented on 1 February 2007, the settlement of LAT shall be made for each real estate development project approved by the relevant departments of the State; as for a project developed by stages, the settlement shall be made for each stage of the project.

#### **(IV) Deed tax**

According to the *Provisional regulations of the People's Republic of China Concerning Title Deed Taxes* 《中華人民共和國契稅暫行條例》 promulgated by the State Council on 7 July 1997 and implemented on 1 October 1997, any person to whom the land use right or house ownership is transferred within the territory of the People's Republic of China shall pay deed tax. Transfers subject to tax payment include:

1. Assignment of right to use state-owned land;
2. Transfer of land use right, including sales, gift and exchange;
3. House trading;
4. House donation; and
5. House exchange.

Rate of deed tax shall be 3% to 5%. The applicable deed tax rate shall be determined by the governments of provinces, autonomous regions or municipalities directly under the Central Government in China according to the actual circumstances of the relevant properties in various regions and reported to the Ministry of Finance and the State Administration of Taxation for record.

Deed tax shall be reduced or exempted in any of the following circumstances:

1. Deed tax shall be exempted for the transfer of lands or houses to government organs, institutional units, social groups and military units to be used as offices, teaching, medical treatment, research and military installations;
2. Deed tax shall be exempted for the purchases of public houses by urban workers and staff members for the first time according to regulations;
3. Deed tax shall be reduced or exempted according to the actual conditions for purchases of new houses in case of destruction of the original houses caused by force majeure; and
4. Circumstances for deed tax reduction or exemption as prescribed by the Ministry of Finance.

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If the relevant lands or houses and uses are changed so as to fall beyond the above scope, the deed tax shall not be reduced or exempted. Meanwhile, the deed tax shall be paid retroactively as per the amount of tax reduced or exempted.

According to the *Detailed Rules for the Provisional Regulations of the People's Republic of China Concerning Title Deed Taxes* 《中華人民共和國契稅暫行條例實施細則》 implemented by the Ministry of Finance on 1 October 1997, transfer of land or house ownership in any of the following ways shall be deemed transfer of land use right, house trading or donation subject to tax collection:

1. Make investments or buy shares by evaluating the land or house ownership;
2. Pay debts with the land or house ownership;
3. Take the land or house ownership by way of winning a prize; and
4. Take the land or house ownership by way of advanced purchase or advanced payment for the house financed by fund-raising.

The Ministry of Finance, the State Administration of Taxation and the Ministry of Housing and Urban-Rural Development promulgated on 29 September 2010 and implemented on 1 October 2010 the *Notice on Adjusting the Preferential Policies on Deed Tax and Individual Income Tax during Real Estate Transactions* 《關於調整房地產交易環節契稅個人所得稅優惠政策的通知》. According to the *Notice*, where an ordinary house is purchased by an individual as the only house of the family (family members include the house purchaser, his or her spouse and children who are minors, the same below), the deed tax shall be reduced by 50%. Where an individual purchases an ordinary house with an area of or less than 90 sq.m. and the house is the only house of the family, the deed tax shall be levied at a tax rate of 1%.

The Ministry of Finance, the State Administration of Taxation and the Ministry of Housing and Urban-Rural Development promulgated the *Notice on Adjusting the Preferential Policies on Deed Tax and Business Tax during Real Estate Transactions* 《關於調整房地產交易環節契稅營業稅優惠政策的通知》 and implemented it on 22 February 2016. The notice specifies that, where an individual purchases the only housing unit with area of 90 sq.m. or less for his/her family (the family include housing purchaser, spouse and minor children, the same below), deed tax shall be levied at reduced rate of 1%; for the only housing unit with area of 90 sq.m. or more, deed tax 1.5%; where an individual purchases the second set of improvement housing unit with area of 90 sq.m. or less for his/her family, deed tax shall be levied at reduced rate of 1%; for the second set of improvement housing unit with area of 90 sq.m. or more, deed tax 2%. The second set of improvement housing unit for one's family refers to the second one purchased by an individual for his/her family having owned one set of housing unit.

### **(V) Urban and town land use tax**

On 31 December 2006 and 7 December 2013, the State Council amended the *Interim Regulations of the People's Republic of China on Urban and Town Land Use Tax* 《中華人民共和國城鎮土地使用稅暫行條例》. According to the amended regulations, urban and town land use tax shall be levied as per a rate which is three times higher than the original tax rate as from 1 January 2007.

### **(VI) Real estate tax**

According to the *Provisional Regulations of the People's Republic of China on Real Estate Tax* 《中華人民共和國房產稅暫行條例》 promulgated by the State Council on 15 September 1986, implemented on 1 October 1986 and later amended on 8 January 2011, real estate tax shall be collected on the property owned by an enterprise as per a floating rate and the local conditions. Real estate tax shall be 1.2% of the balance of the original value of the real estate less standard deductions (ranging from 10% to 30% of the original value of the real estate, and determined by the local governments), or 12% of the rental income.

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### 1. Henan

According to the *Detailed Rules for the Implementation of the Provisional Regulations of Henan Province on Real Estate Tax* 《河南省房產稅暫行條例實施細則》 implemented by the People's Government of Henan Province on 1 January 1987 and amended on 27 December 2010, which revision was implemented on 5 January 2011, real estate tax shall be levied in cities, counties and industrial and mining areas, except rural area. Whether and when to collect real estate tax in designated towns shall be determined by the people's governments of cities directly under the province level. Real estate tax shall be levied at an annual rate of 1.2% based on the balance of the original value of the real estate less 30% of the said value by lump sum. If there is no original value of the real estate for reference, the tax authority at the location of the real estate shall evaluate and determine the value with reference to that of the real estate of the same type. If a real estate is rented, the real estate tax shall be collected at an annual rate of 12% based on the rental income. Real estate tax shall be collected annually and paid quarterly. The specific time for payment shall be determined by the tax bureaux of the cities or counties. Real estate tax shall be collected by the tax authority at the location of the real estate.

Real estate tax is exempted for the following real estates:

- (1) For real estates stipulated in Article 5 of the PRC Provisional Regulations on Real Estate Tax;
- (2) Schools, hospitals, kindergartens and staff dining halls built by industrial and mining enterprises for their own use;
- (3) Sanatoriums built by the trade unions for their own use;
- (4) Other real estates which are exempted from real estate tax upon approval by the Finance Department of Henan Province.

### 2. Hainan

According to the *Notice of Hainan Local Taxation Bureau on Several Policy Issues Concerning Real Estate Tax* 《海南省地方稅務局關於房產稅若干政策問題的通知》 promulgated by Hainan Local Taxation Bureau on and effective as of 10 February 1999, commodity houses built by units which develop and manage commodity houses are also real estates. To encourage them to vitalise the real estate market, real estate tax may be exempted for the commodity houses before they are sold provided that the development and management units submit a written application to the competent tax authority, which application shall be examined and approved by the local tax authorities of cities and counties and approved by the provincial local taxation bureau. Real estate tax shall be collected according to regulations in any of the following circumstances: (I) the real estate is for the developers' own use; (II) the real estate is for leasing or lending; (III) the real estate is distributed to the employees of the related unit for living, but the property right has not been transferred to them. Regarding deduction standard for tax calculation based on the original value of the real estate, the real estate tax in Hainan Province is calculated and paid based on the balance of the original value of the real estate less than 30% of the said value by lump sum. Regarding the payment period and final settlement time of the real estate tax, the real estate tax paid based on the original value of the real estate in our province is calculated on an annual basis and paid in advance on a quarterly basis. The tax declaration period is from the 1st day to 10th day after the end of each quarter, and the final settlement time of the real estate tax is from 1 October to 10 November every year, during which the real estate tax of the 4th quarter of the previous year and the 1st-3rd quarters of the current year shall be paid. Real estate tax on a house for rent shall be declared and paid on a monthly basis, and the tax declaration period shall be from the 1st day to 10th day after the end of each month.

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### **(VII) City maintenance and construction tax**

According to the *Provisional Regulations of the People's Republic of China on City Maintenance and Construction Tax* 《中華人民共和國城市維持建設稅暫行條例》 promulgated by the State Council on 8 February 1985 and amended on 8 January 2011, all taxpayers of product tax, value added tax or business tax shall pay city maintenance and construction tax based on the amount of the product tax, value added tax and business tax paid. The tax rate shall be 7% for a taxpayer in a city, 5% for a taxpayer in a county or town, and 1% for a taxpayer living in a place other than a city, county or town.

### **(VIII) Educational surcharges**

According to the *Interim Provisions on the Collection of Educational Surcharges* 《徵收教育費附加的暫行規定》 promulgated by the State Council on 28 April 1986 and later amended on 7 June 1990, 20 August 2005 and 8 January 2011 respectively, all taxpayers of consumption tax, value added tax or business tax shall pay educational surcharges, except those paying additional charges for rural education under the *Notice of the State Council on Raising Funds for Running Schools in Rural Areas* 《關於籌措農村學校辦學經費的通知》 promulgated on 13 December 1984. The educational surcharges shall be calculated at a rate of 3% based on the amount of the consumption tax, value added tax and business tax paid.

## **XI. Measures for stabilising housing prices**

### **(I) State provisions**

On 6 May 1999, the General Office of the State Council promulgated and implemented the *Circular on Strengthening Management of Transfer of Land and Strictly Banning Speculative Land Dealing* 《關於加強土地轉讓管理嚴禁炒賣土地的通知》. The *Circular* specifies that land used for trade, tourism, entertainment and luxurious houses, in principle, shall be supplied in the way of bidding or auction. Transfer, rent or mortgage of assigned land for the first time shall conform to the provisions of laws and the requirements specified in the assignment contract; and those not conforming to the requirements shall be prohibited. Transfer and rent of the use right of allocated land shall be approved by the people's governments with approval authority. It is strictly prohibited to speculatively trade land in disguised forms by using construction projects, planning licenses, red line drawings of the land used, etc. For a construction project that has been approved, if the land used for construction conforms to the land use plan, the procedures for land use shall be completed within a specified period. Where transaction of the land use right is involved in the reformation and restructuring of a state-owned enterprise, the land shall not be sold at a low price, and schemes for disposing of land assets shall be worked out, the enterprises subordinated to the Central Government shall choose a scheme which may abate the financial burden of the Central Government and submit it to the competent department of land administration under the State Council for approval.

On 4 September 2003, the Ministry of Land and Resources promulgated and implemented the *Notice on Relevant Issues Concerning the Strengthening of Examination & Approval of Land Use in Urban Construction* 《關於加強城市建設用地審查報批工作有關問題的通知》. Since the date of promulgation of the *Notice*, land use for high-end commodity houses shall be strictly monitored and handling of applications for right to use land for building villas shall be suspended.

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On 26 March 2005, the General Office of the State Council promulgated the *Circular on Effectively Stabilising House Prices*, in order to curb excessive growth of house prices and promote sound development of the real estate market. The *Circular* requires stabilising house prices and adjusting and improving the house supply structure with great efforts. According to the *Circular*, the seven departments under the State Council, comprising the Ministry of Construction, NDRC, Ministry of Finance, Ministry of Land and Resources, PBOC, State Administration of Taxation and CBRC, promulgated on 30 April 2005 the *Opinions on Doing a Good Job of Stabilising House Prices* 《關於切實穩定住房價格工作的通知》. The *Opinions* specifies:

1. All the city planning authorities shall, in compliance with the overall city planning, accelerate the progress of work, give priority to the examination of projects under planning and provide guarantee for project site selection according to the demand for construction of medium-/low-price ordinary commodity housings and economically affordable housings as determined by the local governments. At the same time, the construction of low-density or high-end housings shall be strictly controlled.
2. Making full use of economic means such as tax to adjust the real estate market and intensify efforts to regulate real estate transactions such as speculative and investment house purchases. From 1 June 2005, where anyone sells his house that has been bought for less than 2 years, the business tax shall be levied on the basis of the full amount of the income from house sale; where anyone sells his ordinary house that has been bought for more than 2 years (inclusive), the business tax may be exempted; where anyone sells his non-ordinary house that has been bought for more than 2 years (inclusive), the business tax shall be levied on the basis of the balance of the income from house sale less the payment for house purchase.
3. Prohibiting buyers of pre-sold commodity houses from transferring the uncompleted commodity houses for pre-sales they have bought. Before a commodity house for pre-sales is completed and its buyer obtains the building ownership certificate, the competent real estate authority shall not handle transfer procedures for him/her. If the house ownership applicant is inconsistent with the buyer specified in the pre-sales contract that has been registered and filed, the house ownership registration authority shall not handle house ownership registration procedures for him/her. Implementing real-name house purchase system and online instant recording for commodity house pre-sales contracts, in order to prevent private transactions.

On 24 May 2006, the General Office of the State Council promulgated a circular on forwarding the *Opinions of the Ministry of Construction and Other Departments on Adjusting the Housing Supply Structure as well as Stabilising Housing Prices* 《關於調整住房供應結構穩定住房價格意見的通知》. The circular specifies:

1. Focusing on developing medium-/low-price and medium/small-set ordinary commodity housings to meet the housing needs of local residents;
2. In order to further curb demands for speculative and investment house purchases, from 1 June 2006, where anyone sells his house that has been bought for less than 5 years, the business tax shall be levied on the basis of the full amount of the income from house sale; where anyone sells his ordinary house that has been bought for more than 5 years (inclusive), the business tax may be exempted; where anyone sells his non-ordinary house that has been bought for more than 5 years (inclusive), the business tax shall be levied on the basis of the balance of the income from house sale less the payment for house purchase;

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3. To curb excessive rise of housing prices, from 1 June 2006, the down payment ratio of individual housing mortgage loan shall not be lower than 30%. To meet the housing demands of low- and middle-income groups, the down payment ratio of 20% shall still be implemented for purchase of a housing unit with GFA of less than 90 sq.m.;
4. Continuing to stop supplying land to real estate development projects like villas and strictly restraining land supply for low-density and large-set houses;
5. Stepping up demolition planning and management, reasonably controlling the scale and progress of urban house demolition and curbing the excessive increase of passive housing demands;
6. From 1 June 2006, for commodity housing construction newly approved and started, the area of housing units (including economically affordable housings) with GFA of less than 90 sq.m. shall account for at least 70% of the total area developed for construction. Approval of the Ministry of Construction shall be obtained if any municipality directly under the Central Government, separately listed cities or provincial capitals should adjust the abovementioned percentage due to special circumstances; and
7. Restraining the real estate developers from using bank loans to hoard land and resources. Commercial banks shall not grant loans to the real estate enterprises which do not meet the requirements for loans, such as requirement for project capital percentage of 35%.

On 6 July 2006, the Ministry of Construction promulgated and implemented the *Certain Opinions Regarding the Implementation of Ratio Requirements for the Structure of Newly Constructed Residential Units* 《關於落實新建住房結構比例要求的若干意見》. According to the *Opinions*, from 1 June 2006, the area of housing units (including economically affordable housings) with GFA of less than 90 sq.m. shall account for at least 70% of the total area of commodity housing units newly approved and started in the related year in various cities (including counties). All regions shall analyse the housing needs, work out housing construction plans and reasonably determine the percentage of dwelling size structure based on the total area of the newly built commodity houses at their respective locations according to the actual results of local housing surveys and comprehensive bearing capacity of land, energy, water resources, environment, etc.

On 7 August 2007, the State Council promulgated and implemented *Several Opinions of the State Council on Solving the Housing Difficulties of Urban Low-Income Families* 《關於解決城市低收入家庭住房困難的若干意見》. The specific contents are as follows:

1. All local departments shall fully implement the *Circular of the General Office of the State Council on Forwarding the Opinions of the Ministry of Construction and Other Departments on Adjusting the Housing Supply Structure as well as Stabilising Housing Prices*;
2. Focusing on developing medium-/low-price and medium-/small-set ordinary commodity housing, and increasing effective supply of housing;
3. For housing construction newly approved or started, the area of housing unit with GFA of less than 90 sq.m. shall account for at least 70% of the total area developed for construction; and
4. The annual supply of building area for low-rent housing, economically affordable housing and medium-/low-price and medium/small-set ordinary commodity housing shall not be lower than 70% of the total residential land supply.



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On 30 September 2007, the Ministry of Land and Resources promulgated and implemented the *Circular on Earnestly Implementing 'State Council's Several Opinions on Solving Housing Difficulties of Low-Income Urban Families' and Further Strengthening Land Supply Regulation* 《關於認真貫徹《國務院關於解決城市低收入家庭住房困難的若干意見》進一步加強土地供應調控的通知》, and amended it on 3 December 2010. The *Circular* specifies:

1. The residential land involved in the urban development land reported to the State Council and provincial people's government shall be listed separately, in particular, the proportion of land used for low-rent housing, economically affordable housing and medium-/low-price and medium-/small-set ordinary commodity housing shall not be lower than 70% of the total residential land reported for approval; and
2. Land and resources management departments at city and county levels shall give priority to supplying land for building low-rent housing and economically affordable housing included in the annual land supply plan.

On 7 January 2010, the General Office of the State Council promulgated and implemented the *Notice on Promoting the Stable and Sound Development of the Real Estate Market* 《關於促進房地產市場平穩健康發展的通知》. The *Notice* specifies:

1. Increasing the effective supply of low-income housing and ordinary commodity housing. Accelerating the construction of medium-/low-price and medium-/small-set ordinary commodity housing. Increasing the effective supply of land for housing construction, and increasing the land supply and development and utilisation efficiency;
2. Reasonably guiding housing consumption to curb speculative investment buyers. Increasing enforcement of differentiated credit policy. Continuing to implement the differential housing tax policy;
3. Enhancing risk prevention and market supervision. Strengthening the credit risk management for real estate, continuing to rectify the order of the real estate market, further stepping up the management over land supply and commodity housing sales, and strengthening market monitoring;
4. Advancing the construction of low-income housing projects to strive to basically solve the housing difficulties of 15.4 million low-income families by the end of 2012. The central government will expand effort for the construction of low-income housing projects, appropriately increase subsidies for construction of low-rent housing in central and western regions, improve its way in issuing subsidies, mobilise local initiative and ensure effect of fund using; and
5. Implementing the responsibility of local people's governments at all levels to further improve and implement the system of responsibility for stabilising the real estate market and solving the housing difficulties of low-income families, specifically the people's government at the provincial level shall take the overall responsibilities and the people's governments at the city and county levels shall be responsible for the implementation.

On 8 March 2010, the Ministry of Land and Resources promulgated and implemented the *Circular on Issues Relevant to Strengthening the Supply and Regulation of Land Use for Real Estate* 《關於加強房地產用地供應和監管有關問題的通知》. The *Circular* specifies:

1. Ensuring that the proportion of land for construction of low-income housing, shantytown renovation and self-occupied medium-/small-set commodity housing is not less than 70% of the total supply of housing construction land. Strictly controlling the land for construction of large-set housing and prohibiting land supply for villas;

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## REGULATORY OVERVIEW

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2. Strictly regulating the assignment of land for commodity housing. Setting tough terms on land assignment; standardising the floor price for land assignment. The benchmark land price shall be updated in time according to regulations and made public;
3. Closely examining the qualification of land bidders. For land users who fail to pay the land assignment price, leave land idle, reserve land, speculate in land, develop land beyond their actual development capabilities and fail to perform the land use contract, the land and resources management departments at the city and county levels shall prohibit them from participating in the land bidding within a certain time limit; and
4. Practicing strict management on land assignment contract. After the deal of land assignment, the land assignment contract must be inked within 10 working days. The initial payment of 50% of the assignment price must be made within 1 month after conclusion of the contract, and the balance shall be paid in time according to the contract, no later than 1 year after conclusion of the contract.

On 21 September 2010, the Ministry of Land and Resources and Ministry of Housing and Urban-Rural Development jointly promulgated and implemented the *Notice on Further Strengthening the Control and Regulation of Land and Construction of Property Development* 《關於進一步加強房地產用地和建設管理調控的通知》. The *Notice* specifies:

1. On the basis that the proportion of land used for low-income housing, shantytown renovation housing and medium-/small-set ordinary commodity housing is not lower than 70% of the total residential land supply, and according to the actual conditions, selecting plots and exploring ways for increasing the land for and construction of public rental housing by means like assignment and transfer, unifying with the low-rent housing, and simplifying and implementing classification security for rental housing;
2. Increasing the supply of land for construction of price-restricted medium-/small-set housing in the regions where housing prices are high;
3. If the bidders are found and proved to have the following illegal and default behaviours, before the case is closed and problem investigation and rectification are in place, the competent department of land and resources shall prohibit the bidders and their controlling shareholders from taking part in the land bidding activities: (1) gaining land by forged official documents and illegally profiteering from land use rights; (2) illegally transferring land use rights; (3) causing the land to be idle for more than 1 year for reasons ascribable to the enterprise; (4) development and construction enterprises develop and utilise the land in violation of the assignment contract;
4. The construction of various housing projects shall be commenced within one year from the land delivery date as agreed in the decision and the assignment contract, and shall be completed within three years from the date of commencement;
5. The development of low-density large residential projects shall be strictly restricted and the floor area ratio of residential land must be greater than 1; and
6. For land assignment, the planning conditions, construction conditions and land use standards must be provided in parcel of land, regulations on assignment area of single parcel of land for commodity housing must be strictly carried out, bundling of more than two plots for assignment, and “hair” assignment are forbidden.

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On 19 December 2010, the Ministry of Land and Resources promulgated and implemented the *Notice on Strict Implementation of Policies Regarding Regulation and Control of Real Property Land and Promotion of the Healthy Development of Land Markets* 《關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知》. The *Notice* specifies:

1. The cities and counties, which fail to fulfil the task of 2010 low-income housing construction land supply and have the total supply of land for construction of low-income housing, renovation of shantytown houses and medium-/small-set ordinary commodity housing lower than 70% of the total residential land supply, shall not assign the land for large high-end commodity housing by the end of the year;
2. For plots with premium rate in assignment by bidding, auction or quotation exceeding 50% and total transaction price or unit price hitting a historic high, the land and resources management departments at city and county levels shall report to the Ministry of Land and Resources and competent department of land and resources of all provinces, autonomous regions and municipalities, respectively; and
3. If the use purpose of the land used for low-income housing is changed for development of commodity housing, the illegal gains must be confiscated according to laws, the land use right shall be forfeited, and the land and resources management departments at city and county levels shall assign the land again by bidding, auction or quotation. In addition, it is strictly forbidden to adjust the floor area ratio without authorisation.

On 26 January 2011, the General Office of the State Council promulgated and implemented the *Notice on Issues Concerning Further Regulating the Real Estate Market* 《關於進一步做好房地產市場調控工作有關問題的通知》. The *Notice* specifies:

1. Adjusting business tax policies on individual housing transfer. For each resale transaction of a residential property that has been held by the owner for a period of less than five years from the date of purchase, business tax for property resale transactions is levied on the full sales price; For second-home buyers, the minimum down payment ratio shall not be lower than 60%, and the lending rates shall be no less than 110% of the benchmark interest rates;
2. For real estate sites owned for more than two years and yet to obtain construction permits, the land use rights shall be revoked in time and a fine for land being idle more than one year shall be imposed. Punishing acts of illegal transfer of land use rights. A real estate developer shall not transfer in any form its land or land development projects agreed in the contract if its development and construction investment (excluding the land price) is less than 25% of the total investment amount; and
3. Authorities of all municipalities directly under the Central Government, separately listed cities, provincial capitals and cities with high levels of housing prices and cities currently experiencing rapidly rising housing prices are required to introduce and implement stringent measures for home purchase restrictions, which are to remain in effect for a certain time period in future. In principle, households with locally registered residency status who have taken ownership of one home and household without being granted locally registered residency status who can provide local tax statements or statements of social insurance contributions as proof of payment for a number of previous years are eligible for the purchase of one home (including newly built commodity house and second-hand house). For locally registered households with two or more homes, non-local households with one or more homes, and non-local households who are unable to provide local tax statements or statements of social insurance contributions as proof of payment for a number of previous years, purchases of residential properties within the city-level administrative regions are temporarily prohibited.

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On 26 February 2013, the General Office of the State Council promulgated and implemented the *Notice on Further Improving Regulation of the Real Estate Market* 《關於繼續做好房地產市場調控工作的通知》. The *Notice* specifies:

1. Improving the responsibility system for the stabilisation of the housing prices. Relevant departments under the State Council should step up their supervision and check on the stabilisation of the housing prices by provincial people's government. The people's government which fails to perfectly execute policy measures such as restrictions on the purchase of housing and the differential housing credit and tax shall be interviewed and held accountable.
2. Resolutely curbing speculative investment buyers. Continuing to strictly implement the commodity housing purchase restrictions and differential housing credit policies, and giving full play to the regulatory role of tax policies. The department of taxation and Ministry of Housing and Urban-Rural Development should act in close coordination to levy an individual income tax of 20% of the transferring income for sales of self-owned houses, if the original value of the house can be verified via historical information like tax collection and management and housing registration;
3. Increasing ordinary commodity housing and land supply. In 2013, the total supply of land for housing, in principle, should not be lower than the average actual supply of the past five years; and
4. Stepping up market supervision and expectation management. Strengthening the credit management of real estate enterprises, studying the establishment of credit management system shared by departments such as urban-rural development, development and reform, land and resources, finance, tax, industry and commerce and statistics, and recording and publishing real estate enterprises' irregularity actions in time. For real estate enterprises acting in violation of laws and regulations by leaving the land idle, speculating in land, hoarding properties and artificially forcing up prices, relevant departments should establish a linkage mechanism and reinforce relevant investigation. The Ministry of Land and Resources shall prohibit them from taking part in the land bidding, the banking financial institutions shall not grant loans to their new development projects, the securities regulatory authorities shall suspend approval of their listing, refinancing or significant asset restructuring, and the banking regulatory authorities shall prohibit them from financing by trust plans.

On 25 March 2015, the Ministry of Land and Resources and Ministry of Housing and Urban-Rural Development promulgated and implemented the *Circular on Optimising the Housing and Land Supply Structure in 2015 to Promote Stable and Healthy Development of the Real Estate Market* 《關於優化2015住房及用地供應結構促進房地產市場平穩健康發展的通知》. The *Circular* specifies:

1. Reasonable arrangement of the housing and relevant land supply. If the housing supply exceeds the demand, it is necessary to appropriately control 2015 housing development and construction scale and progress;
2. Optimising the housing and land supply structure. For commodity housing projects under construction, the ministries of land and resources and competent departments of urban and rural planning of various regions shall, without changing necessary conditions for planning such as the land use and floor area ratio, allow real estate enterprises to appropriately adjust the structure of dwelling size, and make adjustments to residential dwelling size not meeting market demand, so as to meet the reasonable housing need for self-occupation and improved living conditions; and

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3. For cities and counties with excessive housing supply or excessive scale of land for properties under construction, the competent departments of land and resources, Ministry of Housing and Urban-Rural Development and competent departments of urban and rural planning may, according to the market conditions, study and formulate schemes for transferring the use of undeveloped land used for real estate, guide the transformation and use of undeveloped land used for real estate by adjusting the land use and planning conditions, and use the land for development and construction of projects supported by the State, e.g. emerging industries, pension industry, cultural industry and sports industry, and promote investment in other industries.

On 19 August 2015, the Ministry of Construction, the Ministry of Commerce, NDRC (the National Development and Reform Commission of the People's Republic of China), PBC (People's Bank of China), SAIC (State Administration for Industry and Commerce of the People's Republic of China) and SAFE (State Administration of Foreign Exchange) promulgated and implemented the Notice on Adjusting the Policies Concerning the Foreign Capital Access into the Real Estate Market and Management (Doc. No.122). The Notice specifies "branches and representative offices established by overseas institutions (excluding the enterprises approved to operate the real estate), foreign individuals who are engaging in domestic studying or working may purchase the self-used or self-occupied commercial residential buildings in line with their actual needs. Any local restrictive purchasing policies implemented by any cities in which the aforesaid foreign individuals are living or studying in shall apply to the aforesaid foreign individuals".

### **(II) Local regulations**

#### **1. Henan**

On 30 September 2014, the Henan Provincial Department of Housing and Urban-Rural Development, Henan Province Development and Reform Commission, Department of Land and Resources of Henan Province, PBOC Zhengzhou Center Sub-branch and CBRC Henan Office jointly promulgated *Several Opinions on Promoting the Healthy Development of the Real Estate Market in Henan* 《關於促進全省房地產市場平穩健康發展的若干意見》. The *Opinions* specify:

- (1) Active support of the households' reasonable demands for housing loans. For a family who purchases the first ordinary housing unit for its own use with loans, the minimum down payment ratio of the loan shall be 30% and the lower limit of the lending rate shall be 0.7 times of the benchmark lending rate. The specific ratio and rate shall be determined by the banking financial institutions according to risks. If a family who has one housing unit and has paid off relevant housing loans applies again for a loan to purchase an ordinary commodity house to improve the living conditions, the banking financial institution shall implement the loan policy for the first housing unit. In cities which have cancelled or have not implemented "purchase restrictions", if a family who has two or more housing units and has paid off the relevant housing loans applies again for a loan to purchase a housing unit, the banking financial institution shall prudently consider and determine the down payment ratio and lending rate according to the borrower's repayment capability, credit status; and
- (2) On the premise of risk prevention, the banking financial institutions shall reasonably allocate credit resources, support real estate enterprises with good qualification and good faith management to develop and build ordinary commodity housing, and give active support to the reasonable financing demands of promising projects under construction and continued projects. For construction of small- and middle-sized housing and ordinary commodity housing projects with GFA of less than 144 sq.m., the minimum capital ratio shall be 20%, and the minimum capital ratio of other real estate projects shall be 30%.

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On 17 April 2015, the Henan Provincial Department of Housing and Urban-Rural Development, Henan Province Development and Reform Commission, Department of Land and Resources of Henan Province, Finance Department of Henan Province, Henan Local Taxation Bureau, PBOC Zhengzhou Center Sub-branch and CBRC Henan Office jointly promulgated the *Several Opinions on Promoting Steady and Sound Development of the Real Estate Market* 《關於促進房地產市場平穩健康發展的若干意見》. Later, on 21 April 2015, the People's Government of Henan Province forwarded the *Notice of Henan Provincial Department of Housing and Urban-Rural Development and Other Departments on Several Opinions on Promoting Steady and Sound Development of the Real Estate Market*. The aforesaid *Notice* specifies:

- (1) For a family who purchases the first ordinary housing unit for its own use with a loan, the minimum down payment ratio of the loan shall be 30% and the lower limit of the lending rate shall be 0.7 times of the benchmark lending rate; if a family who has one housing unit and has paid off relevant housing loans applies again for a loan to purchase an ordinary commodity house to improve the living conditions, the banking financial institution shall implement the loan policy for the first housing unit; If a resident's family who has one housing unit and has not paid off the relevant housing loans applies again for a commercial individual housing loan to purchase an ordinary housing unit for its own use to improve its living conditions, the minimum down payment ratio shall not be lower than 40%, and the minimum down payment ratio and lending rate of the commercial individual housing loan shall be rationally determined by the banking financial institution based on the State's unified credit policy;
- (2) The banking financial institutions shall first meet the purchasers' need for loans for buying the first housing unit and the first improvement-targeted housing unit, improve the loan approval efficiency and shorten the loan issue period; and specify the loan issue date when concluding the loan contract and issue loans within the specified period;
- (3) In principle, the lending rate implemented by the local corporate financial institutions in the province for a family who purchases the first housing unit and the first ordinary improvement-targeted housing unit for its own use shall not be higher than the benchmark lending rate;
- (4) Supporting real estate developers' reasonable financing needs. For low-income housing projects and ordinary commodity housing projects with GFA of less than 144 sq.m., the minimum capital ratio shall be 20%, and the minimum capital ratio of other real estate projects shall be 30%;
- (5) Relaxing requirements for housing provident fund loans. Any employee who has consecutively contributed to the housing provident fund in full for over six months (inclusive) may apply for individual housing provident fund loan. For a family under housing provident fund scheme which uses housing provident fund loans to purchase the first ordinary housing unit for its own use, the minimum down payment ratio shall be 20%, and the maximum loan amount shall not be lower than 80% of the total house price of a local commodity housing measuring 90 sq.m. in floorage. And the age for loan repayment may be extended to five years after the mandatory age for retirement. If a family who has one housing unit and has paid off relevant housing loans applies again for a housing provident fund loan to purchase an ordinary housing unit for its own use to improve the living conditions, the minimum down payment ratio shall be 30%;
- (6) Relaxing conditions for housing provident fund extraction. To purchase a housing unit for his own use, an employee may apply for extracting the housing provident fund with a house purchase contract (Building Ownership Certificate) which will mature within five years, and may also extract the housing provident funds of his spouse, parents and children, but the total extraction amount shall not exceed the total house price. An employee who has consecutively contributed to the housing provident fund for three months may extract the housing provident fund to pay house rent with a proof of no house ownership. A non-resident employee in the

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administrative region who terminates labour relationship with his unit may apply for cancelling his housing provident fund account and extracting the housing provident funds all at once; and

- (7) Reducing taxes relating to housing transactions, and fully implementing relevant preferential tax policies of the State. Where an individual sells an ordinary housing unit held for more than two years (inclusive, the same below) from the date of purchase, he shall be exempted from the business tax. Time of an individual holding a housing unit from the date of purchase shall be calculated based on the current policies. Where an individual sells a non-ordinary housing unit held for more than two years from the date of purchase, a business tax shall be levied on the basis of the balance between the sales income and the purchase price of the housing unit.

### 2. Hainan Province

On 19 November 2008, the Hainan Provincial People's Government promulgated and implemented the *Opinions of Hainan Provincial People's Government on Promoting Sustainable, Steady and Sound Development of the Real Estate Industry* 《關於促進房地產業持續穩定健康發展的意見》 which was amended on 15 December 2011. The *Opinions* specify:

- (1) The ordinary residence standards for enjoying preferential policies are adjusted to: satisfying both of the following: (1) floor area ratio of the residential district: higher than 1.0; (2) GFA of a single unit: less than 144 sq.m. (inclusive);
- (2) From 1 November 2008, the stamp tax on the sale or purchase of a residential house by an individual person shall be exempted temporarily; the land value-added tax on the sale of a residential house by an individual person shall be exempted temporarily; and
- (3) From 1 November 2008, for an individual who purchases for the first time a common residential house of 90 sq.m. or below, the deed tax rate shall be temporarily adjusted to 1% in a unified manner. From the date of issue and enforcement of the *Opinions* to 31 December 2009, for local residents who have paid the deed tax according to regulations for purchasing for the first time a common residential house for self use (including economically affordable house and price-restricted commodity house), the government in the place where the tax is collected shall provide them with subsidy of up to 1.0% of the purchase price.

On 21 January 2010, the Hainan Provincial Department of Housing and Urban-Rural Development promulgated and implemented the *Notice of Hainan Provincial Department of Housing and Urban-Rural Development on Standardising the Order of the Real Estate Market and Promoting the Stable and Sound Development of the Real Estate Market* 《海南省住房和城鄉建設廳關於規範房地產市場秩序促進房地產業平穩健康發展的通知》. The *Notice* specifies that the ministries of housing and urban-rural development, planning and real estate bureaux of various cities, counties and autonomous counties shall work with industry and commerce and pricing departments as soon as possible to make inspection and rectification on the real estate market and focus on conducting comprehensive inspection and rectification below on projects with pre-sales permits and projects sold but pre-sales permit has not yet been obtained:

- (1) Whether the projects with pre-sales permits have announced all the housing available for sale and marked clearly their prices within 10 days; whether invoices have been issued in time for commodity houses sold, and whether recording of sales contract and advanced notice registration have been made;

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- (2) Making thorough investigation on such activities as property hoarding, real estate speculation and bull operation. If any developer is found to have such activities as hoarding properties, failing to mark the prices clearly according to the announced prices or jacking up the prices without record, it shall be ordered to make rectification within three days and shall be punished if it fails to do so within the timeframe. Meanwhile, it shall also be registered in the credit archives of enterprises, blacklisted and disclosed publicly, shall not get any approval for land supply, and be kicked out of the real estate market in Hainan; and
- (3) Any developer who fails to get the pre-sales permit shall not make any promotion in the name or by way of “internal pre-sales”, “paying earnest money in advance”, “issuing VIP card”, which imply reservation money in nature. Otherwise, it shall be ordered to make rectification immediately, be punished, registered in the credit archives of enterprises, and blacklisted.

On 26 February 2010, the General Office of Hainan Provincial People’s Government promulgated the *Suggestions on the Implementation of the Notice of the General Office of the State Council on Promoting the Stable and Sound Development of the Real Estate Market* 《關於海南省人民政府辦公廳貫徹國務院辦公廳關於促進房地產市場平穩健康發展通知的實施意見》. The *Suggestions* specify:

- (1) Strengthening and improving land market supervision to prevent malicious speculative land dealing. If the land assigned is not developed according to the deadline specified, the competent department of land administration shall dispose of it according to laws, regulations and relevant rules, and shall resolutely recall it if it should be recalled uncompensated according to laws. Within the specified time limit, if the investment amount is lower than 25% of the total investment in real estate development, the real estate land use right shall be prohibited from any transfer, joint cooperation, capital contribution (becoming a shareholder) and mortgage. It is forbidden to illegally transfer land use right in disguised forms. If the land transfer price is 20% lower than the assessed price as entrusted by competent departments of land administration at city and county levels, or 20% lower than the local benchmark price, the people’s government at city and county levels shall have the privilege for acquiring the land;
- (2) After conclusion of the commodity housing sales contract, the developer shall go through record-filing formalities and advanced notice registration within 10 days after the pre-sales. Those who fail to go through record-filing formalities and advanced notice registration shall have their pre-sales permits suspended. Improving pre-sales permit systems and strengthening supervision on pre-sales funds. For commodity housing projects involving less than 30,000 sq.m. of land, the developer should make one-time application for pre-sales permit. From 1 May 2010, the commodity housing pre-sales fund shall be deposited in a certain bank account designated by the developer, and the developer shall be prohibited from collecting cash directly. The supervisory system of pre-sales fund of commodity house was implemented from 1 May 2010. The pre-sales funds shall be used for the construction of the project for pre-sales, it shall not be used for any other purposes and shall be subject to supervision of pre-sales fund regulatory authorities and banks; and
- (3) The Ministry of Housing and Urban-Rural Development shall work with the monitoring, industry and commerce and pricing departments for greater efforts to investigate illegal behaviours disturbing market orders. They shall focus on investigating the following illegal behaviours: 1. Failing to obtain the pre-sales permits, but selling houses in the name or by way of “internal pre-sales”, “paying earnest money in advance”, “issuing VIP card”, which imply reservation money in nature; 2. hoarding properties; 3. making false advertisement and spreading false information; 4. failing to mark the prices clearly according to the announced prices and jacking up the prices at will; 5. failing to announce all properties for sale and going through contract recording within a specified period. If any developer is verified to have the behaviour as described in 1 above, the real estate administration authority at or above the



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county level shall, according to Article 39 of the *Administrative Ordinance on Development and Management of Urban Real Estate*, order the said developer to stop selling houses, confiscate its illegal gains, and impose a penalty of less than 1% of the advanced payment. If any developer is verified to have the behaviours as described in 2, 3 and 5 above, the administration for industry and commerce at or above the county level and real estate administration authority shall order it to make rectification immediately, and punish it according to relevant regulations; if any developer is verified to have the behaviour as described in 4 above, the competent pricing department at or above the county level shall order it to make rectification immediately and punish it according to relevant regulations. The real estate administration authority at provincial, city and county levels should establish a sound real estate enterprises and personal integrity and credit rating system as soon as possible, so as to regulate the operation of developers. Any enterprise verified to have the abovementioned behaviours shall be made public and punished seriously according to relevant regulations.

On 23 October 2013, the Hainan Provincial People's Government promulgated and implemented the *Several Opinions on Promoting Sustainable and Sound Development of the Real Estate Industry* 《關於促進房地產業持續健康發展的若干意見》. The *Opinions* specify:

- (1) Appropriate reduction of the proportion of development of pure commodity housing. From 2013, gradually reducing the proportion of development of commodity housing, and increasing the proportion of development of high-end and commercial real estate, so as to cut the proportion of newly started GFA of commodity house to lower than 70% of the newly started GFA of commodity housing by the end of 2017;
- (2) Building a diversified real estate product system. Actively developing commercial real estate for resort hotel, rehabilitation, health and fitness which are tightly integrated with tourism, distinctive industries in Hainan and industrial parks; moderately developing high-end leisure accommodation properties featuring high standards of planning and construction and good ecological environment, e.g. apartment with hotel-styled services; striving to cultivate and develop various distinctive commercial & investment real estate, e.g. property hotel, timeshare hotel; and
- (3) Insisting on fine and characteristic development. Encouraging development of properties featuring good ecological environment, embodiment of ecology resources value, complete infrastructure and service facilities, normative property services, local resources, environment and cultural characteristics, conformity with market development trend and high growth potential; encouraging competitive enterprises with strong sense of environmental protection and social responsibility to develop high-end properties featuring high quality, value and enjoyment, so as to promote the "optimum utilisation" of land resources in Hainan. Restricting low-level and low-quality development of land resources and environmental resources from the perspective of policies and planning.

On 30 April 2015, the General Office of Hainan Provincial People's Government promulgated and implemented the *Several Opinions on Promoting Steady and Sound Development of the Real Estate Market* 《關於促進地產市場平穩健康發展的若干意見》. The *Opinions* specify:

- (1) Except purchase of holiday villas, the commercial banks shall ensure that for those who apply for loans for buying the first housing unit and the first improvement-targeted housing unit, their lending rate is not higher than their benchmark rate, and shall also be lower than the lending rate appropriately according to the actual situation; and

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- (2) Encouraging overseas agencies and individuals, especially overseas Chinese and Hong Kong and Macao citizens to buy real estate in Hainan. Relaxing requirements for settlement of talents who are in short supply. Relaxing orderly requirements for settlement of residents whose residences are registered in this province in Haikou and Sanya.

### OVERVIEW OF SINGAPORE REGULATIONS

The following is a summary of the main laws and regulations of Singapore that are relevant to our Group's business as at the Latest Practicable Date.

We have identified the main laws and regulations that materially affect our Group's operations and the relevant regulatory bodies in Singapore (apart from those pertaining to general business requirements) as follows:

#### (a) Regulation of Import and Export

Pursuant to the Regulation of Imports and Exports Act (Chapter 272A) of Singapore ("**RIEA**"), regulations for registration, regulation and control of all or any class of goods imported into, exported from, transhipped in or in-transit through Singapore may be made. We engage freight forwarders to undertake the import and export of our products and who will also make the necessary permit applications for our imports and exports on a transactional basis.

We have obtained approval of registration pursuant to Part IVA of the Regulation of Import and Export Regulation and Part XIVA of the Customs Regulations as a "declaring entity".

#### (b) Factory Registration

Any person who desires to occupy or use any premises where any building operation or works of engineering construction is or are being carried out by way of trade or for purposes of gain is required to apply to the Commissioner for Workplace Safety and Health ("**CWSH**") to register the premises as a "factory" pursuant to the Workplace Safety and Health (Registration of Factories) Regulations 2008 ("**WSH Factories Regulations**").

Any person who desires to occupy or use any premises as a factory not falling within the classes of factories described within the First Schedule of the WSH Factories Regulations, shall, before the commencement of operation of the factory, submit a notification to the CWSH informing the CWSH of his intention to occupy or use those premises as a factory. However, in the event that the CWSH is of the view that the factory in respect of which a notification has been submitted poses or is likely to pose a risk to the safety, health and welfare of persons at work in the factory, the CWSH may, by notice in writing, (i) specify the date from which the notification shall cease to be valid; and (ii) direct the occupier of the factory to register the factory notwithstanding that the factory does not fall within any of the classes of the factories described in the First Schedule of the WSH Factories Regulations.

Our warehouse, which is located at 8 Pandan Crescent, does not fall within any of the classes of factories described in the First Schedule of the WSH Factories Regulations. Accordingly, a notification to the CWSH will suffice. We have submitted the relevant notification to the CWSH.

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### (c) Workplace Safety and Health Act

The Workplace Safety and Health Act (Chapter 354A) (“**WSHA**”) provides that every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of his employees at work. These measures include:

- (i) providing and maintaining for the employees a work environment which is safe, without risk to health, and adequate as regards facilities and arrangements for their welfare at work;
- (ii) ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by the employees;
- (iii) ensuring that the employees are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace or near their workplace and under the control of the employer;
- (iv) developing and implementing procedures for dealing with emergencies that may arise while those persons are at work; and
- (v) ensuring that the person at work has adequate instruction, information, training and supervision as is necessary for that person to perform his work.

More specific duties imposed by the relevant regulatory body, the Ministry of Manpower (“**MOM**”), on employers are laid out in the Workplace Safety and Health (General Provisions) Regulations of Singapore (“**WSHR**”).

Any person who breaches his duty shall be guilty of an offence and shall be liable on conviction, in the case of a body corporate, to a fine not exceeding S\$500,000 and if the contravention continues after the conviction, the body corporate shall be guilty of a further offence and shall be liable to a fine not exceeding S\$5,000 for every day or part thereof during which the offence continues after conviction. For repeat offenders, where a person has on at least one previous occasion been convicted of an offence under the WSHA that causes the death of any person and is subsequently convicted of the same offence that causes the death of another person, the court may, in addition to any imprisonment if prescribed, punish the person, in the case of a body corporate, with a fine not exceeding S\$1 million and, in the case of a continuing offence, with a further fine not exceeding S\$5,000 for every day or part thereof during which the offence continues after conviction.

Under the WSHA, the Commissioner for Workplace Safety and Health (“**CWSH**”) may serve a remedial order or a stop-work order in respect of a workplace if he is satisfied that:

- (i) the workplace is in such condition, or is so located, or any part of the machinery, equipment, plant or article in the workplace is so used, that any process or work carried on in the workplace cannot be carried on with due regard to the safety, health and welfare of the persons at work;
- (ii) any person has contravened any duty imposed by the WSHA; or
- (iii) any person has done any act, or has refrained from doing any act which, in the opinion of the CWSH, poses or is likely to pose a risk to the safety, health and welfare of persons at work.

The remedial order shall direct the person served with the order to take such measures, to the satisfaction of the CWSH, to, amongst others, remedy any danger so as to enable the work or process in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work and specify the date on which it is to take effect, whilst the stop-work order shall direct the person served with the order to immediately cease to carry on any work or process indefinitely or until such measures as are required by the CWSH have been taken, to the satisfaction of the CWSH, to remedy any danger so as to enable the work in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work.

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The Workplace Safety and Health Council has approved codes of practice for the purpose of providing practical guidance with respect to the requirements of the WSHA relating to safety, health and welfare at the workplace.

### **(d) Work Injury Compensation Act**

Work injury compensation is governed by the Work Injury Compensation Act (Chapter 354) (“WICA”), and is regulated by the MOM. The WICA applies to employees in respect of injury suffered by them in the course of their employment and sets out, amongst others, the amount of compensation that they are entitled to and the method(s) of calculating such compensation.

The WICA provides that if in any employment, personal injury by accident arising out of and in the course of the employment is caused to an employee, the employer is liable to pay compensation in accordance with the provisions of the WICA.

Further, the WICA provides that, amongst others, where any person (referred to as the principal) in the course of or for the purpose of his trade or business contracts with any other person (referred to as the employer) for the execution by the employer of the whole or any part of any work undertaken by the principal, the principal shall be liable to pay to any employee employed in the execution of the work any compensation which he would have been liable to pay if that employee had been immediately employed by the principal.

Employers are required to maintain work injury compensation insurance for two categories of employees engaged under contracts of service, unless exempted. The first category includes all employees doing manual work. The second category includes all non-manual employees earning S\$1,600 or less a month. Failure to do so is an offence punishable by a maximum fine of S\$10,000 and/or imprisonment of up to 12 months.

We have in place workmen’s compensation insurance policies to cover our statutory obligations and liabilities under the WICA.

### **(e) Employment Act**

The Employment Act (Chapter 91) of Singapore (“EA”) is administered by the MOM and sets out the basic terms and conditions of employment and the rights and responsibilities of employers as well as employees who are covered under the EA.

In particular, Part IV of the EA sets out requirements for rest days, hours of work and other conditions of service for workmen who receive salaries not exceeding S\$4,500 a month and employees (other than workmen) who receive salaries not exceeding S\$2,500 a month.

Section 38(8) of the EA provides that an employee is not allowed to work for more than 12 hours in any one day except in specified circumstances, such as where the work is essential to the life of the community, defence or security. In addition, Section 38(5) of the EA limits the extent of overtime work that an employee can perform to 72 hours a month.

Employers must seek the prior approval of the Commissioner for Labour (“CL”) for exemption if they require an employee or class of employees to work for more than 12 hours a day or more than 72 hours a month. The CL may, after considering the operational needs of the employer and the health and safety of the employee or class of employees, by order in writing exempt such employees from the overtime limits subject to such conditions as the CL thinks fit. Where such exemptions have been granted, the employer shall display the order or a copy thereof conspicuously in the place where such employees are employed.

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An employer who breaches the above provisions shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$5,000, and for a second or subsequent offence to a fine not exceeding S\$10,000 or to imprisonment for a term not exceeding 12 months or to both.

### **(f) Employment of Foreign Manpower**

The employment of foreign workers in Singapore is governed by the Employment of Foreign Manpower Act (Chapter 91A) of Singapore (“**EFMA**”) and is regulated by the MOM.

In Singapore, under Section 5(1) of the EFMA, no person shall employ a foreign employee unless he has obtained a valid work pass which allows the foreign worker to work for him. Any person who fails to comply with or contravenes Section 5(1) of the EFMA shall be guilty of an offence and shall (a) be liable on conviction to a fine not less than S\$5,000 and not more than S\$30,000 or to imprisonment for a term not exceeding 12 months or to both; and (b) on a second or subsequent conviction, (i) in the case of an individual, be punished with a fine of not less than S\$10,000 and not more than S\$30,000 and with imprisonment for a term of not less than one month and not more than 12 months; or (ii) in any other case, be punished with a fine not less than S\$20,000 and not more than S\$60,000.

An employer of foreign workers is also subject to, amongst others, the provisions set out in the Employment Act (Chapter 91) of Singapore, the EFMA, the Immigration Act (Chapter 133) of Singapore and the regulations issued pursuant to the Immigration Act.

### **(g) Personal Data Protection Act**

#### ***Personal Data Protection Act***

The Personal Data Protection Act 2012 (No. 26 of 2012) of Singapore (“**PDPA**”) governs the collection, use and disclosure of individuals’ personal data by organisations. The PDPA also established the Personal Data Protection Commission (“**PDPC**”) to administer and enforce the PDPA.

An organisation is required to comply with the following obligations prescribed by the PDPA:

- (a) obtain the consent of the individual before collecting, using, or disclosing his personal data, for purposes that a reasonable person would consider appropriate in the circumstances;
- (b) notify the individual of the purpose of collecting his personal data;
- (c) only use personal data for purposes consented by the individual;
- (d) put in place mechanisms for individuals to withdraw their consent;
- (e) take reasonable efforts to ensure that personal data collected is accurate and complete if the personal data is likely to be used to make a decision that affects the individual, or is likely to be disclosed to another organisation;
- (f) when requested, correct any error or omission in an individual’s personal data;
- (g) upon an individual’s request, provide an individual with his personal data in the organisation’s possession and control, as well as information about the ways in which the personal data has been used or disclosed in the past year;
- (h) protect personal data by making reasonable security arrangements to prevent unauthorised access, collection, use, disclosure, copying, modification, disposal or similar risks;
- (i) cease to retain personal data as long as it is reasonable to assume that:
  - (j) the purpose for which it was collected is no longer being served by retaining it; and
  - (k) the retention is no longer necessary for business or legal purpose;

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- (l) not to transfer any personal data out of Singapore except in accordance with the requirements set out in the PDPA; and
- (m) implement the necessary policies and practices in order to meet its obligations under the PDPA and make information about its policies and practices available on request.

If the PDPC finds that an organisation is not complying with any provision in the PDPA, it may give the organisation all or any of the following directions:

- (a) to stop collecting, using or disclosing personal data in contravention of the PDPA;
- (b) to destroy personal data collected in contravention of the PDPA;
- (c) to comply with any direction of the PDPC to provide access to or correct the personal data; or
- (d) to pay a financial penalty of such amount not exceeding S\$1 million.

In addition to the obligation above, the PDPA also established a Do-Not-Call Registry (“**DNC Registry**”) which allows individuals to register their Singapore telephone numbers to opt out of receiving marketing phone calls, mobile text messages, and faxes from organisations.

Organisations must put in place work flow to check whether an individual has listed his phone number on the relevant DNC Registry. No person shall send a “specified message” addressed to a Singapore telephone number unless it has been confirmed that the number is not listed on the relevant DNC Registry. A “specified message” is one that, among others, purports to offer to supply or advertise or promote goods and services. Any person who contravenes this provision shall be guilty of an offence and shall be liable to a fine not exceeding S\$10,000.

### **Regulatory approvals in relation to the Spin-off Listing**

The SGX-ST has granted its approval for the Spin-off Listing.

### **Taxation**

#### **(a) *Income Tax***

##### *General*

##### *Scope of Tax*

Corporate taxpayers (whether Singapore tax resident or non-Singapore tax resident) are generally subject to Singapore income tax on all Singapore source income, and on foreign source income received or deemed received in Singapore (unless specified conditions for exemption are satisfied). Foreign income in the form of dividends, branch profits and service fee income received or deemed received in Singapore by a Singapore tax resident corporate taxpayer may however be exempt from Singapore tax if specified conditions are met.

Individual taxpayers (both Singapore tax resident and non-Singapore tax resident) are subject to Singapore income tax on income accruing in or derived from Singapore, subject to certain exceptions and conditions. Foreign-sourced income received or deemed received in Singapore on or after 1 January 2004 by a Singapore tax resident individual (except for income received through a partnership in Singapore) is exempt from Singapore income tax if the Comptroller of Income Tax in Singapore (“Comptroller”) is satisfied that the tax exemption would be beneficial to the individual.

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### Rates of tax

The prevailing corporate income tax rate is 17.0% with partial tax exemption for normal chargeable income of up to S\$300,000 as follows:

- 75.0% exemption of up to the first S\$10,000 and
- 50.0% exemption of up to the next S\$290,000.

If a newly incorporated Singapore tax resident company (whose principal activity is not that of investment holding or that of developing properties for sale, investment, or both) is not limited by guarantee, its total share capital is beneficially held directly by no more than 20 individual shareholders throughout the basis period for that year of assessment and at least one individual is holding at least 10.0% of the total number of issued ordinary shares throughout the basis period for that year of assessment, then the following exemptions for normal chargeable income will apply for the first three (3) years of assessment:

- 100.0% exemption of up to the first S\$100,000; and
- 50.0% exemption of up to the next S\$200,000.

An individual is regarded as a tax resident in Singapore for a year of assessment if in the calendar year preceding the year of assessment, he resides in Singapore, or he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more.

Singapore tax-resident individuals are generally subject to tax on a progressive scale. The present top marginal rate of tax is 20.0%, which will be increased to 22.0% from the Year of Assessment 2017.

Non-Singapore tax resident individuals are generally subject to tax at 20.0% (22.0% from Year of Assessment 2017), at concessionary tax rates or the income may be exempt if specified conditions are satisfied. For example, Singapore employment income derived by non-Singapore resident individuals is taxed at a flat rate of 15.0% or at the progressive resident tax rates, whichever yields a higher amount of tax.

### **(b) Dividend Distributions**

Dividends paid by a Singapore tax resident company would be considered as sourced from Singapore. Dividends received from a Singapore tax resident company by either Singapore tax resident or non-Singapore tax resident shareholders are not subject to Singapore withholding tax.

Under the one-tier corporate tax system in Singapore, the tax paid by a Singapore tax resident company is a final tax and the after-tax profits of the company can be distributed to its shareholders as tax exempt (one-tier) dividends.

As our Company is a Singapore tax resident company, the dividends distributed by our Company will be tax exempt (one-tier) dividends. The dividends will be exempt from Singapore income tax in the hands of our shareholders, regardless of whether the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident.

### **(c) Gains on Disposals of Ordinary Shares**

Singapore does not impose tax on capital gains. There are no specific laws or regulations which deal with the characterisation of whether a gain is revenue or capital in nature. The characterisation would usually depend on the facts and circumstances surrounding the purchase and sale of a particular asset. In general, gains or profits derived from the disposal of our Shares acquired for long-term investment purposes should be considered as capital gains and not subject to Singapore tax.

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## REGULATORY OVERVIEW

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On the other hand, gains may be construed to be of an income nature and subject to Singapore income tax if they arise from or are otherwise connected with activities which the Comptroller regards as the carrying on of a trade or business of dealing in shares in Singapore.

For any disposal of our ordinary Shares from 1 June 2012 to 31 May 2017 (both dates inclusive) by a company, upfront “non-taxation” certainty may however be granted on any gains derived by the divesting company if immediately prior to the date of share disposal, the divesting company has held at least 20% of our Shares for a continuous period of at least 24 months.

For share disposals that do not satisfy the above conditions, the tax treatment on any gains/ losses that may arise from the disposal of shares (i.e. whether the gains/ losses are capital or revenue in nature) would continue to be determined based on a consideration of the specific facts and circumstances of the case and by reference to established case law principles.

In addition, corporate shareholders who apply, or who are required to apply, the Singapore Financial Reporting Standard 39 Financial Instruments – Recognition and Measurement (“**SFRS 39**”) for the purposes of Singapore income tax may be required to recognise revenue gains or losses (i.e. excluding capital gains or losses) in accordance with the provisions of SFRS 39 (as modified by the applicable provisions of Singapore income tax law) even though no sale or disposal of our Shares have been made.

### **(d) Stamp Duty**

No stamp duty is payable on the subscription and issuance of our Shares. Stamp duty is also not applicable to electronic transfers of our Shares through the CDP.

Where existing Shares evidenced in certificated form are acquired in Singapore, stamp duty is payable on the instrument of transfer of the Shares at the rate of S\$0.20 for every S\$100.00 or any part thereof of the consideration for or market value of, the Shares, whichever is higher. The purchaser is liable for the stamp duty charge, unless otherwise agreed by the parties to the transaction.

No stamp duty is payable if no instrument of transfer is executed (such as in the case of scripless shares, the transfer of which does not require an instrument of transfer to be executed) or if the instrument of transfer is executed outside of Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is subsequently brought into Singapore.

### **(e) Estate Duty**

Singapore estate duty was abolished with effect from 15 February 2008.

### **(f) Goods and Services Tax (“GST”)**

The sale of our Shares by a GST-registered investor belonging in Singapore through a SGX-ST member or to another person belonging in Singapore is an exempt supply not subject to GST.

Any GST (for example, GST on brokerage) incurred by the GST-registered investor in connection with the making of this exempt supply will generally become an additional cost to the investor unless the investor satisfies certain conditions prescribed under the GST legislation or by the Comptroller of GST.

Where our Shares are sold by a GST-registered investor to a person belonging outside Singapore (and who is outside Singapore at the time of supply), the sale is a taxable supply subject to GST at zero rate. Consequently, any GST (for example, GST on brokerage) incurred by him in the making of this zero-rated supply for the purpose of his business will, subject to the provisions of the GST legislation, be recoverable as an input tax credit in his GST returns.



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## REGULATORY OVERVIEW

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Investors should seek their own tax advice on the recoverability of GST incurred on expenses in connection with the purchase and sale of our Shares.

Services such as brokerage and handling services rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor's purchase or sale of our Shares will be subject to GST at the prevailing rate (currently 7.0%). Similar services rendered contractually to an investor belonging outside Singapore are subject to GST at zero-rate provided that the investor is not physically present in Singapore at the time the services are performed and the services do not directly benefit a person who belongs in Singapore.

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## HISTORY

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### OVERVIEW

The history of our Property Development Business dated back to October 1999, when Henan Weiye was established under the name of “Henan Fenghua Property Co., Ltd.\* (河南豐華置業有限公司)”. Beginning in 2000, Zhang Wei, our executive Director and chairman of the Board, and his family started acquiring equity interests in Henan Weiye. Over the years, Henan Weiye and its subsidiaries have built a strong presence in Henan Province, PRC through its development of various large-scale and multi-phased property projects. As of 31 December 2015, we had four projects and certain portion of one project completed with a total GFA completed of approximately 882,417 sq.m. and two projects and certain portions of one project under development or held for future development with an estimated GFA of approximately 738,186 sq.m. in Henan Province. Please refer to the paragraph headed “Our Property Development Business in Henan Province” in this section for details of the history and development of our Property Development Business in Henan Province.

In 2010, we expanded our Property Development Business into Hainan Province, PRC. As of 31 December 2015, we had three projects and certain portion of one project completed with a total GFA completed of approximately 203,323 sq.m. and certain portions of two projects under development with an estimated GFA of approximately 31,803 sq.m. in Hainan Province. Please refer to the paragraph headed “Our Property Development Business in Hainan Province” in this section for details of the history and development of our Property Development Business in Hainan Province.

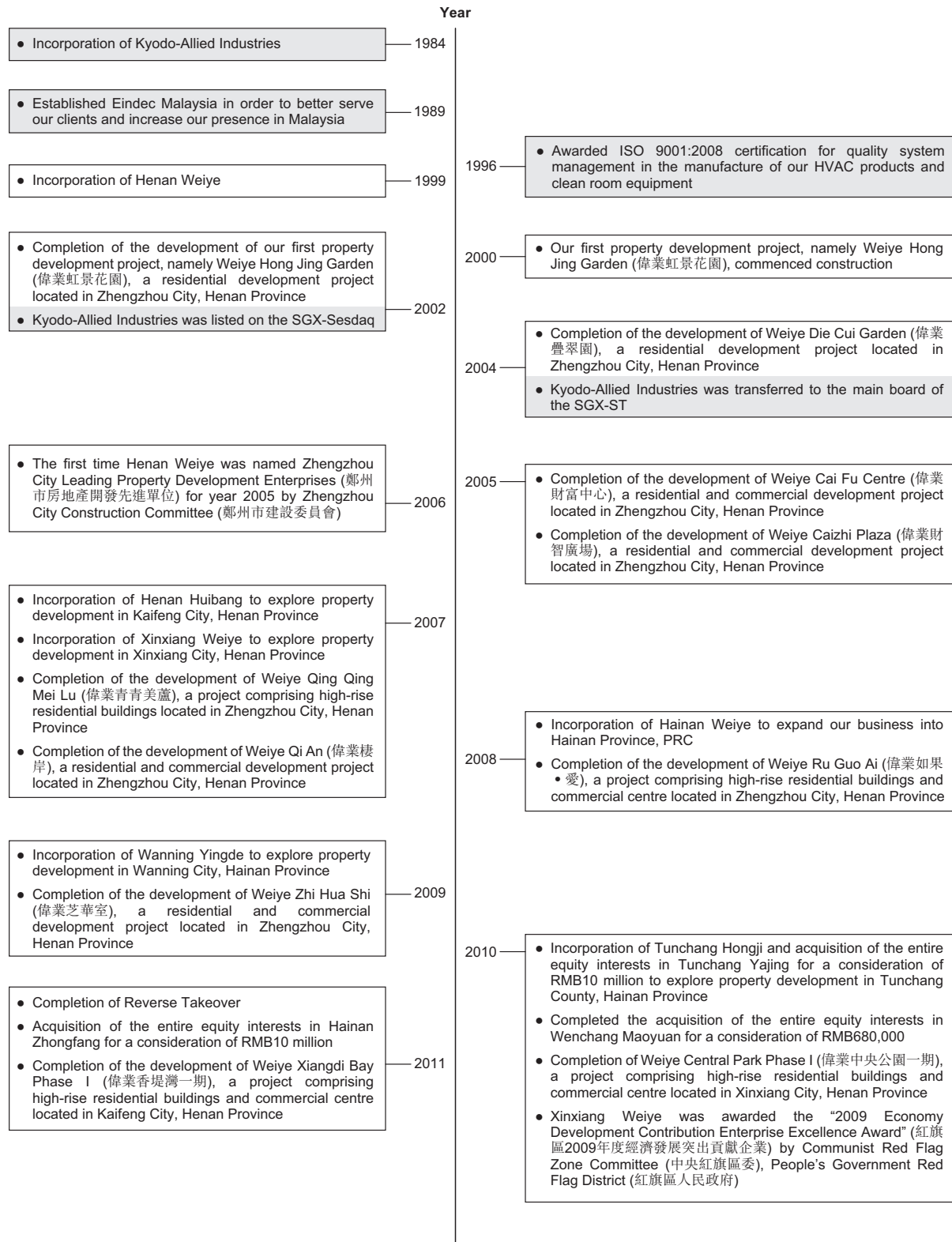
In 2011, our Company completed the Reverse Takeover of our Property Development Business. Following the Reverse Takeover, a change of control occurred such that our Group has since been controlled by the Controlling Shareholders. Please refer to the paragraph headed “Reverse Takeover” in this section for details of the Reverse Takeover.

Prior to completion of the Reverse Takeover, our Company was known as “Kyodo-Allied Industries Ltd.”, which was initially established in 1984 as a manufacturer and supplier of HVAC equipment for the M&E engineering industries in Singapore. In 2002, Kyodo-Allied Industries was listed on the SGX-Sesdaq, and was subsequently transferred to the main board of the SGX-ST in 2004. Following the Reverse Takeover, our Property Development Business contributed to the majority of our revenue and profits. Therefore, the name of our Company was changed from “Kyodo-Allied Industries Ltd.” to “Weiye Holdings Limited” to better reflect our core activities. Meanwhile, our Equipment Manufacturing Business has been retained as a business segment within our Group. The Eindex Group, which engages in our Equipment Manufacturing Business, has been separately listed on Catalist since January 2016. Please refer to the paragraph headed “Our Equipment Manufacturing Business” in this section for details of the history and development of our Equipment Manufacturing Business.

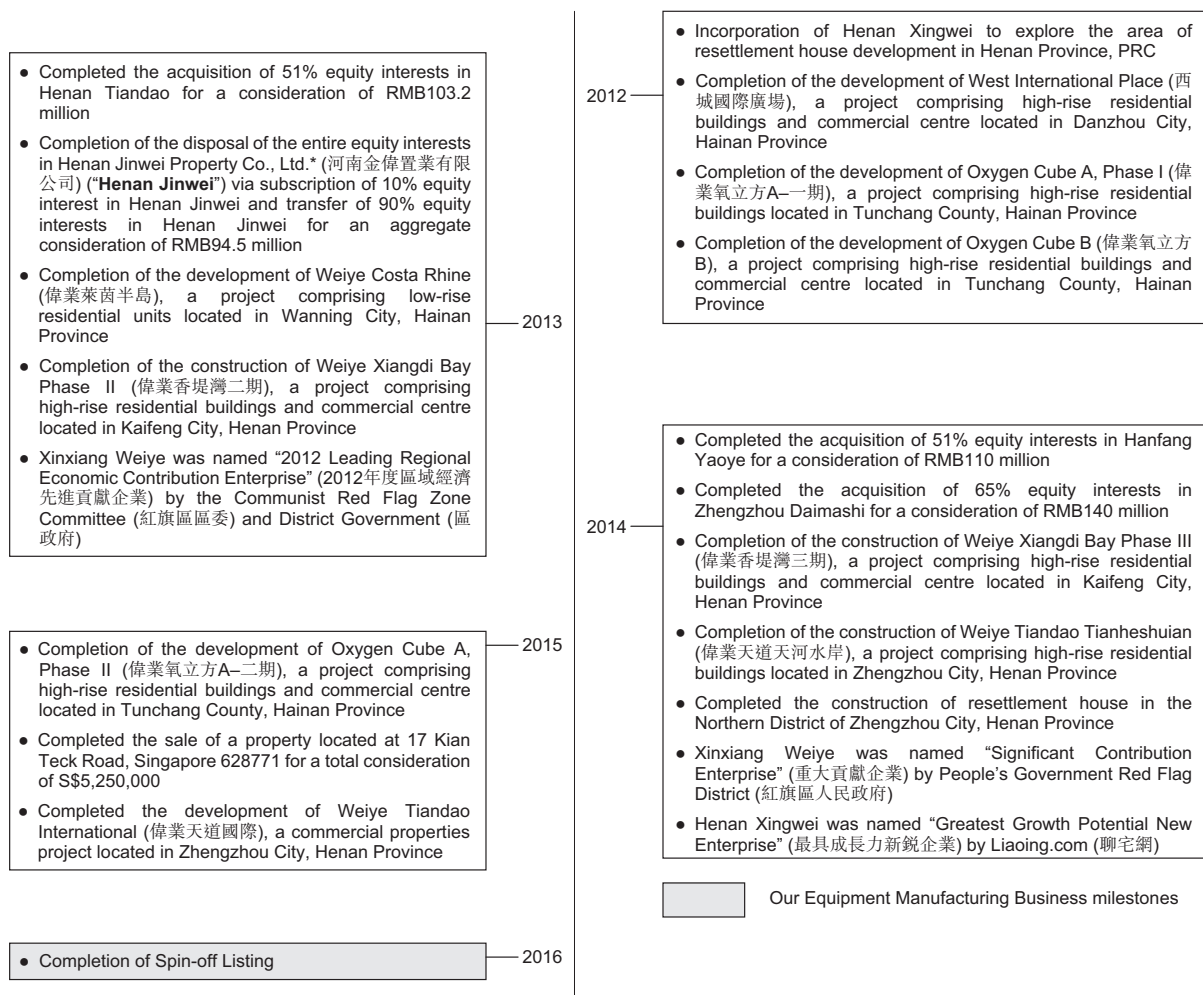
We are currently seeking listing of our Shares on the Main Board of the Stock Exchange in order to have dual primary listing status in both Singapore and Hong Kong. While our Directors consider that it is important to maintain the Singapore listing, they consider that it would be desirable and beneficial for our Company to have a dual primary listing of our Shares in both Hong Kong and Singapore as our Directors believe that the stock markets in Hong Kong and Singapore attract different investors. The dual listing is likely to provide our Company with ready access to two different equity markets if any opportunity arises. It could also widen the investor base of our Company. Further, listing on the Stock Exchange could enhance our Company’s profile in Hong Kong and the PRC, facilitate investment by Hong Kong investors, enable our Company to gain access to Hong Kong’s capital markets and benefit our Company by exposing us to a wider range of private and institutional investors. Our Directors consider that this is important for our potential future growth and long term development, since in particular, substantially all of our operations are in the PRC.

# HISTORY

## MILESTONES



## HISTORY



## OUR PROPERTY DEVELOPMENT BUSINESS IN HENAN PROVINCE

### (i) Henan Weiye

The history of our Property Development Business dated back to October 1999, when Henan Weiye was established under the name of “Henan Fenghua Property Co., Ltd.\* (河南豐華置業有限公司)”. The initial owners of Henan Weiye were Henan Fenghua Industry Co., Ltd.\* (河南豐華實業股份有限公司) (“**Fenghua Industry**”) and Henan Fenghua Industry Development Co., Ltd.\* (河南豐華實業發展有限公司) (“**Fenghua Development**”) holding 85% and 15% equity interests in Henan Weiye, respectively. Zhang Wei was the director of Fenghua Industry, the business licence of which was revoked on 17 October 2005. Zhang Wei was the director of, and Chen Zhiyong was the legal representative, director and chairman of Fenghua Development, the business licence of which was revoked on 26 February 2002.

In July 2000, Zhang Guoming (張國明) (father of Zhang Wei) acquired 47% equity interests in Henan Weiye from Fenghua Industry for a consideration of RMB4.7 million, which was determined based on the registered capital of Henan Weiye.

In April 2001, Yuan Dejun (員德軍) and Yuan Shuxian (袁淑賢), both Independent Third Parties, acquired 20% and 18% equity interests in Henan Weiye, respectively, from Fenghua Industry for a consideration of RMB2.0 million and RMB1.8 million, respectively, which were determined based on the registered capital of Henan Weiye.

In November 2001, Henan Zhonglian Industrial Development Co., Ltd.\* (河南眾聯實業發展有限公司) (“**Henan Zhonglian**”), an Independent Third Party, acquired 15% equity interests in Henan Weiye from Fenghua Development for a consideration of RMB1.5 million, which was determined based on the registered capital of Henan Weiye.

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In June 2002, Zhang Guoming (張國明), Yuan Shuxian (袁淑賢) and Chen Zhiyong subscribed for additional equity interests of RMB5.3 million, RMB1 million and RMB3.7 million in Henan Weiye, respectively, which increased the registered capital of Henan Weiye from RMB10 million to RMB20 million. Meanwhile, Chen Zhiyong acquired all 10% equity interests in Henan Weiye held by Yuan Dejun (員德軍) for a consideration of RMB2 million, and Henan Fenghua International Airline Agency Co., Ltd.\* (河南省豐華國際航空代理有限公司) (“**Fenghua International**”), an Independent Third Party, acquired all 7.5% equity interests in Henan Weiye held by Henan Zhonglian for a consideration of RMB1.5 million, the consideration of both transfers was determined based on the registered capital of Henan Weiye. Accordingly, Zhang Guoming (張國明), Yuan Shuxian (袁淑賢), Chen Zhiyong and Fenghua International held 50%, 14%, 28.5% and 7.5% equity interests in Henan Weiye, respectively.

In June 2003, Chen Zhiyong further acquired all 7.5% equity interests in Henan Weiye held by Fenghua International for a consideration of RMB1.5 million, which was determined based on the registered capital of Henan Weiye, and accordingly increased his ownership of equity interests in Henan Weiye to 36%. In the same month, Henan Zhonglian acquired all 14% equity interests in Henan Weiye held by Yuan Shuxian (袁淑賢) for a consideration of RMB2.8 million, which was determined based on the registered capital of Henan Weiye. In October 2003, Zhang Wei became the owner of 33.33% equity interests in Henan Weiye by subscribing for additional equity interests of RMB10 million in Henan Weiye.

In November 2006, Zhang Guoming (張國明) transferred all his equity interests in Henan Weiye representing 33.33% for a consideration of RMB10 million to Hainan Huibang Construction Investment Co., Ltd.\* (海南薈邦建設投資集團有限公司) (“**Hainan Huibang**”), an Independent Third Party, the consideration of which was determined based on the registered capital of Henan Weiye.

In April 2007, Zhang Wei, Zhang Jianwei, Hainan Huibang and Henan Zhonglian subscribed for additional equity interests of RMB2 million, RMB15 million, RMB9.8 million and RMB3.2 million in Henan Weiye, respectively. Following such capital increase, their ownership of equity interests in Henan Weiye became 20%, 25%, 33% and 10%, respectively. The remaining 12% equity interests in Henan Weiye were held by the Chen Zhiyong.

Each of Zhang Wei and Chen Zhiyong has financed his acquisition of equity interests in, or capital injection into, Henan Weiye with his own funds.

In April 2010, with a view to consolidate the subsidiaries engaged in the Property Development Business in preparation for the Reverse Takeover, Zhang Wei, Chen Zhiyong, Zhang Jianwei, Henan Zhonglian and Hainan Huibang entered into a share transfer agreement to sell the entire equity interests in Henan Weiye to Hongji Consulting, a company then ultimately held by Zhang Wei, Chen Zhiyong and Zhang Jianwei, for an aggregate consideration of RMB60 million, which was determined based on the registered capital of Henan Weiye. Upon completion of the transfers in May 2010, Hongji Consulting became the sole equity owner of Henan Weiye.

Henan Weiye is principally engaged in the business of property development in Zhengzhou City, Henan Province. Since its incorporation, Henan Weiye has successfully developed several large property development projects such as Weiye Hong Jing Garden (偉業虹景花園), Weiye Die Cui Garden (偉業疊翠園), Weiye Cai Fu Centre (偉業財富中心), Weiye Caizhi Plaza (偉業財智廣場), Weiye Qing Qing Mei Lu (偉業青青美蘆), Weiye Qi An (偉業棲岸), Weiye Ru Guo Ai (偉業如果•愛) and Weiye Zhi Hua Shi (偉業芝華室).

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### **(ii) Henan Huibang**

In March 2007, Henan Huibang was established to explore property development in Kaifeng City, Henan Province, and was initially held as to 75% by Henan Weiye and 25% by Henan Zhongrun Investment Co., Ltd.\* (河南中潤投資有限公司), an Independent Third Party. In October 2009, Henan Zhongrun Investment Co., Ltd.\* (河南中潤投資有限公司), transferred its equity interests of 25% in Henan Huibang to Henan Weiye for a consideration of RMB5 million, which was determined based on the registered capital of Henan Huibang. As confirmed by our PRC Legal Adviser, the transfer has been properly and legally completed and settled. Since its incorporation, Henan Huibang has successfully developed Phases I, II and III of Weiye Xiangdi Bay (偉業香堤灣), a project comprising high-rise residential buildings and commercial centre located in Kaifeng City, Henan Province.

### **(iii) Xinxiang Weiye**

In April 2007, Xinxiang Weiye was established by Henan Weiye to explore property development in Xinxiang City, Henan Province. Since its incorporation, Xinxiang Weiye has completed the development of Phases I and III of Weiye Central Park (偉業中央公園), a project comprising high-rise residential buildings and commercial centre located in Xinxiang City, Henan Province.

### **(iv) Disposal of Henan Jinwei**

In September 2010, Henan Jinwei Property Co., Ltd.\* (河南金偉置業有限公司) (“**Henan Jinwei**”) was established by Henan Weiye. In December 2012, the entire equity interest in Henan Jinwei was disposed via (1) subscription of 10% equity interests in Henan Jinwei by Henan Ganglin Realty Company Limited\* (河南港林實業有限公司), an Independent Third Party, for a cash consideration of approximately RMB10 million, and (2) transfer of 90% equity interests in Henan Jinwei to Zhengzhou City Shanqing Trading Company Limited\* (鄭州市山青商貿有限責任公司), an Independent Third Party, for an aggregate consideration of RMB84.5 million. The consideration was arrived at on a willing buyer, willing seller basis. The purpose of the disposal was to realise our investment in Henan Jinwei immediately and to unlock the value thereof for its shareholders. As confirmed by our PRC Legal Adviser, the disposal has been properly and legally completed and settled. Henan Jinwei has a property development project named Weiye International Square (偉業國際廣場) located in Zhengzhou City, Henan Province. In March 2013 and April 2013, Henan Weiye purchased from Henan Jinwei 30 retail units and 104 office units located at Weiye International Square (偉業國際廣場) at a total consideration of approximately RMB45.03 million.

### **(v) Henan Xingwei**

In November 2012, Henan Xingwei was established by Henan Weiye to explore the area of resettlement house development in Henan Province. As part of the Henan local government’s urbanisation plan, Henan Xingwei contracted with the Henan local government in June 2013 to build resettlement houses using the Built-Transfer model. The construction of phase I resettlement house in the Northern District of Zhengzhou City, Henan Province has been completed in 2014. For further details, please refer to the paragraphs headed “Business – Resettlement Housing Operation” in this listing document.

As part of the trust financing arrangements with Zhongyuan Trust Company Limited\* (中原信託有限公司) (“**Zhongyuan Trust**”), Zhongyuan Trust injected RMB110 million into Henan Xingwei in August 2014, of which RMB41.83 million served as registered capital and the remaining RMB68.17 million served as capital surplus. Since then, the equity interests in Henan Xingwei were held as to approximately 82.7% by Henan Weiye and approximately 17.3% by Zhongyuan Trust, which became a connected person at the subsidiary level of our Company. In December 2015, Zhongyuan Trust further injected RMB190 million into Henan Xingwei, of which RMB72.24 million served as registered capital

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## HISTORY

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and the remaining RMB117.76 million served as capital surplus. In January 2016, Zhongyuan Trust further injected RMB200 million into Henan Xingwei, of which RMB75.93 million served as registered capital and the remaining RMB124.07 million served as capital surplus. Since then, the equity interests in Henan Xingwei were held as to approximately 51.3% by Henan Weiye and approximately 48.7% by Zhongyuan Trust. Please refer to the paragraphs headed “Business – Project Financing” for further details of the trust financing arrangements with Zhongyuan Trust.

### **(vi) Acquisition of Henan Tiandao**

In March 2013, Henan Weiye acquired 51% equity interests in Henan Tiandao from Li Zhi (李智), an Independent Third Party, for a consideration of RMB103.2 million, with the intention to develop the land use rights in respect of a land parcel located at Yangqiao West Road and Ruifeng North Road, Zhengzhou City, Henan Province owned by Henan Tiandao. The consideration was arrived at based on the negotiation between the parties after taking into account the then prevailing tender prices for land in Zhengzhou City and the net book value of Henan Tiandao. As confirmed by our PRC Legal Adviser, the acquisition has been properly and legally completed and settled. The remaining 49% equity interests in Henan Tiandao are being held by Henan Heshun Construction Co., Ltd.\* (河南和順建設有限公司), a connected person at the subsidiary level of the Company.

Since the acquisition, Henan Tiandao has completed the development of Weiye Tiandao Tianheshuian (偉業天道天河水岸), a project comprising high-rise residential buildings located in Zhengzhou City, Henan Province and the development of Weiye Tiandao International (偉業天道國際), a commercial properties project located in Zhengzhou City, Henan Province.

### **(vii) Collaboration regarding Hanfang Yaoye and establishment of Hanwei Zhiye**

In June 2014, Henan Weiye entered into a collaboration agreement (the “**Collaboration Agreement**”) with the equity owners of Hanfang Yaoye, namely Wang Na (王娜) and Feng Chaoling (馮朝嶺), each an Independent Third Party, in connection with the development of the land use rights in respect of a land parcel located in Zhengzhou City, Henan Province held by Hanfang Yaoye. Pursuant to the Collaboration Agreement, Henan Weiye shall acquire 51% equity interests in Hanfang Yaoye. The ownership of such equity interests serves as a security for the transfer of the land use rights to another company for the purpose of joint development of the land by the parties.

Accordingly, Henan Weiye acquired 38.33% and 12.67% equity interest in Hanfang Yaoye from Wang Na (王娜) and Feng Chaoling (馮朝嶺), respectively, in June 2014, for an aggregate consideration of RMB110 million. The consideration was arrived at following arm’s length negotiations on a willing-buyer, willing-seller basis, and taking into account the estimated market value of the relevant land use rights. As confirmed by our PRC Legal Adviser, the acquisition has been properly and legally completed and settled. As such, the equity interests in Hanfang Yaoye were owned as to 51% by Henan Weiye and as to 49% by Feng Chaoling (馮朝嶺). However, pursuant to the Collaboration Agreement, our Group’s rights in respect of our equity interests in Hanfang Yaoye were limited to the rights over matters relating to the land use rights but not other operations of Hanfang Yaoye. Further, the land use rights shall be transferred to another company for joint development by the parties to the Collaboration Agreement. Upon the completion of such transfer, our 51% equity interests in Hanfang Yaoye shall be transferred to Wang Na (王娜) and Feng Chaoling (馮朝嶺) at nil consideration. Accordingly, the 51% equity interests in Hanfang Yaoye were classified as assets held for sale and Hanfang Yaoye was not recognised as a subsidiary of our Company.

In December 2014, Hanwei Zhiye was established and held as to 51% by Henan Weiye and 49% by Feng Chaoling (馮朝嶺) for the purpose of the transfer of the land use rights from Hanfang Yaoye. The Directors expect that the land use right will be transferred to Hanwei Zhiye, and our 51% equity interests in Hanfang Yaoye will be disposed to Wang Na (王娜) and Feng Chaoling (馮朝嶺) at nil consideration, in the third quarter of 2016.

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## HISTORY

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### ***(viii) Acquisition of Zhengzhou Daimashi***

In October 2014, Jinwei (Henan) and a third party construction contractor, Zhengzhou Shijizhongxin Zhiye Co. Ltd.\* (鄭州世紀中信置業有限公司) (“**Shijizhongxin**”), entered into a cooperation agreement (the “**Cooperation Agreement**”) in relation to the joint development of three parcels of land held by Zhengzhou Daimashi. Salient terms of the Cooperation Agreement include: (i) Jinwei (Henan) and Shijizhongxin will jointly acquire the equity interests in Zhengzhou Daimashi; (ii) Shijizhongxin will undertake the project construction according to the specification and time frame given by Jinwei (Henan) and bear all the costs of construction, while Jinwei (Henan) will undertake the marketing and sales of the properties; (iii) Shijizhongxin is entitled to a pre-determined price per sq. m. payable according to the construction progress; and (iv) Jinwei (Henan) is entitled to all proceeds from the sales and pre-sales of the properties to third parties under the project.

Accordingly, in October 2014, Jinwei (Henan) acquired 65% equity interest in Zhengzhou Daimashi from Chen Xiuna (陳秀娜), an Independent Third Party, for a consideration of RMB140 million, which consideration was arrived at following arm’s length negotiations on a willing-buyer, willing-seller basis, and taking into account the estimated market value of the land-use rights held by Zhengzhou Daimashi. As confirmed by our PRC Legal Adviser, the acquisition has been properly and legally completed and settled. In January 2015, 65% equity interest in Zhengzhou Daimashi was transferred internally from Jinwei (Henan) to Henan Weiye. Meanwhile, the rights and obligations of Jinwei (Henan) under the Cooperation Agreement were assigned and novated to Henan Weiye. The remaining 35% equity interests in Zhengzhou Daimashi are being held as to 27.5% by Liu Gairong (劉改榮) on trust for Shijizhongxin and as to 7.5% by Chen Xiuna (陳秀娜). Each of Liu Gairong (劉改榮) and Shijizhongxin, being a substantial shareholder of Zhengzhou Daimashi, is our connected person at the subsidiary level.

While Zhengzhou Daimashi is not accounted for and consolidated in the audited consolidated accounts of the Company as a subsidiary pursuant to applicable International Financial Reporting Standards, since the Company indirectly holds a majority of the voting rights in Zhengzhou Daimashi, Zhengzhou Daimashi falls within the definition of a “subsidiary undertaking” of the Company as defined in schedule 1 to the Companies Ordinance. Accordingly, Zhengzhou Daimashi is considered a subsidiary of the Company from the perspective of the Listing Rules.

As at the Latest Practicable Date, Zhengzhou Daimashi is in the process of developing a residential and commercial project, namely Weiye Paris Impression (偉業巴黎印象), which is located in Zhengzhou City, Henan Province. The project is expected to complete in 2017.

## **OUR PROPERTY DEVELOPMENT BUSINESS IN HAINAN PROVINCE**

### ***(i) Hainan Weiye***

As part of our plan to expand our Property Development Business into Hainan Province, PRC, Hainan Weiye was established in December 2008, and was initially held as to 90% by Henan Weiye and 10% by Hainan Huibang.

In May 2010, in preparation for the Reverse Takeover, Henan Weiye and Hainan Huibang sold their equity interests in Hainan Weiye to Hongji Consulting, a company then ultimately held by Zhang Wei, Chen Zhiyong and Zhang Jianwei, for a consideration of RMB18 million and RMB2 million respectively, both of which were determined based on the registered capital of Hainan Weiye, and following the transfer Hongji Consulting became the sole equity owner of Hainan Weiye.

### ***(ii) Wanning Yingde***

In November 2009, Wanning Yingde was established by Hainan Huibang to explore property development in Wanning City, Hainan Province. In December 2009, Hainan Huibang sold the entire equity interests in Wanning Yingde to Hainan Weiye for a consideration of RMB10 million, which was



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## HISTORY

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determined based on the registered capital of Wanning Yingde. In December 2009, the registered capital of Wanning Yingde was increased from RMB10 million to RMB20 million which was subscribed for by Hainan Luda Property Development Co., Ltd.\* (海南鹿達房地產開發有限公司), an Independent Third Party, and the subscription price of RMB10 million was satisfied by transfer of land use rights. Accordingly, the equity owners of Wanning Yingde were Hainan Weiye and Hainan Luda Property Development Co., Ltd., each holding 50% of its equity interests. In April 2011, Hainan Luda Property Development Co., Ltd.\* (海南鹿達房地產開發有限公司) sold its 50% equity interests in Wanning Yingde to Hainan Weiye for a consideration of RMB10 million, which was determined based on the registered capital of Wanning Yingde. As confirmed by our PRC Legal Adviser, the transfer has been properly and legally completed and settled. Following the transfer, Wanning Yingde became a wholly owned subsidiary of Hainan Weiye.

Since its establishment, Wanning Yingde has successfully developed Weiye Costa Rhine (偉業萊茵半島), a project comprising low-rise residential units located in Wanning City, Hainan Province.

### ***(iii) Acquisition of Wenchang Maoyuan***

In February 2010, Hainan Weiye acquired the entire equity interests in Wenchang Maoyuan from Wang Tiejun (王鐵軍), an Independent Third Party, for a consideration of RMB680,000 (which consideration was determined based on the registered capital of Wenchang Maoyuan) to explore property development in Wenchang City, Hainan Province. As confirmed by our PRC Legal Adviser, the acquisition has been properly and legally completed and settled.

Wenchang Maoyuan is in the process of developing Weiye Rhine Coast (偉業萊茵海岸), a project comprising hotel units located in Wenchang City, Hainan Province.

### ***(iv) Incorporation of Tunchang Hongji and acquisition of Tunchang Yajing***

In June 2010, Tunchang Hongji was established by Hainan Weiye to explore property development in Tunchang County, Hainan Province. In November 2010, Tunchang Hongji acquired the entire equity interests in Tunchang Yajing from Hainan Yajing Property Co., Ltd.\* (海南雅境置業有限公司), an Independent Third Party, for a consideration of RMB10 million. The consideration was determined based on the registered capital of Tunchang Yajing, which was contributed by land use rights and cash. As confirmed by our PRC Legal Adviser, the acquisition has been properly and legally completed and settled. In December 2011, Hainan Weiye transferred 10% of its equity interest in Tunchang Hongji to Henan Weiye for a consideration of RMB1,000,000, which was determined based on the registered capital of Tunchang Hongji. Following the transfer, Tunchang Hongji is held as to 90% and 10% of its equity interest by Hainan Weiye and Henan Weiye, respectively.

Since the establishment of Tunchang Hongji and the acquisition of Tunchang Yajing, the companies have successfully developed Weiye Oxygen Cube (偉業氧立方), a multi-phased project comprising high-rise residential buildings and commercial centre located in Tunchang County, Hainan Province.

### ***(v) Acquisition of Hainan Zhongfang***

In November 2011, Hainan Weiye acquired the entire equity interests in Hainan Zhongfang from Dan Zhou Zhongfang Property Development Private Limited\* (儋州中方房地產開發有限公司), an Independent Third Party, for a total cash consideration of RMB10 million. The consideration was arrived at on a “willing buyer willing seller” basis, after taking into account, inter alia, the expected valuation and development progress of the then existing project held by Hainan Zhongfang. As confirmed by our PRC Legal Adviser, the acquisition has been properly and legally completed and settled.

Since the acquisition, Hainan Zhongfang has completed the development of Weiye West International Plaza (偉業西城國際廣場), a project comprising high-rise residential buildings and commercial centre located in Danzhou City, Hainan Province.

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## HISTORY

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### COMPLEMENTARY BUSINESSES IN THE PRC

In January 2012, Jinwei (Henan) was established by Weiye Hong Kong. In October 2014, Hongji Weiye was established by Weiye Hong Kong. Both companies were established to engage in trading of construction materials with a view to improving the quality, and reducing the price, of construction materials we procure.

### REVERSE TAKEOVER

Prior to the Reverse Takeover, the following corporate restructuring steps have taken place to consolidate the subsidiaries engaged in the Property Development Business:

#### *(i) Hongji Property*

In February 2004, Hongji Property, formerly known as “Hainan Qiangsu Property Development Co., Ltd.\* (海南強速房地產開發有限公司)” was established as a wholly foreign-owned enterprise, with Han Hoong Kwang, an Independent Third Party, being the sole shareholder, who held the entire equity interests in Hongji Property on trust for Zhang Wei pursuant to a trust agreement.

#### *(ii) Great Spirit*

In April 2009, Great Spirit was incorporated in BVI with Well Fai International Limited (“**Well Fai**”), Top Lee Enterprises Limited and Max Fill International Limited (“**Max Fill**”) being initial shareholders, holding 76%, 16% and 8% in the share capital of the company, respectively. Well Fai and Top Lee Enterprises Limited were wholly owned by Zhang Wei and Guo Li (郭麗) respectively. Guo Li (郭麗) is an Independent Third Party who is the administrative manager of Henan Weiye. Max Fill has been wholly owned by Zhang Wei since October 2010.

In June 2010, Well Fai transferred shares representing 11.04% and 7% in the share capital of Great Spirit to Ring Bond Limited (“**Ring Bond**”) and Earn Prosper Limited (“**Earn Prosper**”) for a consideration of USD5,520 and USD3,500, respectively, which is determined based on the issued share capital of Great Spirit. Meanwhile, Top Lee Enterprises Limited also transferred its entire shareholding interests of 16% in Great Spirit to Earn Prosper for a consideration of USD8,000, which is determined based on the issued share capital of Great Spirit. The resultant shareholding of Well Fai, Max Fill, Ring Bond and Earn Prosper in Great Spirit became 57.96%, 8.0%, 11.04% and 23.0%, respectively. Ring Bond and Earn Prosper were wholly owned by Chen Zhiyong and Zhang Jianwei, respectively.

#### *(iii) Weiye Hong Kong*

In September 2009, Weiye Hong Kong, formerly known as Goldbest Creation Ltd, was incorporated in Hong Kong with an initial share capital of HK\$1.00 and the initial shareholder was GNL09 Limited, an Independent Third Party. In October 2009, Great Spirit acquired the entire equity interest in Weiye Hong Kong from GNL09 Limited and the share capital was subsequently increased to HK\$10,000.

#### *(iv) Acquisition of Hongji Property by Weiye Hong Kong*

In March 2010, Weiye Hong Kong acquired the entire equity interest in Hongji Property from Han Hoong Kwang for a consideration of RMB10 million, which was determined based on the company’s registered capital. As confirmed by our PRC Legal Adviser, the acquisition has been properly and legally completed and settled.

## HISTORY

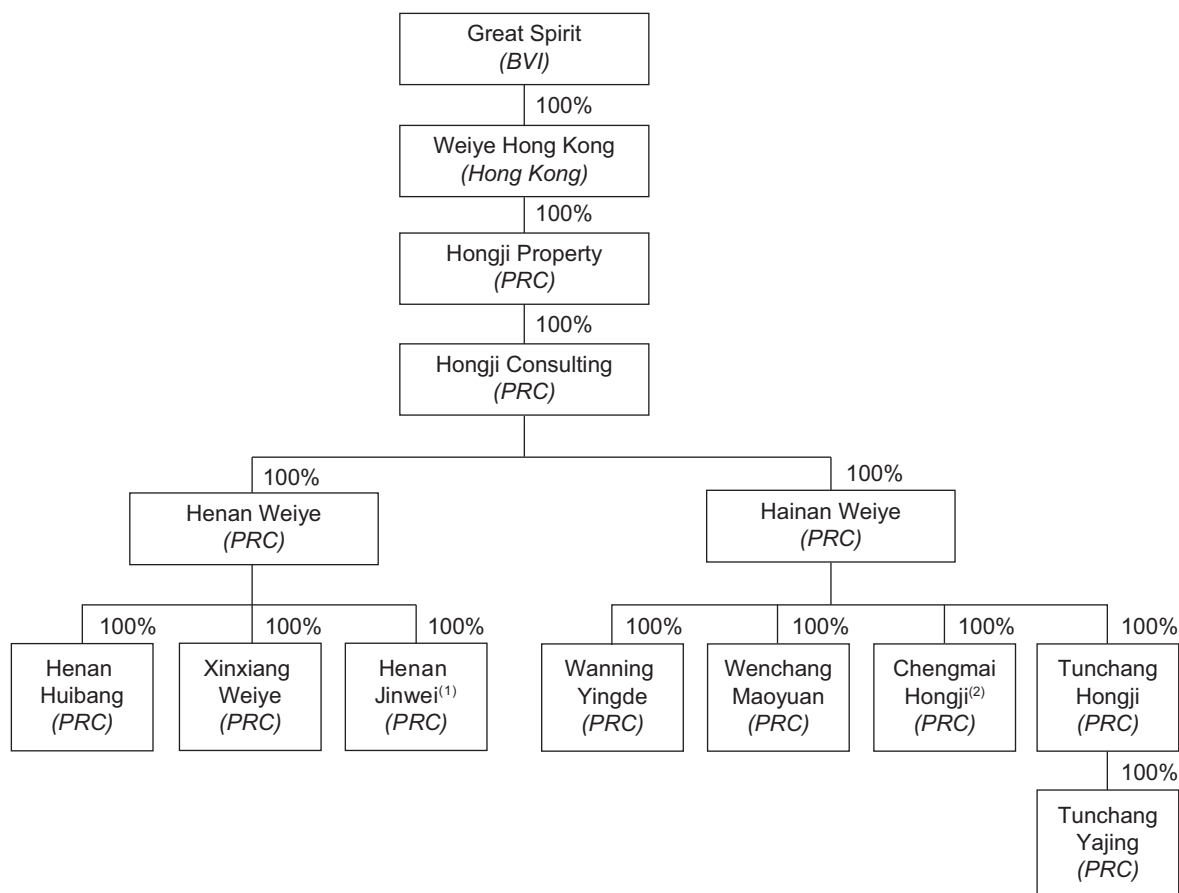
### (v) *Hongji Consulting*

In April 2010, Hongji Consulting was established under the name of “Hainan Hongji Weiye Investment Co., Ltd.\* (海南宏基偉業投資有限公司)” with Zhang Wei, Zhang Jianwei and Chen Zhiyong being the initial shareholders, holding 63%, 25% and 12% of the equity interests in the company, respectively. In May 2010, Zhang Wei, Zhang Jianwei and Chen Zhiyong transferred each of their respective 63%, 25% and 12% equity interest in Hongji Consulting to Hongji Property. Since then, Hongji Property became the sole equity owner of Hongji Consulting.

### (vi) *Acquisition of Henan Weiye and Hainan Weiye by Hongji Consulting*

As disclosed in the paragraphs headed “Our Property Development Business in Henan Province – (i) Henan Weiye” and “Our Property Development Business in Hainan Province – (i) Hainan Weiye” in this section above, the entire equity interests in Henan Weiye and Hainan Weiye were transferred to Hongji Consulting in May 2010 and May 2010, respectively.

Accordingly, the corporate structure of our Property Development Business as at 30 June 2011 (the “**Target Group**”) was as follows:



**Notes:**

1. The full name of the company is Henan Jinwei Property Co., Ltd.\* (河南金偉置業有限公司), which ceased to be a member of our Group in December 2012. Please refer to the paragraphs headed “Our Property Development Business in Henan Province – (iv) Disposal of Henan Jinwei” in this section above for further details.
2. The full name of the company is Chengmai Hongji Weiye Property Development Co., Ltd.\* (澄邁宏基偉業地產發展有限公司). The company was established in May 2010 with the intention to acquire certain land in Chengmai, Hainan Province for further development. The company was de-registered in July 2013 as the intended land acquisition was unsuccessful.

# HISTORY

In August 2011, the Reverse Takeover took place whereby our Company acquired the entire issued and paid-up share capital of Great Spirit from Earn Prosper, Max Fill, Ring Bond and Well Fai for a consideration of S\$600 million, which consideration was satisfied by the allotment and issuance of 1,643,835,616 Shares at an issue price of S\$0.365 per Share to the vendors' designated holders.

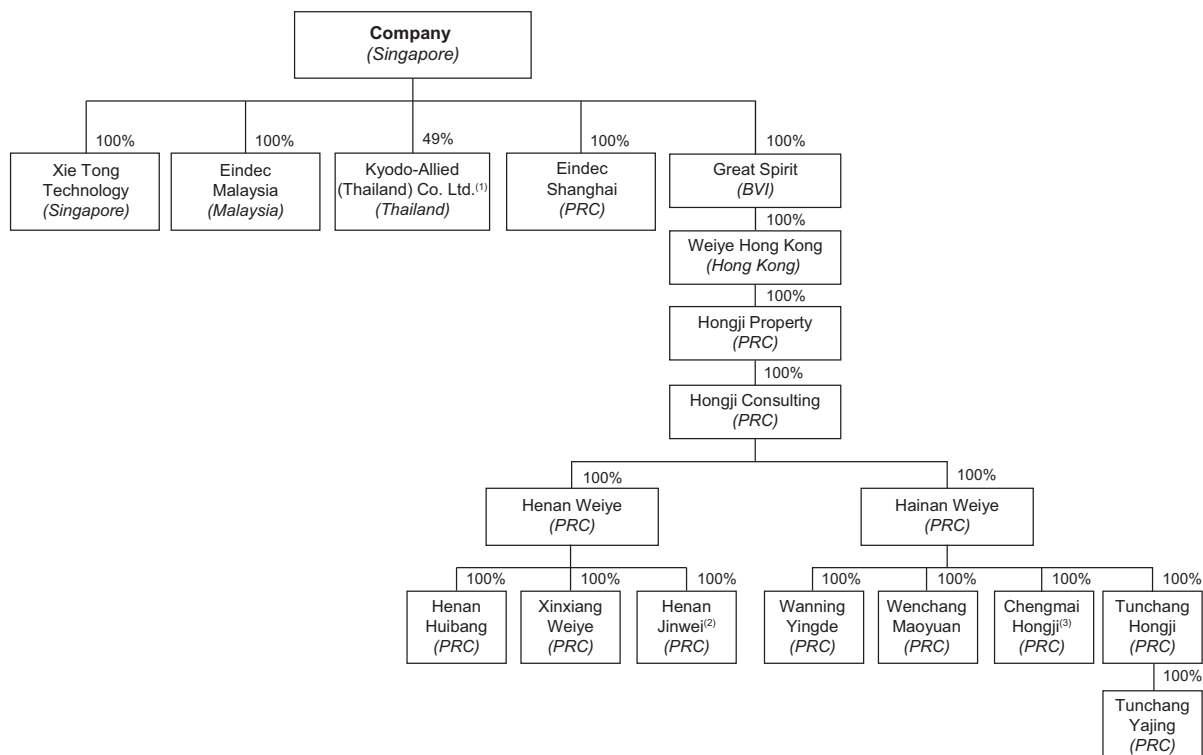
The purchase consideration for the Reverse Takeover was arrived at on a willing-buyer willing-seller basis, and was derived from the independent property valuation of the Target Group's properties as at 6 April 2011 provided by CB Richard Ellis Limited, with the appraised aggregate value being approximately RMB3.5 billion.

The issue price of S\$0.365 per Share represents a premium of approximately 30.4% over S\$0.28, which was determined based on the last transacted price of the Shares of S\$0.080 on the SGX-ST on 9 March 2011, being the last market day immediately preceding the date of the sale and purchase agreement relating to the Reverse Takeover, after adjustment for a share consolidation exercise of the Shares prior to the completion of Reverse Takeover.

Prior to the Reverse Takeover, the single largest shareholder of our Company was Lee Zong Tang, holding (including direct and deemed interest) approximately 52.51% shareholding of our Company as at 16 June 2011. Following completion of the Reverse Takeover, the controlling shareholders of our Company became Zhang Wei, Zhang Jianwei and Chen Zhiyong, holding (including direct and deemed interest) approximately 49.47%, 17.25% and 8.28% shareholding of our Company, respectively, as at 15 August 2011. Meanwhile, Lee Zong Tang's shareholding (including direct and deemed interest) in our Company fell to 1.30% as at 15 August 2011. Further, on 15 August 2011, Lee Zong Tang, Hiroshi Nakagawa, Choong Wei Siong, Dr. Ling Chuen and Lee Sen Choon resigned as directors of our Company, and Zhang Wei, Chen Zhiyong and Zhang Jianwei were appointed as executive directors of our Company.

Following the Reverse Takeover, our Property Development Business contributed to the majority of our revenue and profits. Therefore, the name of our Company was changed from "Kyodo-Allied Industries Ltd." to "Weiye Holdings Limited" to better reflect our core activities.

The corporate structure of our Group immediately following completion of the Reverse Takeover was as follows:



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## HISTORY

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*Notes:*

1. Kyodo-Allied (Thailand) Co. Ltd. is in the process of being liquidated. Please refer to the paragraphs headed “Our Manufacturing Business – Spin-off Listing” in this section below or more details on the dissolution and liquidation of Kyodo-Allied (Thailand) Co. Ltd..
2. The full name of the company is Henan Jinwei Property Co., Ltd.\* (河南金偉置業有限公司), which ceased to be a member of our Group in December 2012. Please refer to the paragraphs headed “Our Property Development Business in Henan Province – (iv) Disposal of Henan Jinwei” in this section above for further details.
3. The full name of the company is Chengmai Hongji Weiye Property Development Co., Ltd.\* (澄邁宏基偉業地產發展有限公司). The company was established in May 2010 with the intention to acquire certain land in Chengmai, Hainan Province for further development. The company was de-registered in July 2013 as the intended land acquisition was unsuccessful.

### OUR EQUIPMENT MANUFACTURING BUSINESS

The Company was formerly known as Kyodo-Allied Industries, a company initially established in 1984 as a manufacturer and supplier of HVAC equipment for the M&E engineering industries in Singapore. In 1989 and 1990, we established Eindec Malaysia and Kyodo-Allied (Thailand) Co. Ltd. respectively, in order to better serve our clients and increase our presence in Malaysia and Thailand. In December 1996, we were awarded ISO 9002 certification for quality system management in the manufacture of our HVAC products and clean room equipment. In 1998, as part of our strategy to streamline our business operations, we incorporated Xie Tong Technology to undertake sales, marketing and after-sales services. In 2002, Kyodo-Allied Industries was listed on the SGX-Sesdaq, and was subsequently transferred to the main board of the SGX-ST in 2004. There has not been any material non-compliance of the SGX-Sesdaq or SGX-ST rules by our Company, and there is no other matter that should be brought to the attention of the Hong Kong Stock Exchange in relation to compliance of the SGX-Sesdaq or SGX-ST rules by our Company. In November 2005, we established Eindec Shanghai and stepped up our marketing efforts in China in order to tap on the rapidly growing market there. Since 2011, we also ventured into the Middle East markets for clean room equipment in the semiconductor industry.

Following the Reverse Takeover in 2011, we initiated efforts to develop our existing capabilities and strengths by improving our manufacturing and distribution processes and enhancing our research and development efforts in order to improve our products. We also continued to enhance our existing business relationships, including our relationship with Liang Chi Industry Co., Ltd, the manufacturer of the cooling towers which we distribute. In the same year, we reinforced our efforts in the expansion of the manufacture and distribution of marine dampers into the offshore oil and gas sectors of the PRC market. We have taken steps to assess the possibility of further expansion in the PRC market, in particular, Eindec Shenzhen was established by Eindec Holdings in July 2015.

In June 2015, we completed the sale of a property located at 17 Kian Teck Road, Singapore 628771 to Chye Joo Construction Pte. Ltd., an Independent Third Party. The property has a total land area of approximately 4,877 sq. m. and comprises a factory, which we had utilised to manufacture HVAC products/clean room equipment and on-site installation of clean room equipment and cooling towers. The total consideration for the property is S\$5,250,000. The consideration was arrived at on a “willing-buyer willing-seller” basis, after taking into account prevailing market conditions and independent valuation of the property. Our Directors consider it an appropriate time to dispose of and unlock the value of the property, given the then sluggish outlook of the property market in Singapore. The disposal also generated cash for us, which our Directors believe would be beneficial to us. The disposal did not affect the manufacturing capabilities of our Equipment Manufacturing Business as most of our production lines had moved to Malaysia, while we have retained the engineering, R&D, marketing, finance, ISO system and marine damper manufacturing in our leased facilities in Singapore.

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## HISTORY

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### Spin-off Listing

#### *(i) Reasons for and the benefits of the Spin-off Listing*

In September 2015, we proposed to seek for the Spin-off Listing of the Eindec Group on Catalyst. The Board believes that the Spin-off Listing will be beneficial to both our Company and the Eindec Group. Following the Spin-off Listing, the Eindec Group will continue to undertake the Equipment Manufacturing Business through the design, manufacture and distribution of HVAC equipment, clean room equipment and other equipment, while we will continue to undertake the Property Development Business.

By creating a separate listed entity, the Equipment Manufacturing Business will have additional financial capacity and direct access to capital markets. The Spin-off Listing will also enable our Group to achieve a more balanced exposure in its business units and increase the scale of its businesses going forward.

The benefits of the Spin-off Listing are described in greater detail below:

#### ***Enable our Group and the Eindec Group to focus on their respective areas of business and pursue separate opportunities***

As the nature of our Property Development Business differs significantly from that of the Equipment Manufacturing Business, different skills, expertise and financing needs are necessary for each of our Group and the Eindec Group to compete in their respective industries.

The Spin-off Listing will allow each of our Group and the Eindec Group to focus on their respective core businesses and implement tailored plans and strategies to grow and expand their own businesses independently.

Upon the completion of the Spin-off Listing, the financial results of our Group and the Eindec Group will be segregated. As such, the management of the two groups will be free to pursue opportunities separately, with each group bearing the impact of separate business strategies and risks. The segregation will also allow the management of each group to pursue equity and debt structures as well as gearing policies which are more suitable for their respective businesses.

#### ***Create investment flexibility for Shareholders and allow direct participation in the Eindec Group's Equipment Manufacturing Business***

Following the completion of the Spin-off Listing, with two separately listed companies, existing and prospective Shareholders will have the investment flexibility to maintain their portfolio holdings by investing either directly in the Equipment Manufacturing Business via the Eindec Group or in the Property Development Business with some exposure to the Equipment Manufacturing Business via our Group, in accordance with their individual investment objectives.

The respective board of directors and shareholders of our Company and Eindec Corporation can directly influence their respective companies' business directions and identities, pursue and fund their own growth strategies, determine future direction and benefit directly from any future corporate actions and exercises involving these two companies.

Furthermore, a public market valuation of the Eindec Group will considerably enhance the marketability and liquidity of our interest in the Eindec Group in the event that our Company should decide to sell it in the future.

#### ***Create a more reflective and accurate valuation of the businesses of our Group and the Eindec Group***

As the Eindec Group has been managed within our business segments as a single listed entity, banks and other financial institutions tend to view our Group as one entity with indistinguishable business segments, notwithstanding their clearly distinctive businesses and assets.

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## HISTORY

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Separating the Eidec Group from us will enable Shareholders and potential investors to evaluate the Eidec Group and our Group independently based on their respective performance and growth potential. This will allow for valuations that are more reflective of the underlying value and growth potential of the businesses of our Group and the Eidec Group respectively. Existing and prospective shareholders of both our Group and the Eidec Group will also be able to better appraise the value of the respective underlying businesses and assets.

***Enable the Eidec Group to access the capital markets directly to fund existing operations and future expansion***

Having a separate group of companies listed on the SGX-ST will allow us to increase our overall financial capacity and access the capital markets for debt and equity funding via two separate listed entities.

Following the Spin-off Listing, the Eidec Group will be able to leverage on a wider range of funding options to finance its existing operations and future business expansion plans. With its enhanced profile and availability of direct access to capital markets in Singapore, the Eidec Group will be able to allocate funds specifically to its own target growth initiatives which will place it in a better position to tap growth opportunities.

***Enable us to focus on the Property Development Business while continuing to participate in the growth of the Equipment Manufacturing Business***

We will retain a controlling interest in the Eidec Group immediately after the Spin-off Listing. Accordingly, we will continue to participate in and benefit from the growth of the Eidec Group's Equipment Manufacturing Business after the Spin-off Listing.

Although the Spin-off Listing will result in a dilution in our shareholding interest in the Eidec Group, thereby possibly reducing the percentage contribution that the Eidec Group may make to our consolidated financial results in the future, the Spin-off Listing will provide both direct and indirect benefits to our Company and the Shareholders, as the case may be, in view of the various points set out above.

***(ii) Restructuring exercise prior to the Spin-off Listing***

Prior to the Spin-off Listing, we undertook an internal restructuring exercise to consolidate our Equipment Manufacturing Business into the Eidec Group. In April 2015, Eidec Corporation was incorporated by our Company and in May 2015, Eidec Corporation incorporated Eidec Holdings, which then incorporated Eidec Singapore. Eidec Corporation and Eidec Holdings are investment holding companies. In July 2015, all the undertaking (including goodwill in relation to the Equipment Manufacturing Business), assets and liabilities (save for a term loan) of Xie Tong Technology as at 30 June 2015 were transferred to Eidec Singapore. In connection with such transfer, Xie Tong Technology had entered into a transitional services agreement with Eidec Singapore for the provision of certain transitional services. In addition, our Company entered into a deed of indemnity to indemnify Eidec Group from all claims, losses and costs in relation to, inter alia, any breach of the term loan and any delay by Xie Tong Technology in complying with the terms of the term loan. In 5 November 2015, all of our interest held in Eidec Malaysia, Eidec Shanghai and Kyodo-Allied (Thailand) Co. Ltd. were transferred to Eidec Holdings. Further, Eidec Shenzhen was established by Eidec Holdings in July 2015.

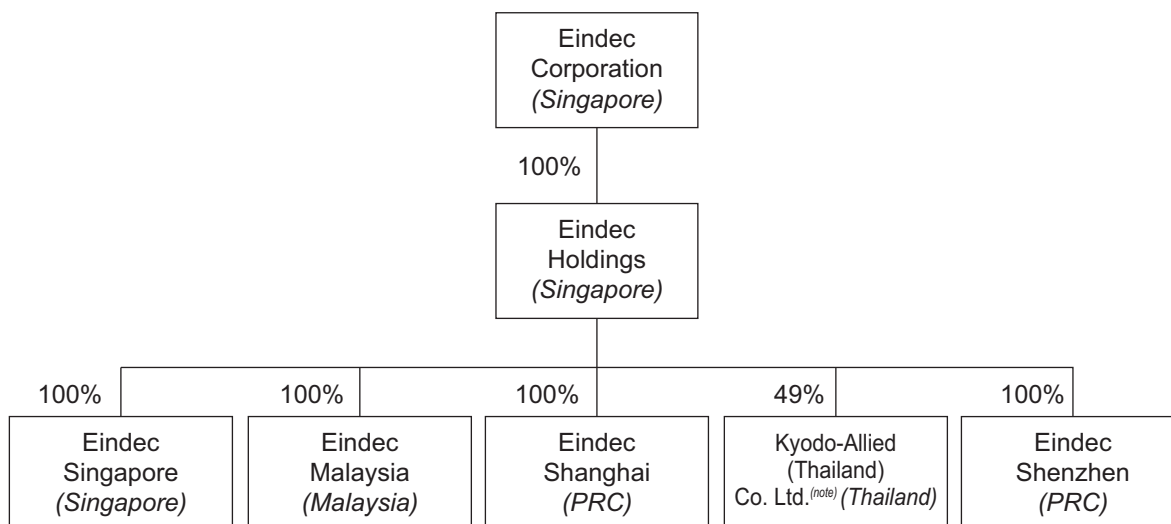
On 3 September 2015, the meeting of the shareholders of Kyodo-Allied (Thailand) Co. Ltd. resolved to approve, inter alia, the dissolution and liquidation of Kyodo-Allied (Thailand) Co. Ltd. and the appointment of its liquidators in order to assist in the liquidation process. On the same date, such resolution was registered with the Ministry of Commerce of Thailand. Upon such registration, the liquidation process cannot be revoked, terminated or cancelled for any reason. Our Directors are not

## HISTORY

aware of any legal impediments for Kyodo-Allied (Thailand) Co. Ltd. to complete the liquidation process. The Directors consider that the dissolution and liquidation of Kyodo-Allied (Thailand) Co. Ltd. will not have any material financial impact on our Group.

### (iii) Group structure of the Eindex Group immediately prior to the Spin-off Listing

The corporate structure of the Eindex Group immediately prior to the Spin-off Listing is as follows:



Note: Kyodo-Allied (Thailand) Co. Ltd. is in the process of being liquidated. Please refer to the paragraphs headed “Our Equipment Manufacturing Business – Spin-off Listing” in this section for more details on the dissolution and liquidation of Kyodo-Allied (Thailand) Co. Ltd..

### (iv) Selected financial information of the Eindex Group

Set out below is certain selected financial information of the Eindex Group based on its audited combined statements of profit or loss and comprehensive income for the three years ended 31 December 2013, 2014 and 2015, as compared with our Group:

|   | Year ended 31 December |           |           |
|---|------------------------|-----------|-----------|
|   | 2013                   | 2014      | 2015      |
| <b>Revenue (RMB'000)</b>                |                        |           |           |
| Eindex Group                            | 70,474                 | 69,334    | 76,924    |
| Our Group                               | 1,376,953              | 1,293,739 | 1,234,691 |
| <b>As a percentage of our Group:</b>    | 5.12%                  | 5.36%     | 6.23%     |
| <b>Profit before taxation (RMB'000)</b> |                        |           |           |
| Eindex Group                            | 9,830                  | 7,905     | 8,299     |
| Our Group                               | 283,723                | 454,506   | 211,024   |
| <b>As a percentage of our Group:</b>    | 3.46%                  | 1.74%     | 3.93%     |
| <b>Profit for the year (RMB'000)</b>    |                        |           |           |
| Eindex Group                            | 8,491                  | 6,637     | 3,601     |
| Our Group                               | 182,431                | 271,022   | 106,592   |
| <b>As a percentage of our Group:</b>    | 4.65%                  | 2.45%     | 3.38%     |

As at 31 December 2015, based on the audited financial statements of the Eindex Group, the net assets value of the Eindex Group is approximately RMB41,878,603, representing approximately 3.67% of the net assets value of our Group after deducting non-controlling interests of our Group, being approximately RMB1,140,023,000.



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### **(v) Completion of the Spin-off Listing**

The separate listing of Eindec Corporation and its subsidiaries and the quotation of the ordinary shares of Eindec Corporation on Catalist took place on 15 January 2016. As part of the Spin-off Listing, a total of 35,800,000 new ordinary shares of Eindec Corporation were issued at S\$0.21 each to the public in Singapore and professional or institutional investors, representing approximately 33.2% of the enlarged issued capital of Eindec Corporation. A total net proceeds of approximately S\$4.55 million was raised for our Equipment Manufacturing Business via the Spin-off Listing. The management of the Eindec Group will continue to develop the Equipment Manufacturing Business after the Spin-off Listing.

### **(vi) Financial impact of the Spin-off Listing on our Group**

Following completion of the Spin-off Listing, members of the Eindec Group became non-wholly owned subsidiaries of our Company.

The following estimates the financial impact of the Spin-off Listing on our Group on the basis that Eindec Corporation offered approximately 33.2% of its enlarged issued share capital pursuant to the Spin-off Listing.

#### *Net asset value*

The audited consolidated net assets of our Group after deducting non-controlling interests were approximately RMB1,140.0 million as of 31 December 2015. The audited consolidated net assets of the Eindec Group after deducting non-controlling interests were approximately RMB41.9 million as of 31 December 2015.

Based on (i) the number of issued share as enlarged pursuant to the Spin-off Listing and (ii) lower end of the offer price per share, the estimated minimum market capitalisation of Eindec Corporation will be approximately S\$22.6 million. After taken into account of (i) the net proceeds from the Spin-off Listing (after deducting the listing expenses incurred for the Spin-off Listing) and (ii) the deemed disposal of approximately 33.2% interest in Eindec Corporation, the Board expects that the consolidated net assets of our Group will be increased by approximately RMB0.03 million, whereas the consolidated cash balance of our Group will be increased by the net proceeds from the Spin-off Listing. In accordance with the International Financial Reporting Standards, the share offer of Eindec Corporation will constitute a deemed disposal of approximately 33.2% interest in Eindec Corporation by our Company, but such deemed disposal will not result in a loss of our control in Eindec Group or any gain or loss to be recognised in the consolidated statement of profit or loss and other comprehensive income of our Company. Eindec Corporation will remain as a direct non-wholly owned subsidiary of our Company immediately upon completion of the Spin-off Listing.

#### *Earnings*

The effect of the Spin-off Listing on the future earnings of our Group will depend on, among others, the return generated from the proceeds raised from the Spin-off Listing as well as the growth of the business operations of the Eindec Group. Following completion of the Spin-off Listing, our Group's earnings contributed from Eindec Group are expected to be reduced as our Company's interest in Eindec Corporation will be reduced from 100% to approximately 66.8% and Eindec Corporation will be regarded as a direct non-wholly owned subsidiary of our Company. Consequently, financial results of the Eindec Group continue to be consolidated into the accounts of our Group given that the Spin-off Listing does not result in a loss of control, while the non-controlling interests of the Group are expected to increase.

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### SHARE CONSOLIDATION

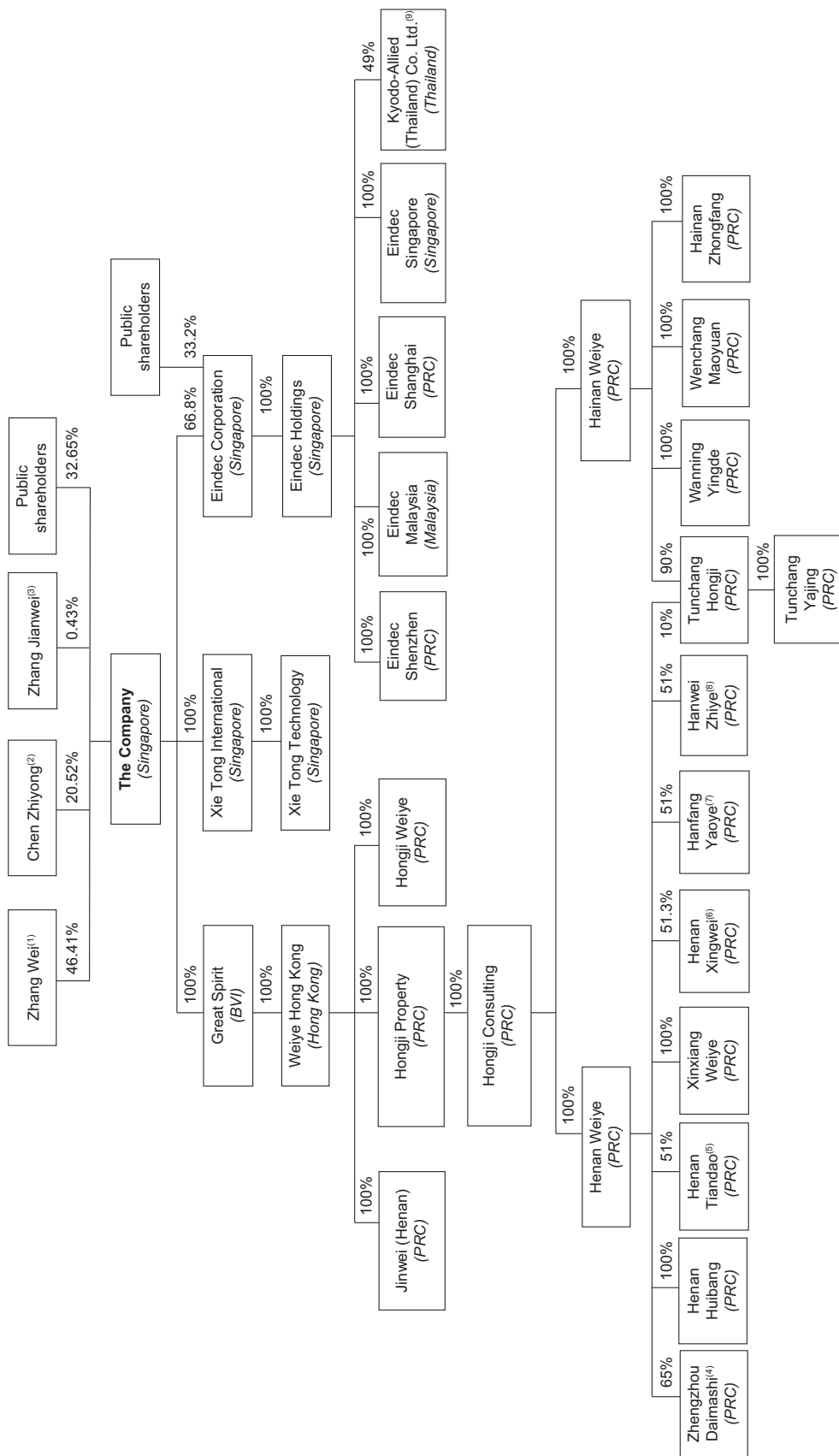
Our Company has completed the Share Consolidation on 8 December 2015 to consolidate every ten Shares into one (1) Share (“**Consolidated Share**”), pursuant to which each Shareholder received one Consolidated Share for every ten then existing Shares, fractional entitlements to be disregarded. The Consolidated Shares rank pari passu in all respects with each other.

Immediately before the Share Consolidation, the Company had an issued and paid-up share capital of S\$667,582,772.35 comprising 1,961,334,713 Shares. Immediately after the Share Consolidation and as at the Latest Practicable Date, our Company had an issued and paid-up share capital of S\$667,582,772.35 comprising 196,133,152 Consolidated Shares.

With effect from 2 March 2015, the SGX-ST implemented a minimum trading price requirement of S\$0.20 per share for shares of issuers listed on the mainboard of the SGX-ST as a continuing listing requirement. A one-time transition period of 12 months from 2 March 2015 (i.e. 1 March 2016) will be given to affected issuers to undertake corporate actions to meet the new requirement, and such issuers will only be placed on the watch-list if they are unable to meet the minimum trading price requirement after this 12-month transition period. Issuers which are unable to take steps to raise its minimum trading price and exit the watch-list will be delisted after a 36-month cure period. The Company completed the Share Consolidation so that our Company would meet the SGX-ST minimum trading price requirement of S\$0.20 per share for issuers listed on the mainboard of the SGX-ST.

**SHAREHOLDING AND GROUP STRUCTURE**

Set out below is the corporate structure of our Group and the shareholding structure of our Company as at the Latest Practicable Date:



**Notes:**

- (1) As of 15 March 2016 (being the latest information ascertainable before the Latest Practicable Date), Zhang Wei is directly interested in 71,029,648 Shares and is deemed interested in 20,000,000 Shares held under the nominee account, Raffles Nominees (Pte) Limited. Save and except any Shares (i) to be lent by Mr. Zhang Wei pursuant to the Stock Borrowing and Lending Agreements or (ii) to be sold by Mr. Zhang Wei pursuant to the Sale and Repurchase Agreement, Zhang Wei will be beneficially interested in 91,029,648 Shares representing approximately 46.41% of the issued capital of the Company immediately following the Listing. Zhang Wei is the brother of Zhang Jianwei and the brother-in-law of Chen Zhiyong.
- (2) As of 15 March 2016 (being the latest information ascertainable before the Latest Practicable Date), Chen Zhiyong is deemed interested in 40,240,256 Shares held under the nominee account, Raffles Nominees (Pte) Limited. Chen Zhiyong will be beneficially interested in 40,240,256 Shares representing approximately 20.52% of the issued capital of the Company immediately following the Listing. Chen Zhiyong is the brother-in-law of Zhang Wei and Zhang Jianwei.
- (3) As of 15 March 2016 (being the latest information ascertainable before the Latest Practicable Date), Zhang Jianwei is deemed interested in 833,867 Shares held under the nominee account, Raffles Nominees (Pte) Limited. Zhang Jianwei is the brother of Zhang Wei and the brother-in-law of Chen Zhiyong.
- (4) The remaining 35% equity interests in Zhengzhou Daimashi are being held as to 27.5% by Liu Gairong (劉改榮) on trust for Zhengzhou Shijizhongxin Zhiye Co. Ltd. \* (鄭州世紀中信置業有限公司) ("Shijizhongxin") and as to 7.5% by Chen Xiuna (陳秀娜), an Independent Third Party. Each of Liu Gairong (劉改榮) and Shijizhongxin, being a substantial shareholder of Zhengzhou Daimashi, is a connected person at the subsidiary level of our Company.
- (5) The remaining 49% equity interests in Henan Tiandao are being held by Henan Heshun Construction Co., Ltd. \* (河南和順建設有限公司), which, being a substantial shareholder of Henan Tiandao, is a connected person at the subsidiary level of our Company.
- (6) The remaining approximately 48.7% equity interests in Henan Xingwei are being held by Zhongyuan Trust Company Limited\* (中原信託有限公司) ("Zhongyuan Trust"), which, being a substantial shareholder of Henan Xingwei, is a connected person at the subsidiary level of our Company.
- (7) Pursuant to a collaboration agreement between Henan Weiye, Wang Na (王娜) and Feng Chaoling (馮朝嶺), Henan Weiye acquired 51% equity interests in Hanfang Yaoye. However, pursuant to the collaboration agreement, our Group's rights in respect of our equity interests in Hanfang Yaoye were limited to the rights over matters relating to the land use rights held by Hanfang Yaoye but not other operations of Hanfang Yaoye. Further, the land use rights shall be transferred to Hanwei Zhiye for joint development by the parties, upon which our 51% equity interests in Hanfang Yaoye shall be transferred to Wang Na (王娜) and Feng Chaoling (馮朝嶺) at nil consideration. Accordingly, the 51% equity interests in Hanfang Yaoye were classified as assets held for sale and Hanfang Yaoye was not recognised as a subsidiary of our Company.
- (8) The remaining 49% equity interests in Hanwei Zhiye are being held by Feng Chaoling (馮朝嶺), an Independent Third Party.
- (9) Kyodo-Allied (Thailand) Co. Ltd. is in the process of being liquidated. Please refer to the paragraphs headed "Our Manufacturing Business – Spin-off Listing" in this section above for more details on the dissolution and liquidation of Kyodo-Allied (Thailand) Co. Ltd..

### OVERVIEW OF OUR BUSINESS

We are a property developer in the PRC which focuses on developing residential projects. Our revenue derived from the Property Development Business accounted for a substantial portion of our total revenue during the Track Record Period. For the years ended 31 December 2013, 2014 and 2015, our revenue derived from the Property Development Business represented approximately 94.9%, 94.6% and 93.8% of our total revenue, respectively. Apart from our Property Development Business, we also engage in Equipment Manufacturing Business, carrying out the design, manufacture and sales of clean room equipment, HVAC products and air purifiers, and sales and installation of cooling towers, mainly in Singapore and other South-east Asian countries. For the years ended 31 December 2013, 2014 and 2015, our revenue derived from the Equipment Manufacturing Business represented approximately 5.1%, 5.4% and 6.2% of our total revenue, respectively.

### Property Development Business

We focus on developing residential projects, with commercial properties development to a lesser extent in the PRC. We also selectively retain the ownership of certain self-developed properties with strategic value for capital appreciation and rental income. In addition, we undertake resettlement housing operation in order to derive revenue from an alternate source and to access potentially available land reserves for property development. With a strong track record of more than 16 years in property development, we have been specialising in developing large-scale and multi-phase property projects in strategically selected cities in the PRC which we believe possess high growth potential. Leveraging on the success we achieved in our Property Development Business in the initial trial city, Zhengzhou City, Henan Province in 1999, we expanded and quickly replicated our success in other strategically targeted cities in Henan Province, namely, Kaifeng City and Xinxiang City in 2007. In 2010, we also expanded our Property Development Business to Hainan Province, with a view to take advantage of the PRC national policy of designating Hainan Province as an “International Tourism Island”.

As of 31 December 2015, we had 12 property projects located in seven locations which were completed or in various stages of development. These 12 projects had an aggregate site area of approximately 620,947 sq.m. and an aggregate GFA of approximately 1,424,847 sq.m. As of 31 December 2015, GFA of approximately 1,085,740 sq.m. were completed, estimated GFA of approximately 339,107 sq.m. were under development and estimated GFA of approximately 430,882 sq.m. were held for future development.

Over the past years, we have garnered numerous industry awards from local government authorities in recognition of our achievements in property development. These awards include, at the corporate level, Henan Weiye being named as the Vice President Unit of Henan Province Real Estate Business Chamber of Commerce (河南省房地產業商會副會長單位) from 2013 to 2015 consecutively by Henan Province Real Estate Business Chamber of Commerce (河南省房地產業商會) and; at the project level, our Weiye Xiangdi Bay (偉業香堤灣) being awarded the Engineering Certificate of Kaifeng City Structure Chrysanthemum Cup (開封市結構菊花杯工程證書) by the Kaifeng City Residential and Urban Real Estate Association (開封市住房和城鄉建設局) and our Weiye Central Park (偉業中央公園) being awarded the Henan Structure Zhongzhou Cup Project (河南結構中州杯工程) by the Henan Province Construction Engineering Quality Supervision Station (河南省建設工程質量監督總站). For further details of our awards and recognitions, please refer to the paragraph headed “Awards and Recognitions” in this section.

Adhering to the concept of “Weaving dreams of vacation living, carving perfect lifestyle” (承載旅居夢想，雕繪美好生活), we have developed many premium quality projects in Henan Province and Hainan Province:

- **Henan Province**

Henan Province is one of the most populous provinces in the PRC, with a population of approximately 106 million. Henan Province’s GDP in 2014 grew by about 8.7% over 2013 to approximately RMB3,500 billion in 2014, with urbanisation rate increased from approximately 38.8% to 45.2% from 2010 to 2014. With a fast growing economy and urbanisation in the region, Henan Province’s property market has experienced substantial growth over the years. According to the DTZ Report, the total property investment in Henan Province amounted to approximately RMB437.6 billion in 2014, which showed a CAGR of approximately 24.0% from 2008 to 2014 and the average selling price of commodity housing in Henan Province was approximately RMB4,366.4 per sq.m. in 2014, which showed a CAGR of approximately 11.0% from 2008 to 2014. In Henan Province, we strategically focus on cities with high growth potential, where most of our properties are situated in prime locations integrated with retail spaces and ancillary facilities. We hope to capitalise on the primary demand for quality homes and expand our foothold in fast-growing second-tier cities across Henan Province. As of 31 December 2015, we had four projects and certain portion of one project completed with a total GFA completed of approximately 882,417 sq.m. and had two projects and certain portions of one project under development or held for future development with an estimated GFA of approximately 738,186 sq.m. in Henan Province.

- **Hainan Province**

Hainan Island is a popular tourist destination, and was designated as an “International Tourism Island” by the PRC central government in 2010. In the development plan released in January 2010, a series of favourable policies were introduced to support and strengthen the development of the island, including visa-free policy to over 20 countries and efforts to improve transportation infrastructure, strengthen logistics networks, as well as boost real estate market and promote urbanisation. In Hainan Province, we specialise in developing premium vacation-lifestyle residential property projects. We package and market our properties as holiday homes which provide an avenue for homebuyers to enjoy the contemporary retreat from bustling city lives. Our strategy in Hainan Province is to promote the vacation-lifestyle and focus our marketing efforts on our holiday homes as we believe these properties increasingly gain traction amongst the middle to high income groups outside Hainan Province. As of 31 December 2015, we had three projects and certain portion of one project completed with a total GFA completed of approximately 203,323 sq.m. and certain portions of two projects under development with an estimated GFA of approximately 31,803 sq.m. in Hainan Province.

We devise various procedures for our property development process which typically include city and site selection, land acquisition, project planning and design, construction, quality control, sales and marketing, delivery and after-sales services.

In addition, as part of the local government’s urbanisation scheme, we cooperated with the local municipal government to build resettlement houses in Zhengzhou City, Henan Province using “Built-Transfer” model, under which we undertake to build resettlement housing for the local government and transfer such housing to the local government after completion, and derive revenue from the construction of such resettlement housing. We believe such cooperation does not only improve the resettled residents’ quality of life, but also helped us to derive revenue from an alternate source, to cultivate reputable relationship with the local government and further facilitate our Group to obtain quality land in the future.

### **Equipment Manufacturing Business**

Apart from our Property Development Business, we also engage in Equipment Manufacturing Business, carrying out the design, manufacture and sales of clean room equipment, HVAC products, air purifier and the sales and installation of cooling towers, mainly in Singapore and other South-east Asian countries.

Our Equipment Manufacturing Business is carried out by our Eindex Group which is a regional clean air technology and solutions group. Our clean room equipment are used to create a clean room environment which is essential in the manufacture and production processes of industries such as the electronics, semiconductors, pharmaceutical and food processing industries. Our HVAC products are essentially deflection grilles and air diffusers installed in commercial and industrial buildings which serve to channel and regulate airflow in the environment within a building to ensure even air distribution. We also sell cooling towers which are an integral and essential feature of water-chilled centralised air-conditioning system. In addition, we have also ventured into the consumer air purifier market.

For the years ended 31 December 2013, 2014 and 2015, the revenue contributed from our Equipment Manufacturing Business amounted to approximately RMB70.5 million, RMB69.3 million and RMB76.9 million, respectively, representing approximately, 5.1%, 5.4% and 6.2% of our revenue for the same period.

In furtherance of our Equipment Manufacturing Business, we reorganised the corporate structure of our Equipment Manufacturing Business entities and completed the Spin-Off Listing on 15 January 2016.

### **OUR COMPETITIVE STRENGTHS**

We believe that the following key competitive strengths have contributed and will continue to contribute to our ability to compete in the PRC's real estate market:

#### **We have an established position in the property development industry in Henan Province and Hainan Province**

According to the DTZ Report, Henan Province is one of the most populous provinces in China, with a population of approximately 106 million. With a fast growing economy and the intensified urbanisation in the region, property market in Henan Province has experienced substantial growth over the years. According to the DTZ Report, the total property investment in Henan Province amounted to approximately RMB437.6 billion in 2014, which showed a CAGR of approximately 24.0% from 2008 to 2014 and the average selling price of commodity housing in Henan Province was approximately RMB4,366.4 per sq.m. in 2014, which showed CAGR of approximately 11.0% from 2008 to 2014.

Our Group commenced our Property Development Business in Zhengzhou City, Henan Province in 1999. We have implemented a development strategy of utilising Zhengzhou City as our home base and expanding into its surrounding areas such as Kaifeng City and Xinxiang City to capitalise on the fast-paced economic development of, and rapidly growing housing demand in, these regions. As of 31 December 2015, we had four projects and certain portion of one project completed with an aggregate completed GFA of approximately 882,417 sq.m., and two projects and certain portion of one project under development or held for future development with an estimated GFA of approximately 738,186 sq.m. in Henan Province. We believe that our position as one of the long established market participants in Henan Province and our strategic focus and deep roots in the region have enabled us to gain a deeper understanding of local markets, customer preferences and urban planning trends, and have enabled us to establish strong working relationships with local governments and business partners, such as construction contractors and suppliers, providing us with home-market advantage.

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In addition to our developments in the property market in Henan Province, we actively explored opportunities to expand our operations into other regions with growth potential. We successfully expanded our footprint to Hainan Province in 2010, which was the first step of expanding our market presence outside Henan Province. Hainan Province, a popular tourist destination, was designated as an “International Tourism Island” by the PRC central government in 2010. Hainan’s tourism-driven economy has experienced substantial growth after announcement of the “International Tourism Island” development plan. Hainan Province’s GDP in 2014 grew to approximately RMB350 billion, which showed a CAGR of approximately 15.1% from 2008 to 2014 and outpaced China’s CAGR of approximately 13.3% from 2008 to 2014. With vastly enhanced transportation connectivity and improved infrastructure, Hainan Province’s property market has seen strong growth in both property prices and sales volume in recent years. As of 31 December 2015, we had three projects and certain portions of one project completed with a total completed GFA of approximately 203,323 sq.m. and certain portions of two projects under development with a total estimated GFA of approximately 31,803 sq.m. in Hainan Province.

Leveraging on our established position in Henan and Hainan Provinces, and our reputable brand image, we have been benefiting and are well positioned to continue to benefit from the growth potential in the PRC real estate market.

### **We have acquired strategically located land reserves**

We have acquired land reserves in strategic locations with high growth potential. As of 31 December 2015, we had land reserves comprising a total GFA of approximately 215,370 sq.m. completed but remaining unsold, a total GFA of approximately 339,107 sq.m. under development and a total planned GFA of approximately 430,882 sq.m. held for future development. The table below sets forth details of our land reserves as of 31 December 2015:

| Location               | Total GFA (sq.m.) | Site and its strategic significance   |
|------------------------|-------------------|---|
| <b>Henan Province</b>  |                   |   |
| Zhengzhou City         | 560,958           | Primarily located at (i) Zhengdong New District (鄭東新區); (ii) the north of Xueyuan Road (學苑路北) and east of Zhanlixi Road (占李西路東) in Zhongmou County (中牟縣); and (iii) west of Gaozhuang Road (高莊路西), north of Yongchang Road (永昌路北), Zhongmu County (中牟縣) |
| Kaifeng City           | 5,875             | Located at the north-east junction of Jiying Street (集英街) and Jinyao Road (金耀路)   |
| Xinxiang City          | 294,991           | Located at Pingyuan Road (平原大道), with convenient access to transportation   |
| <b>Hainan Province</b> |                   |   |
| Wanning City           | 9,600             | Located at Xinglong District (興隆), the hot spring resort area   |
| Wenchang City          | 15,479            | Located at Fengjia Bay (馮家灣) and enjoy frontline sea view   |
| Danzhou City           | 5,906             | Located at Nada District (那大片區) and in the city centre  |
| Tunchang County        | 92,550            | Located at Tunchang Town (屯城鎮) and in midst of a residential community  |



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We believe the following factors have contributed to our ability to acquire strategically located land reserves to support our growth:

- we have substantial experience and expertise in the property industry in China through our over 16 years of operations which enable us to identify land parcels with development potential for property development and acquire land parcels at early development stages of their respective area;
- we have substantial experience in developing large-scale projects which tend to substantially improve the local living environment. As a result, such projects are normally well-received by the local communities, which helps building our reputation and track record and enable us to have relatively easy access to land reserves from the local government authorities;
- as part of the local government's urbanisation scheme, we cooperated with the local government to build resettlement houses using the "Built-Transfer" model and derive revenue from construction of resettlement housing. We believe such cooperation would facilitate our Group to access potentially available land reserves;
- we have established a strong brand in the cities where we have property development projects; and
- we obtain land reserves in the secondary market through acquiring equity interest or merging with third party land owners at a competitive price.

### **We have an effective management structure with a standardised and streamlined development process**

We implement a three-tier management structure, with our Board and senior management at our headquarters as the first tier, the senior management at the regional headquarters at Henan Weiye and Hainan Weiye as the second tier and the senior management of the project companies as the third tier, to balance operational efficiency with risk management. Our Board and senior management are responsible for making strategic decisions including product positioning as well as overall planning for acquiring land reserves and developing projects; the regional headquarters for each of Henan and Hainan Provinces, being Henan Weiye and Hainan Weiye, which is responsible to oversee our property development at each of Henan and Hainan Provinces, respectively; and the project companies are responsible for the day-to-day operations of their respective property development projects. This management structure ensures that our overall strategies are effectively implemented throughout our organisation. In addition, our management structure also provides our project companies with appropriate autonomy to adapt to local situations.

Based on our substantial experience in developing property projects in China, we have developed a standardised and streamlined property development process. We apply our standardised property development process to our Property Development Business operations, including site selection, project positioning, product design, brand promotion, procurement, construction, quality control, sales and marketing and customer services. We implement centralised procurement for procuring certain construction materials and equipment to take advantage of economies of scale. Further, our standardised processes of selecting construction contractors enable us to ensure the quality of our properties and effectively control costs. We believe our standardised and streamlined property development process is a key factor for replicating our products and delivering properties to meet the demand of various types of customers.

As a result, through our integrated management structure and our standardised and streamlined property development process, we are committed to maximise our investment return by shortening the development cycle, which in turn improves our operating cash flow.

### **We are experienced in the provision of quality large-scale development projects**

We have been engaging in property development business in the PRC since 1999. With our 16 years of proven track record and experience, we believe we have greater competitive advantages over smaller-scale developers in developing quality large-scale development projects. Developing large-scale projects normally requires higher capital commitment and imposes higher requirement on the developer's experience, expertise and qualification. We believe our executive Directors and senior management have extensive experience in developing quality large-scale development projects. Among our property portfolio as of 31 December 2015, a substantial part of our development projects have saleable GFA completed or GFA under development exceeding 50,000 sq.m.. We believe that our ability and experience in developing quality large-scale development projects helps to build local brand awareness, strengthen customers' confidence, obtain local government support during the development process and for our future development. In addition, developing large-scale projects allows us to take advantage of synergies in managing our developments more effectively.

### **We have well-established reputation and brand name**

We have more than 16 years of property development experience in the PRC. We have established a strong brand in the cities where we have property development projects. We believe that our strong and growing reputation is partly attributable to our emphasis on the quality of our property development projects. We have received numerous industry awards from local government as well as media in recognition of our brand and quality of our property development projects. In particular, we were recognised as the 2013 Enterprises for Economic Outstanding Contributions to Red Flag Zone (紅旗區2013年度區域經濟發展重大貢獻企業) by Communist Red Flag Zone Committee, People's Government Red Flag District (中共紅旗區委, 紅旗區人民政府) in 2014 and our Weiye Tiandao International was recognised as the Most Appreciation Potential Building (最具升值潛力樓盤) by Henan Province Real Estate Business Chamber of Commerce (河南省房地產業商會) in 2013. Given the reputation of our brand, we believe we are able to sell properties more efficiently. In addition, we have been undertaking resettlement housing operation and developing large-scale residential projects, such as Weiye Central Park and Weiye Oxygen Cube, both of which tend to significantly improve the local living environment, thus enhancing our corporate image and reputation.

### **We have an experienced and stable management team**

The quality and experience of our management team have been, and will continue to be, an important factor in our growing success. We have a highly committed and professional management team with strong credentials and extensive experience in the PRC property industry. Our executive Directors have over 20 years of experience in the PRC property industry which helps us to make timely and appropriate decisions relating to strategic business development, market trends analysis and product positioning. For example, our executive Director and chairman of the Board, Mr. Zhang Wei, has more than 21 years of experience in the PRC real estate industry. He possesses in-depth understanding of the PRC's property development business environment and is equipped with a wide range of business skills including strategic planning, business operation and project management. All of our executive Directors and non-executive Director have been working with us for over four years, and form a stable core team which has been working well together. We believe the stability, experience and industry knowledge of our management team in the PRC property industry have helped us to achieve the success we now enjoy and will help us to further develop our business. For further details of the credentials and experience of our Directors and senior management, please refer to the section headed "Directors and Senior Management" in this listing document.

### BUSINESS STRATEGIES

Our strategies and plans for the future growth and expansion of our business are described below:

#### **We will continue to capitalise on the high growth in demand in Henan Province**

We plan to continue to devote resources to expand our business and strengthen our market position in property development in Henan Province to take advantage of the continuously increasing demand for high-quality properties resulting from the growth in urbanisation and the general local economy.

We started our Property Development Business in Zhengzhou City, Henan Province, PRC in 1999. With more than 16 years of experience in property development in Henan Province, we have established a strong market presence and brand name. Henan Province is located in central China and is one of the most densely populated provinces in China. Henan Province's GDP in 2014 grew by about 8.7% over 2013 to approximately RMB3,500 billion in 2014, with urbanisation rate increased from approximately 38.8% to 45.2% from 2010 to 2014. With a fast growing economy and the intensified urbanisation in the region, Henan Province's property market has experienced substantial growth over the years. According to the DTZ Report, the total property investment in Henan Province amounted to approximately RMB437.6 billion in 2014, which showed a CAGR of approximately 24.0% from 2008 to 2014 and the average selling price of commodity housing in Henan Province was approximately RMB4,366.4 per sq.m. in 2014, which showed a CAGR of approximately 11.0% from 2008 to 2014. According to the "New Urbanisation Plan of Henan Province (2014-2020)" of PRC announced by Henan provincial government in July 2014, over one million migrants are expected to relocate to the urbanised area per year by 2020. Following the urbanisation in Henan Province, a growth in demand in the real property market is expected. In Henan Province, our strategy is to focus on cities with high growth potential, such as Zhengzhou City. Most of our properties are situated in prime locations integrated with retail spaces and ancillary facilities. Strengthened by our success in Zhengzhou City, we intend to continue to capitalise on the demand for quality homes brought about by rapid urbanisation and to expand our foothold in fast-growing second-tier cities across Henan Province, such as Kaifeng City and Xinxiang City.

#### **We will further strengthen our market position in Hainan Province**

In 2010, we expanded our Property Development Business to Hainan Province, the PRC. With government policies to promote and develop Hainan Province as a national tourist attraction, we expect Hainan Province to become increasingly more popular as a tourist destination for middle class and wealthy nationals. We expect there would be a likely increase in the demand for quality holiday homes in Hainan Province. We intend to continue to offer vacation-lifestyle residential properties to customers as holiday homes. Buyers of our Hainan properties are entitled to join our membership club, Weiye Club (偉業會). Members are entitled to enjoy benefits such as transportation services to and from high-speed rail station, may choose to swap their units for units owned by other Weiye Club members at our other developments in Hainan Province and enjoy deductions in the purchase price of our properties. With our recent developments in Hainan Province, we intend to further promote our Weiye brand through Weiye Club in Hainan Province by way of organising different marketing activities.

We aim to promote the vacation-lifestyle and focus our marketing efforts on our holiday homes as these properties increasingly gain traction amongst the middle to high income groups in China. At the same time, we intend to focus on premium residential and holiday homes projects in areas near populous cities in Hainan Province such as Haikou City and Sanya City. We believe our knowledge of Hainan Province developed over our operating track record will be instrumental to implement our expansion strategy.

### **We will continue to utilise different models in property development to increase flexibility and efficiency**

During the Track Record Period, all our development projects have been developed either using the integrated property development model where we undertake the entire property development process, from land acquisition, project management, construction to sales and marketing or the project planning and sales management model. The details of integrated property development model is set out in the paragraph headed “Property Development Process” in this section. Under the integrated property development model, our major cash outflow would be the land premium at the initial stage of the project development and construction and development costs to be paid in accordance with the construction progress, while our major cash inflow would be the sales proceeds at the time of commencement of pre-sales of the properties after the project meets the criteria for pre-sales and obtaining the necessary permits. Our management would consider such model if we identify suitable land for bidding in suitable or strategic location.

*Project planning and sales management model:* In the development of Weiye Paris Impression (偉業巴黎印象), we adopted the project planning and sales management model. Under the project planning and sales management model, our Group is responsible for the initial land acquisition, project planning and the sales and marketing of the project while the entire project management, construction and financing of the project is undertaken by a third party construction contractor where such contractor will be compensated by our Group based on a pre-determined unit price of the completed properties. We entered into a cooperation agreement with a third party construction contractor, Zhengzhou Shijizhongxin Zhiye Co. Ltd.\* (鄭州世紀中信置業有限公司) (“**Shijizhongxin**”) to develop a parcel of land owned by a third party project company. Salient terms of the cooperation agreement between Shijizhongxin and us include: (i) Shijizhongxin and us will jointly acquire the equity interests of the project company which holds the relevant land use rights; (ii) Shijizhongxin undertakes the project construction according to the specification and time frame given by our Group and bears all the costs of construction, while our Group undertakes the marketing and sales of the properties; (iii) Shijizhongxin is entitled to a pre-determined price per sq.m. payable according to the construction progress; and (iv) our Group is entitled to all proceeds from the sales and pre-sales of the properties to third parties under the project. This model allows our Group to better control the costs of construction of our projects and minimise cash outflow on the initial land acquisition stage. It is expected that the profit margin for this model would be higher than the other models of property development when the market is promising as our costs of construction is pre-determined with the third party contractor we cooperate with, which also suggests our profitability under this model is relatively more susceptible to prevailing market conditions during the sales or pre-sales of properties. Under this model, our major cash outflow would be the land premium at the initial stage of the project development and the pre-determined cost to be paid to the third party contractor we cooperate with in accordance with the construction progress, while our major cash inflow would be the sales proceeds at the time of commencement of pre-sales of the properties after the project meets the criteria for pre-sales and obtaining the necessary permits. Our management would consider such model if we identify third party contractor willing to undertake all or a substantial part of the construction work at a reasonable pre-determined price.

Prior to the Track Record Period, we had adopted joint development model and project management model in developing property projects:

*Joint development model:* Between 2003 and 2007, we adopted the joint development model for the development of Weiye Cai Fu Centre (偉業財富中心), Weiye Zhi Hua Shi (偉業芝華室) and Weiye Qi An (偉業棲岸). We cooperate with third party land owners in the joint development model. We generally approach land owners identified by us and propose to develop the land jointly with them, providing major terms of the joint development arrangement. Once agreed, joint development agreements will be entered into between us and the land owners which set out each party’s rights and obligations under the

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arrangements. Salient terms of these joint development agreements include: (i) the land owners are to provide acquired land for the joint development in their capacity as property developers; (ii) our Group is responsible for the provision of funds, which will cover the development costs (such as construction, administrative and sales costs) and tax payables by the land owners in connection with the developments; (iii) the land owners shall grant to our Group rights required in all aspects of the operation of the joint development, including control over the development, administrative and financial matters; and (iv) the land owners are typically entitled to an agreed amount with reference to the valuation of the land provided for the joint development which is payable in installments in accordance with the development stages, and our Group is entitled to the rest of the revenue arising from the joint development. Save for the land acquisition that is undertaken by the third party land owners, the development process in the joint development model applied by us is similar to that in the property development model as set out in paragraph headed "Property Development Process" in this section. The joint development model allows our Group to carry out development at identified locations where lands are owned by third parties. As there is no acquisition of land involved in the joint development model, we are able to complete such development in a shorter period of time. Under this model, our major cash outflow would be the construction and development costs to be paid in stages in accordance with the construction progress; while our major cash inflow would be the sales proceeds at the time of commencement of pre-sales of the properties after the project meets the criteria for pre-sales and obtaining the necessary permits. This model may be more profitable than the integrated development model as financing cost required for land premium typically associated with that of the integrated development model would have been defrayed due to such land being provided by the land-owning cooperation partner. Our management would consider such model if we identify suitable land held by third party who is willing to co-develop their land but has no experience in property development.

*Project management model:* In November 2009, our Group adopted the project management model for the development of A.D. Plaza Shopping Mall (西元國際廣場), an integrated residential, commercial and office complex with a total GFA of approximately 110,000 sq.m.. Under the project management model, our Group provides project management services to third party land owners to manage their property developments in order to effectively control the development costs and enhance the return of the investment of their projects. Our Group receives a fixed fee for the services provided. Salient terms of the project management agreement we would enter into with the third party land owners include: (i) our Group shall provide project management services including obtaining the requisite licences and permits for the development project, selection, engagement and supervision of contractors, sales and marketing, and to assist in obtaining financing for the development project; and (ii) our Group is entitled to receive a fixed fee for the project management services. We believe that the project management model enables us to create an additional income stream without having to incur capital outlay risks. Under this model, our major cash inflow would be the fixed service fees to be received monthly or annually while our cash outflow is minimum as a service provider. Our profit margin under this model is relatively lower than the other models and subject to the fluctuation of our staff costs. This model allows us to utilise our management expertise and create other income without incurring land premium or construction costs. Our management would consider such model when we identify land owner, inexperienced in property development, intending to develop their land but are not willing to share such development profit.

Considering the uniqueness of each project, market condition and our operational and management capacity, we will undertake the above models or their variations when opportunities arise to increase our flexibility and efficiency in property development.

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### **We will continue to maintain a mix of residential and commercial developments**

We maintain a mix of residential properties and commercial properties in our development projects. We believe this business model allows us to reduce our exposure to the risks in any unexpected drop in the residential property market, including changes in governmental policies, and at the same time increase the awareness of our Group's brand name and reputation. Going forward, we will continue to follow this business model although we expect to expand more on our residential properties as compared to our commercial property in the near future.

### **We will continue our diversified land acquisition strategies with a view to allocating financial resources to what we believe to be the most profitable opportunities**

We intend to continue to seek new and suitable opportunities to acquire land reserves that meet our selection criteria in our target cities outside Henan and Hainan Provinces in the PRC. Suitable and sufficient land reserves serve as a sound backbone in support of our future development against future change in governmental policies or increase in land costs. We will continue to conduct market research on the macroeconomic conditions, governmental policies and growth potential of the property market in such cities where suitable land is located.

We intend to continue prioritising our financial resources towards what we believe to be the most profitable opportunities by selectively targeting at areas which we believe has high growth potential and acquiring lands there at competitive costs. In particular, we intend to continue to leverage on our experience with land acquisition strategies by establishing project development relationships with third-party land owners. We contribute know-how from our past management experience while the other party contribute land. Such relationships allow us to enhance our flexibility and reduce our capital investment needs.

We will adhere to the strategy of not accumulating excessive land reserves while maintaining our projects and land bank at a level sufficient for development. Specifically, we avoid over-priced land but investing opportunistically and timely when we acquire resources for our future projects. When replenishing our land bank, we mainly target at land parcels with attributes and ancillary facilities that complement our positioning in the residential property market and meet the needs and demands of our customers. We will continue to respond to market changes timely and effectively. On our financial management front, we will ensure that our liquidity is sufficient and our cash balance is adequate to cover borrowings.

### **We will continue to attract, nurture and motivate skilled and talented workforce**

We believe high calibre employees who share our corporate culture are our invaluable assets. In order to support our growth and expansion, we aim to attract and recruit employees with a wide range of expertise including property development, project management, planning, design, finance and marketing and sales. We emphasise the long-term development of a quality workforce and the alignment of interests between our workforce and our Group. We will continue to recruit, nurture and motivate a skilled and talented workforce by offering our staff competitive remuneration packages, on-the-job trainings and performance-based evaluation. We believe such culture will enhance knowledge sharing, collaboration and innovation among employees, leading to increased efficiency, greater loyalty, job satisfaction, engagement and commitment to their work, which we believe will strengthen our overall operations and performance.

### OUR PROPERTY DEVELOPMENT PROJECTS

We primarily focus on residential property development in strategically targeted cities in the PRC, which we believe can meet the needs of our customers in these cities looking to either purchase their first homes or upgrade their living environment. In Hainan Province, we also offer vacation-lifestyle residential properties to customers as holiday homes.

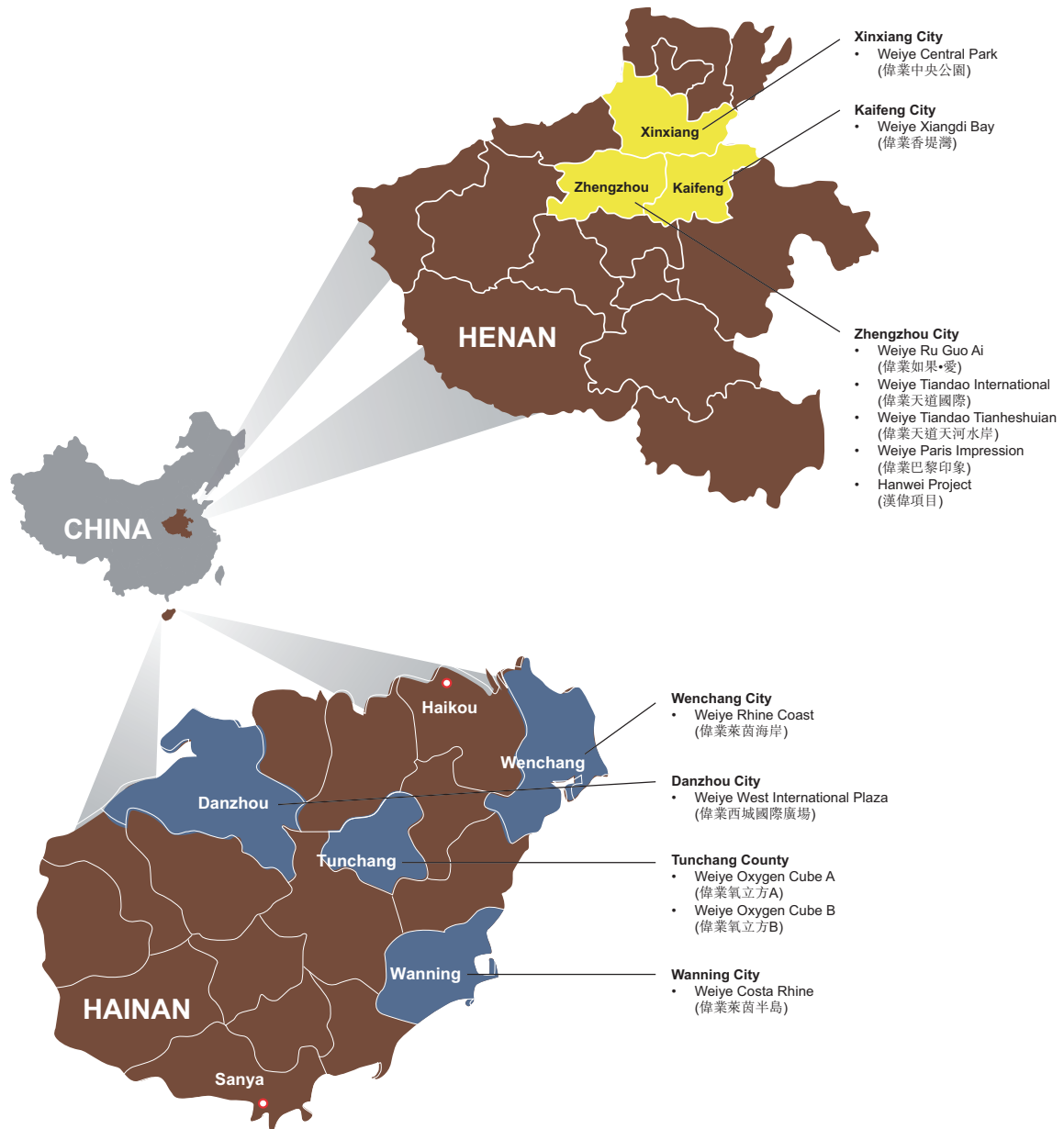
We primarily offer mid-rise and high-rise apartments accompanied by street-level retail outlets to satisfy our customers' daily needs for living and entertainment.

We believe economic growth, urbanisation and industrialisation, availability of residential mortgages and increasing disposable income are key drivers of our business. In particular, we believe the increase in disposable income of Chinese residents will drive up the demand for general and high quality residential properties with convenient access to public transportation, well-developed infrastructure and comfortable living environments.

As of 31 December 2015, our property portfolio comprised 12 property development projects which were either completed or under various stages of development in seven locations namely Zhengzhou City, Kaifeng City and Xinxiang City in Henan Province and Wanning City, Danzhou City, Wenchang City and Tunchang County in Hainan Province. As of 31 December 2015, we had completed property projects or project phases with a total GFA of approximately 1,085,740 sq.m., property projects or project phases under development with a total estimated GFA of approximately 339,107 sq.m. and a total planned GFA of approximately 430,882 sq.m. held for future development.

## BUSINESS

The following map shows the geographical locations of our property developments as of 31 December 2015:



We develop residential, commercial and apartment hotel properties. We classify our property development projects as follows:

- Residential properties project – comprises mainly of residential properties, but in some cases, includes small portion of commercial properties such as street-level retail outlets or mini-shopping centre. We primarily offer the following types of residential units:
  - mid-rise apartments (小高層住宅) – which are typically buildings with 6 to 11 stories; and
  - high-rise apartments (高層住宅) – which are typically buildings higher than 11 stories.
- Commercial properties project – comprises mainly of offices; and
- Apartment hotel (產權式酒店) project – comprises mainly of hotels and/or tourists apartment.



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## BUSINESS

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### Classification of Our Property Development Projects

The table below sets forth our classification of properties, and the corresponding classification of properties in the sections headed “Appendix I – Accountants’ Report” and “Appendix III – Property Valuation Report” in this listing document:

| <u>Our Classification</u>  | <u>Accountants’ Report</u>  | <u>Property Valuation Report</u>   |
|--|---|--|
| <p><b><i>Completed projects or project phases:</i></b></p> <ul style="list-style-type: none"> <li>• projects or project phases for which we have completed the construction; or</li> <li>• projects or project phases for which we have obtained the relevant completion certificates from the relevant governmental authorities.</li> </ul> | <ul style="list-style-type: none"> <li>• Completed properties held for sale</li> <li>• Investment properties</li> </ul> | <ul style="list-style-type: none"> <li>• Group IV – Completed properties held by the Group for Sale in the PRC</li> <li>• Group I – Properties held by the Group for investment in the PRC</li> </ul>  |
| <p><b><i>Projects or project phases under development:</i></b></p> <ul style="list-style-type: none"> <li>• projects or project phases for which we have received the required construction work commencement permits but construction have not been completed.</li> </ul>   | <p>Properties under development</p>   | <ul style="list-style-type: none"> <li>• Group V – Properties held by the Group under development in the PRC</li> <li>• Group II – Property held by the Group under development for investment in the PRC</li> <li>• Group IV – Completed properties held by the Group for Sale in the PRC*</li> </ul> |
| <p><b><i>Projects or project phases held for future development:</i></b></p> <ul style="list-style-type: none"> <li>• projects or project phases for which construction work has not yet commenced and we have received the relevant land use rights certificates.</li> </ul>  | <p>Properties under development</p>   | <ul style="list-style-type: none"> <li>• Group VI – Properties held by the Group for future development in the PRC</li> </ul>  |

\* certain parts/buildings of a project phase with completed construction are classified as completed properties held by the Group for sale in the PRC

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## BUSINESS

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As some of our property development projects comprise multiple-phase developments that are completed on a rolling basis, a single project may fall into one or more of the above categories. Our classification of properties reflects the basis on which we operate our business and may differ from classifications employed by other property developers. A single property development project may require multiple land use rights certificates, construction land planning permits, construction work planning permits, construction work commencement permits, pre-sales permits and other permits and certificates, which may be issued at different times throughout the development process.

For details of the classification of properties in the Accountants' Report and the Property Valuation Report, please refer to "Appendix I – Accountants' Report" and "Appendix III – Property Valuation Report" in this listing document, respectively.

Detailed descriptions of each of our property development projects as set forth in this listing document are as of 31 December 2015, unless otherwise specified. The actual or estimated construction commencement date refers to the date on which construction of the first building of the project or the relevant phase of a multi-phase project commenced or is expected to commence. The actual construction completion date of our completed projects or project phases refers to the date we passed the completion and acceptance inspection for each project or each phase of a multi-phase project, while the estimated construction completion date of our projects and project phases under development or held for future development reflects our best estimate based on our current development and construction work plans. The actual or estimated pre-sales commencement date refers to the date we commenced or expect to commence pre-sales of any of the properties for each project or each phase of a multi-phase project.

The names of our property development projects used in this listing document are those project names which we have used, or intend to use, to market our properties. Some of the names of our property development projects may be different from the names registered with the relevant authorities. Some of the names are subject to approval by the relevant authorities and are therefore subject to change. The English names of our property projects are for reference and marketing purposes only.

### **Site Area and GFA**

Site area is calculated as follows:

- for projects or project phases which we have obtained land use rights certificates - based on the site area information as indicated on the relevant land use rights certificates; or
- for projects or project phases which we have not yet obtained land use rights certificates but have signed the relevant land grant contracts - based on the site area information as indicated on the relevant land grant contracts.

The GFA information presented in this listing document is derived from the following basis:

*For completed projects and project phases,*

- the completed GFA is based on the relevant building ownership certificate, or the relevant completion certificate if the building ownership certificate is not available, or the relevant surveying report if the completion certificate is not available or applicable;
- the saleable/leasable GFA remaining unsold is based on the relevant building ownership certificate and our internal records and estimates;
- the GFA held for investment is based on the relevant building ownership certificate and our internal records and estimates; and
- the GFA sold is GFA pre-sold or sold, and delivered based on the executed pre-sales or sales contracts and may not exceed the maximum permissible GFA set forth in the relevant pre-sales permit.

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## BUSINESS

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*For projects and project phases under development,*

- the GFA under development is based on the relevant construction work planning permit and/or surveying report (測繪報告);
- the saleable/leasable GFA is based on the relevant pre-sales permit, or the surveying report or the construction work planning permit if the pre-sales permit is not available or applicable; and
- the GFA pre-sold is based on the executed pre-sales agreements and may not exceed the maximum permissible GFA set forth in the relevant pre-sales permit.

*For projects and project phases held for future development,*

- the planned GFA is (i) based on the relevant construction work planning permit, or (ii) if the relevant construction work planning permit has not been issued, based on the relevant land use rights certificate, or (iii) if we have not yet obtained the relevant land use rights certificate, based on the relevant land grant contract and our internal records and estimates, which may be subject to change.

Total GFA as used in this listing document comprises saleable/leasable GFA and non-saleable GFA. Non-saleable GFA as used in this listing document refers to ancillary facilities that are not saleable pursuant to applicable PRC laws and regulations. Saleable/leasable GFA as used in this listing document generally refers to our internal floor areas and shared areas that are allocated to such properties, our investment properties and car parking spaces that are saleable or leasable pursuant to applicable PRC laws and regulations. Saleable/leasable GFA is further divided into saleable/leasable GFA pre-sold/sold and saleable/leasable GFA remaining unsold.

A property is pre-sold when we have executed the relevant pre-sales agreement but have not yet delivered the property to the customer. A property is considered sold after we have executed the pre-sales or sales contract, as the case may be, with a customer and have delivered the property to the customer.

For those figures and construction or pre-sales schedules used herein that are based on our internal records, internal estimates and business plans may differ in the future in material respects from our current estimates.

### **Development Costs**

Development costs incurred refer to direct costs of the relevant project or project phase including land costs, construction costs and capitalised interest costs incurred by us, while future development costs to be incurred refer to the budgeted costs estimated to be incurred by us based on the development costs already incurred.

## BUSINESS

### LAND BANK AND PROPERTY PORTFOLIO

The table below sets forth a summary of our land bank and property portfolio as of 31 December 2015 by geographic location:

|                 | Completed<br>GFA | Saleable/<br>Leasable GFA<br>Remaining<br>Unsold | GFA Under<br>Development | Planned GFA<br>Held For<br>Future<br>Development | Total<br>Land Bank <sup>(1)</sup> | % of Total<br>Land Bank |
|-----------------|------------------|--|--------------------------|--|-----------------------------------|-------------------------|
|                 | (sq.m.)          | (sq.m.)  | (sq.m.)                  | (sq.m.)  | (sq.m.)                           | (%)                     |
| Zhengzhou City  | 237,509          | 87,427   | 72,831                   | 400,700  | 560,958                           | 56.9                    |
| Kaifeng City    | 253,850          | 5,875  | –                        | –  | 5,875                             | 0.6                     |
| Xinxiang City   | 391,058          | 30,336   | 234,473                  | 30,182   | 294,991                           | 29.9                    |
| Wanning City    | 32,054           | 9,600  | –                        | –  | 9,600                             | 1.0                     |
| Wenchang City   | –                | –  | 15,479                   | –  | 15,479                            | 1.6                     |
| Danzhou City    | 58,586           | 5,906  | –                        | –  | 5,906                             | 0.6                     |
| Tunchang County | 112,683          | 76,226   | 16,324                   | –  | 92,550                            | 9.4                     |
| <b>Total</b>    | <u>1,085,740</u> | <u>215,370</u>                                   | <u>339,107</u>           | <u>430,882</u>                                   | <u>985,359</u>                    | <u>100.0</u>            |

The table below sets forth a summary of our land bank and property portfolio as of 31 December 2015 by type of properties:

|                    | Sale/Leasable<br>GFA<br>Remaining<br>Unsold | GFA Under<br>Development | Planned GFA<br>Held For<br>Future<br>Development | Total<br>Land Bank <sup>(1)</sup> | % of Total<br>Land Bank |
|--------------------|---|--------------------------|--|-----------------------------------|-------------------------|
|                    | (sq.m.)                                     | (sq.m.)                  | (sq.m.)  | (sq.m.)                           | (%)                     |
| Residential        | 114,756                                     | 215,355                  | 260,258  | 590,369                           | 59.9                    |
| Commercial         | 67,272                                      | 32,075                   | 122,975  | 222,322                           | 22.6                    |
| Apartment hotel    | 9,600                                       | 15,479                   | –  | 25,079                            | 2.5                     |
| Car parking spaces | 23,713                                      | 63,890                   | 47,580   | 135,183                           | 13.7                    |
| Ancillary          | 29  | 12,308                   | 69   | 12,406                            | 1.3                     |
| <b>Total</b>       | <u>215,370</u>                              | <u>339,107</u>           | <u>430,882</u>                                   | <u>985,359</u>                    | <u>100.0</u>            |

*Notes:*

- (1) Land bank figure refers to the sum of (i) saleable/leasable GFA remaining unsold, (ii) total GFA under development and (iii) total planned GFA held for future development.
- (2) In December 2015, Henan Xingwei entered into a land grant contract for a parcel of land of site area of approximately 55,351 sq.m. and for a land premium of RMB361.5 million which we had subsequently paid in full. In March 2016, Henan Xingwei obtained the relevant land use right certificate of the relevant parcel. Such parcel of land forms part of the development district of our resettlement housing operation under the “Merging Villages into Community (合村并城)” scheme in Zhengzhou City. For further details, please refer to the paragraph headed “Resettlement Housing Operation” in this section. As of the Latest Practicable Date, such parcel of land was still in planning stage.

During the Track Record Period and up to the Latest Practicable Date, we have not received any notices from any PRC government authorities identifying any idle land held by us, nor have we incurred any idle land fees. Based on our latest construction schedule, our Directors did not expect any idle land issues as of the Latest Practicable Date.

**BUSINESS**

**Summary of our property development projects  
Completed Projects and Project Phases**

The following table sets forth a summary of our completed projects and project phases as of 31 December 2015:

| Project   | Actual Commencement Date | Actual Completion Date | Date of relevant completion certificate | Site Area (sq.m.)       | Completed GFA (sq.m.)  | Saleable/Leasable GFA Remaining (sq.m.) | GFA Held for Investment (sq.m.) | GFA Sold (sq.m.) | Other GFA <sup>(1)</sup> (sq.m.) | Development Costs (RMB million) | Ownership Interest <sup>(2)</sup> (%) | Attributable Capital Value <sup>(3)</sup> (RMB million) | Reference in Property Valuation Report (Project No.) |
|---|--------------------------|------------------------|---|-------------------------|------------------------|---|---------------------------------|------------------|----------------------------------|---------------------------------|---------------------------------------|---|--|
| Weiyue Ru Guo Ai <sup>(4)</sup><br>(偉業如果·愛)                     | September 2005           | May 2008               | July 2008                               | 18,022                  | 57,908                 | -                                       | 2,384                           | 55,523           | 1                                | 190.1                           | 100                                   | 36.0  | 1  |
| Weiyue Tiandao<br>Tianheshuihan<br>(偉業天道天河水岸) <sup>(4)</sup>    | November 2013            | December 2014          | - <sup>(10)</sup>                       | 21,671                  | 69,248 <sup>(17)</sup> | 1,697                                   | -                               | 58,738           | 8,813 <sup>(15)</sup>            | 286.6                           | 51                                    | 9.2   | 6  |
| Weiyue Tiandao<br>International<br>(偉業天道國際)                     | March 2015               | December 2015          | - <sup>(10)</sup>                       | 20,996                  | 110,353                | 85,730                                  | -                               | 20,258           | 4,365                            | 422                             | 51                                    | 355.0   | 7  |
| Weiyue Xiangdi Bay <sup>(5)</sup><br>(偉業香堤灣)                    | January 2010             | December 2014          | - <sup>(10)</sup>                       | 106,271 <sup>(11)</sup> | 253,850                | 5,875                                   | -                               | 232,434          | 15,541 <sup>(16)</sup>           | 780.6                           | 100                                   | 30.0  | 8  |
| Phase I   | January 2010             | November 2012          | February 2014                           | -                       | 81,859                 | -                                       | -                               | 76,862           | 4,997                            | 194.4                           | 100                                   | -   | -  |
| Phase II  | April 2011               | September 2013         | - <sup>(10)</sup>                       | -                       | 94,793                 | 640                                     | -                               | 91,689           | 2,464                            | 285.5                           | 100                                   | -   | -  |
| Phase III   | August 2013              | December 2014          | - <sup>(10)</sup>                       | -                       | 77,198                 | 5,235                                   | -                               | 63,883           | 8,080                            | 300.7                           | 100                                   | -   | -  |
| Weiyue Central Park <sup>(6)</sup><br>(偉業中央公園)                  | May 2008                 | September 2014         | November 2014                           | 178,886 <sup>(12)</sup> | 391,058                | 30,337                                  | -                               | 301,497          | 59,224                           | 920.4                           | 100                                   | 186.7   | 9  |
| Phase I   | May 2008                 | December 2009          | August 2010                             | -                       | 64,437 <sup>(14)</sup> | -                                       | -                               | 60,234           | 4,203                            | 158.5                           | 100                                   | -   | -  |
| Phase II  | November 2009            | March 2014             | October 2015                            | -                       | 189,064                | 26,388                                  | -                               | 131,938          | 30,738                           | 438.5                           | 100                                   | 150.2   | -  |
| Phase III   | August 2012              | September 2014         | November 2014                           | -                       | 137,557                | 3,949                                   | -                               | 109,325          | 24,283                           | 323.4                           | 100                                   | 36.5  | -  |
| Weiyue Costa Rhine <sup>(7)</sup><br>(偉業萊茵半島)                   | April 2011               | December 2011          | August 2013                             | 49,454                  | 32,054                 | 9,600                                   | 4,997                           | 17,457           | -                                | 186.4                           | 100                                   | 150.0   | 2,11   |
| Weiyue Oxygen Cube A <sup>(8)</sup><br>(偉業立方A)                  | April 2011               | May 2015               | August 2015                             | 54,811 <sup>(13)</sup>  | 95,688                 | 68,691                                  | -                               | 26,995           | -                                | 309.8                           | 100                                   | 350.0   | 12,13  |
| Phase I   | April 2011               | August 2012            | July 2013                               | -                       | 52,189                 | 41,600                                  | -                               | 10,589           | -                                | 139.9                           | 100                                   | 215.0   | 13   |
| Phase II  | April 2011               | May 2015               | August 2015                             | -                       | 43,497 <sup>(14)</sup> | 27,091                                  | -                               | 16,406           | -                                | 169.9                           | 100                                   | 135.0   | 12   |
| Weiyue Oxygen Cube B <sup>(8)</sup><br>(偉業立方B)                  | May 2011                 | August 2012            | July 2013                               | 12,977                  | 16,997                 | 7,535                                   | 2,078                           | 7,384            | -                                | 54.9                            | 100                                   | 50.0  | 3,14   |
| Weiyue West International<br>Plaza <sup>(9)</sup><br>(偉業西城國際廣場) | October 2010             | December 2011          | September 2012                          | 20,003                  | 58,586                 | 5,906                                   | -                               | 52,579           | 101                              | 151.4                           | 100                                   | 27.0  | 10   |

**Notes:**

- (1) Includes the portion of GFA held by us as amenities, including civil defense area, not saleable or leasable in respect of each of the completed projects or phases of projects.
- (2) Calculated based on attributable interest in the respective project companies that hold the individual project to our Group.
- (3) It does not include attributable value of non-saleable amenities. Our interest in the relevant projects or project phases are set out in "Appendix III – Property Valuation Report" to this listing document.
- (4) The project is located in Zhengzhou City, Henan Province, the PRC.
- (5) The project is located in Kaifeng City, Henan Province, the PRC.
- (6) The project is located in Xinxiang City, Henan Province, the PRC.
- (7) The project is located in Wanning City, Hainan Province, the PRC.
- (8) The project is located in Tunchang County, Hainan Province, the PRC.
- (9) The project is located in Danzhou City, Hainan Province, the PRC.
- (10) The relevant completion certificate is yet to be obtained as of the Latest Practicable Date.
- (11) Represents the aggregate site area of phases I, II and III of Weiye Xiangdi Bay.
- (12) Represents the aggregate site area of phases I, II, III, IV and V of Weiye Central Park.
- (13) Represents the aggregate site area of phases I, II and III of Weiye Oxygen Cube A.
- (14) Based on the surveying report.
- (15) Includes idle civil air defense area. Please refer to the paragraph headed "Civil Air Defense Projects" in this section for further details.
- (16) Includes civil air defense area used by us as car parking areas. Please refer to the paragraph headed "Civil Air Defense Projects" in this section for further details.
- (17) Based on the completion inspection report.

**Properties Under Development and Properties Held for Future Development**

The following table sets forth a summary of our projects or project phases under development or held for future development as of 31 December 2015:

| Project  | Project Company    | Site Area              | Actual/Estimated Commencement Date | Actual/Estimated Completion Date | Actual/Estimated Pre-sales Date | GFA Under Development (sq.m.) | Estimated Saleable/Leasable GFA (sq.m.) | GFA Pre-sold (sq.m.)  | Planned GFA (sq.m.) | Development Costs Incurred (RMB million) | Expected Future Development Costs (RMB million) | Ownership Interest <sup>(1)</sup> (%) | Attributable Capital Value <sup>(2)</sup> (RMB million) | Reference in Property Valuation Report (Project No.) |
|--|--------------------|------------------------|------------------------------------|----------------------------------|---------------------------------|-------------------------------|---|-----------------------|---------------------|--|---|---------------------------------------|---|--|
| Weiyue Paris Impression <sup>(6)</sup><br>(伟業巴黎印象) | Zhengzhou Daimashi | 64,498                 | July 2015                          | December 2017                    | November 2015                   | 72,831                        | -                                       | -                     | 196,930             | 154.4                                    | 322.4   | 100                                   | 348.0   | 17,19,20   |
| Weiyue Hanwei Project <sup>(6)</sup><br>(漢偉項目)     | Henan Hanwei       | 58,222                 | June 2016                          | December 2017                    | October 2016                    | -                             | -                                       | -                     | 203,770             | 64.7                                     | 342.3   | 51                                    | 132.6   | 21   |
| Weiyue Central Park <sup>(7)</sup><br>(偉業中央公園)     | Xinxiang Weiyue    | 178,886 <sup>(3)</sup> | October 2013                       | December 2016                    | December 2013                   | 234,473                       | 99,684                                  | 65,183                | 30,182              | 350.3                                    | 267.6   | 100                                   | 394.3   | 9,15,16,22   |
| Phase IV   | Xinxiang Weiyue    | -                      | October 2013                       | September 2016                   | December 2013                   | 124,176 <sup>(5)</sup>        | 99,684 <sup>(5)</sup>                   | 65,183 <sup>(5)</sup> | -                   | 295.4                                    | 72.1  | 100                                   | 230.3   | 9 <sup>(5)</sup> , 15                                |
| Phase V  | Xinxiang Weiyue    | -                      | September 2015                     | December 2016                    | November 2015                   | 110,297                       | -                                       | -                     | 30,182              | 54.9                                     | 195.5   | 100                                   | 164.0   | 16,22  |
| Weiyue Rhine Coast <sup>(8)</sup><br>(偉業萊茵海岸)      | Wenchang Maoyuan   | 15,136                 | April 2011                         | July 2016                        | October 2014                    | 15,479                        | 10,393                                  | -                     | -                   | 49.8                                     | 36.9  | 100                                   | 55.0  | 4  |
| Weiyue Oxygen Cube A <sup>(9)</sup><br>(偉業立方A)     | Tunchang Hongji    | 54,811 <sup>(4)</sup>  | April 2011                         | August 2016                      | March 2016                      | 16,324                        | -                                       | -                     | -                   | 24.7                                     | 38.7  | 100                                   | 16.0  | 18   |

**Notes:**

- (1) Calculated based on the attributable interest in the respective project companies that hold the individual projects to our Group.
- (2) It does not include attributable value of non-saleable amenities. Our interest in the relevant projects or project phases are set out in "Appendix III – Property Valuation Report" to this listing document.
- (3) Represents the aggregate site area of phases I, II, III, IV and V of Weiyue Central Park.
- (4) Represents the aggregate site area of phases I, II and III of Weiyue Oxygen Cube A.
- (5) Part of Phase IV of Weiyue Central Park was completed with completed GFA of approximately 44,736 sq.m. and with saleable/leasable GFA remaining unsold of approximately 2,659 sq.m.
- (6) The project is located in Zhengzhou City, Henan Province, the PRC.
- (7) The project is located in Xinxiang City, Henan Province, the PRC.
- (8) The project is located in Wenchang City, Hainan Province, the PRC.
- (9) The project is located in Tunchang County, Hainan Province, the PRC.

**BUSINESS**

**Contracted Sales**

The table below sets forth a summary of our total contracted sales<sup>(note)</sup> for each of the years ended 31 December 2013, 2014 and 2015:

| Project  | Commencement date of Pre-sales | Year ended 31 December               |                              |                            |                                      |                              |                            |                                      |                              |                            |
|--|--------------------------------|--------------------------------------|------------------------------|----------------------------|--------------------------------------|------------------------------|----------------------------|--------------------------------------|------------------------------|----------------------------|
|  |                                | 2013                                 |                              | 2014                       |                                      | 2015                         |                            |                                      |                              |                            |
|  |                                | Total Contracted Sales (RMB million) | Total Contracted GFA (sq.m.) | Contracted ASP (RMB/sq.m.) | Total Contracted Sales (RMB million) | Total Contracted GFA (sq.m.) | Contracted ASP (RMB/sq.m.) | Total Contracted Sales (RMB million) | Total Contracted GFA (sq.m.) | Contracted ASP (RMB/sq.m.) |
| <b>Weiye Ru Guo Ai</b><br>(偉業如果·愛)                             | <b>April 2006</b>              |                                      |                              |                            |                                      |                              |                            |                                      |                              |                            |
| Residential  | -                              | 0.6                                  | 79                           | 6,964                      | 11                                   | 1,476                        | 7,588                      | -                                    | -                            | -                          |
| Car Parking Spaces   | -                              | 1.0                                  | 385                          | 2,494                      | -                                    | -                            | -                          | -                                    | -                            | -                          |
| <b>Weiye Tiandao</b><br>Tianheshuian<br>(偉業天道天河水岸)             | <b>December 2014</b>           |                                      |                              |                            |                                      |                              |                            |                                      |                              |                            |
| Residential  | -                              | -                                    | -                            | -                          | 363                                  | 54,281                       | 6,691                      | 17.04                                | 2,468                        | 6,905                      |
| Commercial   | -                              | -                                    | -                            | -                          | -                                    | -                            | -                          | 15                                   | 652                          | 23,193                     |
| Car Parking Spaces   | -                              | -                                    | -                            | -                          | 32                                   | 7,560                        | 4,233                      | 21                                   | 5,250                        | 4,000                      |
| Storage unit   | -                              | -                                    | -                            | -                          | 4.9                                  | 1,219                        | 4,000                      | 1.08                                 | 269                          | 4,000                      |
| <b>Weiye Tiandao International</b><br>(偉業天道國際)                 | <b>August 2015</b>             |                                      |                              |                            |                                      |                              |                            |                                      |                              |                            |
| Commercial   | -                              | -                                    | -                            | -                          | -                                    | -                            | -                          | 78.8                                 | 11,244                       | 7,007                      |
| Office   | -                              | -                                    | -                            | -                          | -                                    | -                            | -                          | 169.9                                | 21,427                       | 7,929                      |
| <b>Weiye Xiangdi Bay</b><br>(偉業香堤灣)<br>Phase I, II & III       | <b>May 2010</b>                |                                      |                              |                            |                                      |                              |                            |                                      |                              |                            |
| Residential  | -                              | 252                                  | 52,543                       | 4,796                      | 192.3                                | 39,077                       | 4,921                      | 63.0                                 | 12,736                       | 4,947                      |
| Commercial   | -                              | 60                                   | 5,520                        | 10,870                     | 13                                   | 890                          | 14,690                     | 2                                    | 115                          | 17,391                     |
| Car Parking Spaces   | -                              | -                                    | -                            | -                          | 9.3                                  | 2,489                        | 3,724                      | 34.2                                 | 8,540                        | 4,005                      |
| Storage unit   | -                              | 3.7                                  | 1,815                        | 3,657                      | 9.3                                  | 2,905                        | 3,191                      | 1.7                                  | 708                          | 2,344                      |
| <b>Weiye Central Park</b><br>(偉業中央公園)<br>Phase I, II, III & IV | <b>May 2008</b>                |                                      |                              |                            |                                      |                              |                            |                                      |                              |                            |
| Residential  | -                              | 315.7                                | 73,973                       | 4,267                      | 285.6                                | 56,851                       | 5,024                      | 210.5                                | 42,345                       | 4,971                      |
| Commercial   | -                              | 12.4                                 | 1,188                        | 10,471                     | 30.2                                 | 2,649                        | 11,404                     | 62.6                                 | 7,716                        | 8,113                      |
| Car Parking Spaces   | -                              | -                                    | -                            | -                          | 17.2                                 | 4,935                        | 3,485                      | 36.4                                 | 9,170                        | 3,969                      |



# BUSINESS

Year ended 31 December

| Project   | Commencement date of Pre-sales | 2013                                 |                              |                            | 2014                                 |                              |                            | 2015                                 |                              |                            |
|---|--------------------------------|--------------------------------------|------------------------------|----------------------------|--------------------------------------|------------------------------|----------------------------|--------------------------------------|------------------------------|----------------------------|
|   |                                | Total Contracted Sales (RMB million) | Total Contracted GFA (sq.m.) | Contracted ASP (RMB/sq.m.) | Total Contracted Sales (RMB million) | Total Contracted GFA (sq.m.) | Contracted ASP (RMB/sq.m.) | Total Contracted Sales (RMB million) | Total Contracted GFA (sq.m.) | Contracted ASP (RMB/sq.m.) |
| <b>Weiye Costa Rhine</b><br>(偉業萊茵半島)                | September 2011                 |                                      |                              |                            |                                      |                              |                            |                                      |                              |                            |
| Residential   | –                              | 46.7                                 | 5,240                        | 8,907                      | 28.9                                 | 3,725                        | 7,744                      | 55.7                                 | 4,758                        | 11,707                     |
| <b>Weiye West International Plaza</b><br>(偉業西城國際廣場) | December 2010                  |                                      |                              |                            |                                      |                              |                            |                                      |                              |                            |
| Residential   | –                              | 22.6                                 | 5,223                        | 4,321                      | 65.4                                 | 15,496                       | 4,222                      | 28.6                                 | 6,803                        | 4,204                      |
| <b>Weiye Oxygen Cube</b><br>(偉業氧立方 A)               | May 2011                       |                                      |                              |                            |                                      |                              |                            |                                      |                              |                            |
| Residential   | –                              | 28.4                                 | 6,258                        | 4,545                      | 28.3                                 | 5,563                        | 5,089                      | 111.2                                | 20,969                       | 5,303                      |
| Commercial  | –                              | –                                    | –                            | –                          | –                                    | –                            | –                          | 19.3                                 | 2,145                        | 9,000                      |
| <b>Weiye Oxygen Cube</b><br>(偉業氧立方 B)               | June 2011                      |                                      |                              |                            |                                      |                              |                            |                                      |                              |                            |
| Residential   | –                              | 7.6                                  | 1,582                        | 4,841                      | 2.3                                  | 4,650                        | 4,977                      | 0.7                                  | 141                          | 5,103                      |

Note: Total contracted sales, total contracted GFA and contracted ASP in the above table also include car parking spaces and storage unit sold if applicable.

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## BUSINESS

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### DESCRIPTION OF OUR PROPERTY DEVELOPMENT PROJECTS

As of 31 December 2015, our property portfolio comprised the following property projects. Such property projects were located in Zhengzhou City, Kaifeng City, Xinxiang City in Henan Province and in Wanning City, Wenchang City, Tunchang County and Danzhou City in Hainan Province.

#### Zhengzhou City (鄭州市), Henan Province

##### *Weiye Ru Guo Ai (偉業如果•愛)*



Weiye Ru Guo Ai is a residential properties project located at Yingxie Road (英協路), Jinshui District (金水區), Zhengzhou City, Henan Province, the PRC.

This project occupies a site area of approximately 18,022 sq.m. and consists of eight 6 to 11-storey high-rise apartment buildings with a small commercial centre. Save and except for certain retail units are held for investment, all saleable GFA completed are held for sale.

This project was developed by Henan Weiye. We entered into a land grant contract to obtain the relevant land use rights for the project for a consideration of approximately RMB20.8 million. We have paid the land premium in full in accordance with the terms of the relevant land grant contract.

Details of this project as of 31 December 2015 were as follows:

|  |                |
|--|----------------|
| Construction period                                |                |
| – Commencement                                     | September 2005 |
| – Completion                                       | May 2008       |
| Total GFA completed (sq.m.)                        | 57,908         |
| Total saleable GFA completed held for sale (sq.m.) | 55,523         |
| Total saleable GFA completed sold (sq.m.)          | 55,523         |
| % of total saleable GFA sold                       | 100%           |
| Total GFA held for investment (sq.m.)              | 2,384          |
| Attributable interests to our Group                | 100%           |
| Development costs incurred (RMB)                   | 190.1 million  |

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### ***Weiye Tiandao International (偉業天道國際)***

Weiye Tiandao International is a commercial properties project located at the south of Zhengkai Road (鄭開大道) and west of Yangqiao Road (楊橋路), Zhengzhou City, Henan Province, the PRC, adjacent to Weiye Tiandao Tianheshuian (偉業天道天河水岸), another property project of our Group. It is a large scale composite development including office building and small commercial centre.

This project occupies a site area of approximately 20,996 sq.m. and consists of offices and retail shops, all of which are held for sale.

This project was developed by Henan Tiandao. We entered into a land grant contract to obtain the relevant land use rights for the project for a consideration of approximately RMB20.5 million. We have paid the land premium in full in accordance with the terms of the relevant land grant contract.

Details of this project as of 31 December 2015 were as follows:

|   |               |
|---|---------------|
| Construction period   |               |
| – Commencement  | March 2015    |
| – Completion  | December 2015 |
| Total GFA completed ( <i>sq.m.</i> )                        | 110,353       |
| Total saleable GFA completed held for sale ( <i>sq.m.</i> ) | 105,988       |
| Total saleable GFA completed sold ( <i>sq.m.</i> )          | 20,258        |
| % of total saleable GFA sold                                | 19.1%         |
| Attributable interests to our Group                         | 51%           |
| Development costs incurred ( <i>RMB</i> )                   | 422.0 million |
| Future development costs to be incurred ( <i>RMB</i> )      | 141.3 million |

In December 2015, the project was completed. The relevant completion certificate is yet to be obtained as of the Latest Practicable Date.

### ***Weiye Tiandao Tianheshuian (偉業天道天河水岸)***



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## BUSINESS

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Weiye Tiandao Tianheshuian is a residential and commercial properties project located at the south of Zhengkai Road (鄭開大道) and west of Yangqiao Road (楊橋路), Zhengzhou City, Henan Province, the PRC, adjacent to Weiye Tiandao International.

This project occupies a site area of approximately 21,671 sq.m. and consists six 17 to 20-storey high-rise apartments and a small commercial centre, all of which are held for sale.

This project was developed by Henan Tiandao. We entered into a land grant contract to obtain the relevant land use rights for the project for a consideration of approximately RMB19.7 million. We have paid the land premium in full in accordance with the terms of the relevant land grant contract.

Details of this project as of 31 December 2015 were as follows:

|  |               |
|--|---------------|
| Construction period                                |               |
| – Commencement                                     | November 2013 |
| – Completion                                       | December 2014 |
| Total saleable GFA completed ( <i>sq.m.</i> )      | 60,435        |
| Total saleable GFA completed sold ( <i>sq.m.</i> ) | 58,738        |
| % of total saleable GFA sold                       | 97.2%         |
| Attributable interests to our Group                | 51%           |
| Development costs incurred ( <i>RMB</i> )          | 286.6 million |

### ***Weiye Paris Impression (偉業巴黎印象)***

Weiye Paris Impression is a middle-end residential and commercial properties project located at the north of Zhongmuxueyuan Road and the east of Zhanlixi Road (中牟學苑路北, 占李西路東) in Zhengzhou City, Henan Province, the PRC.

This project occupies a site area of approximately 64,498 sq.m. and expects to consist of eight 18-storey high-rise apartments and street-level retail shops, all of which are intended for sale.

This project was developed by Zhengzhou Daimashi. In October 2014, Jinwei (Henan) acquired 65% equity interest in Zhengzhou Daimashi, the project company that held the relevant land use rights for this project. Please refer to the section headed “History” in this listing document for more details. Please also see the paragraph “Property Development Process – Project Planning and Sales Management Model” for details of the development model for this project.

Details of this project as of 31 December 2015 were as follows:

|  |               |
|--|---------------|
| Construction period                                    |               |
| – Commencement   | July 2015     |
| – Estimated date of completion                         | December 2017 |
| Total GFA under development ( <i>sq.m.</i> )           | 72,831        |
| Attributable interests to our Group                    | 100%          |
| Development costs incurred ( <i>RMB</i> )              | 154.4 million |
| Future development costs to be incurred ( <i>RMB</i> ) | 322.4 million |

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### ***Hanwei Project (漢偉項目)***

Hanwei Project is a residential and commercial properties project located at west of Gaozhuang Road (高莊路), north of Yongchang Road (永昌路), Zhengzhou City, Henan Province, the PRC.

This project occupies a site area of approximately 58,222 sq.m. and is expected to consist of residential apartments with street-level retail shops.

This project will be developed by Hanwei Zhiye. Pursuant to a collaboration agreement entered into among Henan Weiye and the equity owners of Hanfang Yaoye in connection with the development of the land use rights in respect of a land parcel on which Hanwei Project is completed granted to Hanfang Yaoye, Henan Weiye shall acquire 51% equity interests in Hanfang Yaoye, the ownership of which shall serve as a security for the transfer of the land use rights to another company for the purpose of joint development of the land by the parties. In December 2014, Hanwei Zhiye was incorporated and held as to 51% by Henan Weiye and 49% by Feng Chaoling (馮朝嶺) for the purpose of the transfer of the land use rights from Hanfang Yaoye. It is expected that such land use right will be transferred to Hanwei Zhiye in the third quarter of 2016, and we shall then dispose of our 51% equity interests in Hanfang Yaoye to the other equity owners of Hanfang Yaoye at a nominal consideration. Please refer to the section headed "History" in this listing document for more details.

Details of this project as of 31 December 2015 were as follows:

|  |               |
|--|---------------|
| Construction period  |               |
| – Estimated date of commencement                               | June 2016     |
| – Estimated date of completion                                 | December 2017 |
| Total planned GFA held for future development ( <i>sq.m.</i> ) | 203,770       |
| Attributable interests to our Group                            | 51%           |
| Development costs incurred ( <i>RMB</i> )                      | 64.7 million  |
| Future development costs to be incurred ( <i>RMB</i> )         | 342.3 million |

### **Kaifeng City (開封市), Henan Province**

#### ***Weiye Xiangdi Bay (偉業香堤灣)***

Weiye Xiangdi Bay is a high-end residential properties project located at Jinyao Road (金耀路), Jinming District (金明區), Kaifeng City, Henan Province, the PRC.

This project was developed by Henan Huibang. We entered into two land grant contracts to obtain the relevant land use rights for the project for an aggregate consideration of approximately RMB117.56 million. We have paid the land premium in full in accordance with the terms of the relevant land grant contracts.

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This project occupies a site area of approximately 106,271 sq.m. and is divided into three phases:

### *Phase I*

Phase I consists of 17 6-storey to 18-storey mid-rise and high rise apartments with street-level retail shops, all of which are held for sale.



Details of Phase I of this project as of 31 December 2015 were as follows:

|  |               |
|--|---------------|
| Construction period                                |               |
| – Commencement                                     | January 2010  |
| – Completion                                       | November 2012 |
| Total saleable GFA completed ( <i>sq.m.</i> )      | 76,862        |
| Total saleable GFA completed sold ( <i>sq.m.</i> ) | 76,862        |
| % of total saleable GFA sold                       | 100%          |
| Attributable interests to our Group                | 100%          |
| Development costs incurred ( <i>RMB</i> )          | 194.4 million |

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### *Phase II*

Phase II consists of ten 11-storey to 18-storey high-rise apartments with street-level retail shops, all of which are held for sale.



Details of Phase II of this project as of 31 December 2015 were as follows:

|  |                |
|--|----------------|
| Construction period                                |                |
| – Commencement                                     | April 2011     |
| – Completion                                       | September 2013 |
| Total saleable GFA completed ( <i>sq.m.</i> )      | 92,329         |
| Total saleable GFA completed sold ( <i>sq.m.</i> ) | 91,689         |
| % of total saleable GFA sold                       | 99.3%          |
| Attributable interests to our Group                | 100%           |
| Development costs incurred ( <i>RMB</i> )          | 285.5 million  |

Phase II of this project was completed and the relevant surveying report had been obtained in September 2013. We had then proceeded with the procedures to obtain the relevant completion certificate with the relevant governmental authorities. The relevant completion certificate is yet to be obtained as of the Latest Practicable Date due to the delay in governmental processes. As of the Latest Practicable Date, the building ownership certificates of Phase II have yet to be issued to and obtained by the individual buyers. Units of Phase II of this project sold have been, since their respective completion, delivered to the respective buyers in accordance with the relevant sale and purchase agreement. Our PRC Legal Adviser advised that (i) the delivery of units of Phase II were legal and valid according to relevant PRC laws and regulations which stipulates that properties can be legally and validly delivered to the respective buyers if the construction of such properties have been completed and passed the completion-based check by entities of design, construction and supervision; (ii) according to the relevant PRC laws and regulations, the issuance of the respective building ownership certificate to

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## BUSINESS

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individual buyers is not the pre-requisite for the legal and valid delivery of the properties to the individual buyers from us; and (iii) the beneficial interest of the properties were transferred to the individual buyers from us upon the legal and valid delivery of the properties to the individual buyers from us, even before the respective building ownership certificate are issued to individual buyers.

### *Phase III*

Phase III consists of seven 18-storey high-rise apartments with street-level retail shops, all of which are held for sale.



Details of Phase III of this project as of 31 December 2015 were as follows:

|  |               |
|--|---------------|
| Construction period                                |               |
| – Commencement                                     | August 2013   |
| – Completion                                       | December 2014 |
| Total saleable GFA completed ( <i>sq.m.</i> )      | 69,118        |
| Total saleable GFA completed sold ( <i>sq.m.</i> ) | 63,883        |
| % of total saleable GFA sold                       | 92.4%         |
| Attributable interests to our Group                | 100%          |
| Development costs incurred ( <i>RMB</i> )          | 300.7 million |

Phase III of this project was completed and the relevant surveying report had been obtained in December 2014. We had then proceeded with the procedures to obtain the relevant completion certificate with the relevant governmental authorities. The relevant completion certificate is yet to be obtained as of the Latest Practicable Date due to the delay in governmental processes. As of the Latest Practicable Date, the building ownership certificates of Phase III have yet to be issued to and obtained by the individual buyers. Units of Phase III of this project sold have been, since their respective completion, delivered to the respective buyers in accordance with the relevant sale and purchase agreement. Our PRC Legal Adviser advised that (i) the delivery of units of Phase III were legal and valid according to relevant PRC laws and regulations which stipulates that properties can be legally and validly delivered to the respective buyers if the construction of such properties have been completed and passed the completion-based check by entities of design, construction and supervision; (ii) according to



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the relevant PRC laws and regulations, the issuance of the respective building ownership certificate to individual buyers is not the pre-requisite for the legal and valid delivery of the properties to the individual buyers from us; and (iii) the beneficial interest of the properties were transferred to the individual buyers from us upon the legal and valid delivery of the properties to the individual buyers from us, even before the respective building ownership certificate are issued to individual buyers.

### Xinxiang City (新鄉市), Henan Province

#### *Weiye Central Park (偉業中央公園)*



Weiye Central Park is a residential and commercial properties project located at the east of Xiner Street (新二街東) and the west of Xinzhong Road (新中大道西) in Xinxiang City, Henan Province, the PRC.

This project was developed by Xinxiang Weiye. We entered into land grant contracts to obtain the relevant land use rights for the project for an aggregate consideration of RMB176.9 million. We have paid the land premium in full in accordance with the terms of the relevant land grant contracts.

This project occupies a site area of approximately 178,886 sq.m. and is divided into five phases:

#### *Phase I*

Phase I consists of eight 12-storey high-rise apartments with street-level retail shops, all of which are held for sale.

Details of Phase I of this project as of 31 December 2015 were as follows:

|  |               |
|--|---------------|
| Construction period                                |               |
| – Commencement                                     | May 2008      |
| – Completion                                       | December 2009 |
| Total saleable GFA completed ( <i>sq.m.</i> )      | 60,234        |
| Total saleable GFA completed sold ( <i>sq.m.</i> ) | 60,234        |
| % of total saleable GFA sold                       | 100%          |
| Attributable interests to our Group                | 100%          |
| Development costs incurred ( <i>RMB</i> )          | 158.5 million |

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### *Phase II*

Phase II consists of one 11-storey mid-rise apartment and seven 18 to 31-storey high-rise apartments with street-level retail shops, all of which are intended for sale.

Details of Phase II of this project as of 31 December 2015 were as follows:

|  |               |
|--|---------------|
| Construction period                                |               |
| – Commencement                                     | November 2009 |
| – Completion                                       | March 2014    |
| Total saleable GFA completed ( <i>sq.m.</i> )      | 158,326       |
| Total saleable GFA completed sold ( <i>sq.m.</i> ) | 131,938       |
| % of total saleable GFA sold                       | 83.3%         |
| Attributable interests to our Group                | 100%          |
| Development costs incurred ( <i>RMB</i> )          | 438.5 million |

### *Phase III*

Phase III consists of five 23-storey to 25-storey high-rise apartments with street-level retail shops, all of which are held for sale.

Details of Phase III of this project as of 31 December 2015 were as follows:

|  |                |
|--|----------------|
| Construction period                                |                |
| – Commencement                                     | August 2012    |
| – Completion                                       | September 2014 |
| Total saleable GFA completed ( <i>sq.m.</i> )      | 113,274        |
| Total saleable GFA completed sold ( <i>sq.m.</i> ) | 109,325        |
| % of total saleable GFA sold                       | 96.5%          |
| Attributable interests to our Group                | 100%           |
| Development costs incurred ( <i>RMB</i> )          | 323.4 million  |

### *Phase IV*

Phase IV consists of two 27-storey high-rise apartments with street-level retail shops, all of which are intended for sale.

Details of Phase IV of this project as of 31 December 2015 were as follows:

|  |                |
|--|----------------|
| Construction period                                    |                |
| – Commencement   | October 2013   |
| – Estimated date of completion                         | September 2016 |
| Total GFA under development ( <i>sq.m.</i> )           | 99,684         |
| Total GFA under development pre-sold ( <i>sq.m.</i> )  | 65,183         |
| % of total saleable GFA pre-sold                       | 65.4%          |
| Attributable interests to our Group                    | 100%           |
| Development costs incurred ( <i>RMB</i> )              | 295.4 million  |
| Future development costs to be incurred ( <i>RMB</i> ) | 72.1 million   |

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### *Phase V*

Phase V is expected to consist of six 25-storey to 27-storey high-rise apartments with street-level retail shops, all of which are intended for sale.

Details of Phase V of this project as of 31 December 2015 were as follows:

|   |                |
|---|----------------|
| Construction period                           |                |
| – Commencement                                | September 2015 |
| – Estimated date of completion                | December 2016  |
| Total GFA under development (sq.m.)           | 110,297        |
| Total planned GFA held for future development | 30,182         |
| Attributable interests to our Group           | 100%           |
| Development costs incurred (RMB)              | 54.9 million   |
| Future development costs to be incurred (RMB) | 195.5 million  |

### **Wanning City (萬寧市), Hainan Province**

#### ***Weiyé Costa Rhine (偉業萊茵半島)***



Weiyé Costa Rhine is an apartment hotel project located at Xinglong Donghe Farm Taiyang River Hotspring Resort District (興隆東和農場太陽河溫泉旅遊度假區) in Wanning City, Hainan Province, the PRC.

This project was developed by Wanning Yingde. In December 2009, the registered capital of Wanning Yingde was increased from RMB10 million to RMB20 million which was subscribed for by Hainan Luda Property Development Co., Ltd.\* (海南鹿達房地產開發有限公司), by way of transferring the relevant land use rights of the project it held to Wanning Yingde. Please refer to the section headed “History” in this listing document for more details.

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This project occupies a site area of approximately 49,454 sq.m. and consists of ten five-storey apartment hotel and retail shops. Save and except for certain tourist apartment units and commercial units are held for investment, all completed saleable GFA are held for sale. The overall design of Weiye Costa Rhine was made reference to the holiday resort style development in the Southeast Asian region.

Details of this project as of 31 December 2015 were as follows:

|   |               |
|---|---------------|
| Construction period   |               |
| – Commencement  | April 2011    |
| – Completion  | December 2011 |
| Total GFA completed ( <i>sq.m.</i> )                        | 32,054        |
| Total saleable GFA completed held for sale ( <i>sq.m.</i> ) | 27,057        |
| Total saleable GFA completed sold ( <i>sq.m.</i> )          | 17,457        |
| % of total saleable GFA sold                                | 64.5%         |
| Total GFA held for investment ( <i>sq.m.</i> )              | 4,997         |
| Attributable interests to our Group                         | 100%          |
| Development costs incurred ( <i>RMB</i> )                   | 186.4 million |

### Wenchang City (文昌市), Hainan Province

#### **Weiye Rhine Coast** (偉業萊茵海岸)

Weiye Rhine Coast is an apartment hotel project located at in Huiwen Town, Fengjia Bay (會文鎮馮家灣) Tourism District in Wenchang City, Hainan Province, the PRC.

This project was developed by Wenchang Maoyuan. In February 2010, Hainan Weiye acquired the entire equity interests in Wenchang Maoyuan, the project company holding the relevant land use rights for this project. Please refer to the section headed “History” in this listing document for more details.

This project occupies a site area of approximately 15,136 sq.m. and consists of one hotel and retail shops, which are intended to be held for investment.

Details of this project as of 31 December 2015 were as follows:

|  |              |
|--|--------------|
| Construction period                                    |              |
| – Commencement   | April 2011   |
| – Estimated date of completion                         | July 2016    |
| Total GFA under development ( <i>sq.m.</i> )           | 15,479       |
| Attributable interests to our Group                    | 100%         |
| Development costs incurred ( <i>RMB</i> )              | 49.8 million |
| Future development costs to be incurred ( <i>RMB</i> ) | 36.9 million |

### Tunchang County (屯昌縣), Hainan Province

#### **Weiye Oxygen Cube** (偉業氧立方)

Weiye Oxygen Cube is a large scale residential properties project located at the east of Huandong 2nd Road (環東二路) in Tunchang County, Hainan Province, the PRC.

Weiye Oxygen Cube is divided into two development districts namely Weiye Oxygen Cube A and Weiye Oxygen Cube B. Weiye Oxygen Cube A was developed by Tunchang Hongji and Weiye Oxygen Cube B is developed by Tunchang Yajing.

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### ***Weiye Oxygen Cube A***

We entered into a land grant contract for a consideration of approximately RMB61.0 million. We have paid the land premium in full in accordance with the terms of the relevant land grant contract.

Weiye Oxygen Cube A occupies a site area of approximately 54,811 sq.m. and is divided into three phases:

#### *Phase I*

Phase I of this project consists of six 11-storey mid-rise apartments with street-level retail shops, all of which are intended for sale.

Details of Phase I of this project as of 31 December 2015 were as follows:

|  |               |
|--|---------------|
| Construction period                                |               |
| – Commencement                                     | April 2011    |
| – Completion                                       | August 2012   |
| Total saleable GFA completed ( <i>sq.m.</i> )      | 52,189        |
| Total saleable GFA completed sold ( <i>sq.m.</i> ) | 10,589        |
| % of total saleable GFA sold                       | 20.3%         |
| Attributable interests to our Group                | 100%          |
| Development costs incurred ( <i>RMB</i> )          | 139.9 million |

#### *Phase II*

Phase II of this project consists of four 11-storey to 12-storey mid-rise apartments and high-rise apartments with street-level retail shops. Save and except for certain residential and commercial units in one high-rise apartments are held for investment, all completed saleable GFA are held for sale.

Details of Phase II of this project as of 31 December 2015 were as follows:

|  |               |
|--|---------------|
| Construction period                                |               |
| – Commencement                                     | April 2011    |
| – Completion                                       | May 2015      |
| Total GFA completed ( <i>sq.m.</i> )               | 43,497        |
| Total saleable GFA completed sold ( <i>sq.m.</i> ) | 16,406        |
| % of total saleable GFA sold                       | 37.7%         |
| Attributable interests to our Group                | 100%          |
| Development costs incurred ( <i>RMB</i> )          | 169.9 million |

#### *Phase III*

Phase III of this project is expected to consist of one 11-storey mid-rise apartments, all of which are intended for sale.

Details of Phase III of this project as of 31 December 2015 were as follows:

|  |              |
|--|--------------|
| Construction period                                    |              |
| – Commencement   | April 2011   |
| – Estimated date of completion                         | August 2016  |
| Total GFA under development ( <i>sq.m.</i> )           | 16,324       |
| Development costs incurred ( <i>RMB</i> )              | 24.7 million |
| Future development costs to be incurred ( <i>RMB</i> ) | 38.7 million |

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### ***Weiye Oxygen Cube B***

This project was developed by Tunchang Yajing. In November 2010, Tunchang Hongji acquired the entire equity interests in Tunchang Yajing, the project company that held the relevant land use rights for this project. Please refer to the section headed “History” in this listing document for more details.

Weiye Oxygen Cube B occupies a site area of approximately 12,977 sq.m. and consists of three 7 to 11-storey mid-rise apartments with street-level retail shops. Save and except for 30 residential units in one mid-rise apartments are held for investment, all completed saleable GFA are held for sale.

Details of this project as of 31 December 2015 were as follows:

|   |              |
|---|--------------|
| Construction period   |              |
| – Commencement  | May 2011     |
| – Completion  | August 2012  |
| Total GFA completed ( <i>sq.m.</i> )                        | 16,997       |
| Total saleable GFA completed held for sale ( <i>sq.m.</i> ) | 14,919       |
| Total saleable GFA completed sold ( <i>sq.m.</i> )          | 7,384        |
| % of total saleable GFA sold                                | 49.5%        |
| Total GFA held for investment ( <i>sq.m.</i> )              | 2,078        |
| Attributable interests to our Group                         | 100%         |
| Development costs incurred ( <i>RMB</i> )                   | 54.9 million |

### **Danzhou City (儋州市), Hainan Province**

#### ***Weiye West International Plaza (偉業西城國際廣場)***

Weiye West International Plaza is a residential and commercial properties project located at in the northern district of in Danzhou City, Hainan Province, the PRC.

This project was developed by Hainan Zhongfang. In November 2011, Hainan Weiye acquired the entire equity interests in Hainan Zhongfang, the project company that held the relevant land use rights for this project. Please refer to the section headed “History” in this listing document for more details.

This project occupies a site area of approximately 20,003 sq.m. and consists of five 18 to 22-storey high-rise apartments and a small commercial centre, all of which are held for sale.

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Details of this project as of 31 December 2015 were as follows:

|  |               |
|--|---------------|
| Construction period                                |               |
| – Commencement                                     | October 2010  |
| – Completion                                       | December 2011 |
| Total saleable GFA completed ( <i>sq.m.</i> )      | 58,486        |
| Total saleable GFA completed sold ( <i>sq.m.</i> ) | 52,579        |
| % of total saleable GFA sold                       | 89.9%         |
| Attributable interests to our Group                | 100%          |
| Development costs incurred ( <i>RMB</i> )          | 151.4 million |

### FUTURE/ESTIMATED DEVELOPMENT COSTS TO BE INCURRED FOR PROPERTIES UNDER DEVELOPMENT AND PROPERTIES HELD FOR FUTURE DEVELOPMENT

As of 31 December 2015, based on our current project plans, our future development costs (excluding capitalised borrowing costs) to be incurred for our current projects were as follows:

| Project                                     | Location        | Breakdown of future development costs to be incurred |                         | Total future development costs to be incurred |
|---|-----------------|--|-------------------------|---|
|   |                 | Land acquisition costs                               | Other development costs |   |
|   |                 | (RMB million)  | (RMB million)           | (RMB million)                                 |
| Weiye Paris Impression<br>(偉業巴黎印象)          | Zhengzhou City  | –  | 322.4                   | 322.4   |
| Hanwei Project<br>(漢偉項目)                    | Zhengzhou City  | –  | 342.3                   | 342.3   |
| Weiye Central Park<br>(偉業中央公園), Phase IV    | Xinxiang City   | –  | 72.1                    | 72.1  |
| Weiye Central Park<br>(偉業中央公園), Phase V     | Xinxiang City   | –  | 195.5                   | 195.5   |
| Weiye Rhine Coast<br>(偉業萊茵海岸)               | Wenchang City   | –  | 36.9                    | 36.9  |
| Weiye Oxygen Cube A<br>(偉業氧立方 A), Phase III | Tunchang County | –  | 38.7                    | 38.7  |
| <b>Total</b>                                |                 | –  | <u>1,007.9</u>          | <u>1,007.9</u>                                |

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### Payment schedule for other future/estimated development costs to be incurred

As of 31 December 2015, based on our current project plans, the payment schedule for other future/estimated development costs to be incurred for our current projects were as follows:

| Project                                     | Location           | For the year ending<br>31 December 2016                              |  | After<br>31 December 2016  |  |
|---|--------------------|--|--|--|--|
|   |                    | Other future/<br>estimated<br>development<br>costs to be<br>incurred | Expected source<br>of funding  | Other future/<br>estimated<br>development<br>costs to be<br>incurred | Expected source<br>of funding  |
|   |                    | (RMB million)  |  | (RMB million)  |  |
| Weiye Paris Impression<br>(偉業巴黎印象)          | Zhengzhou<br>City  | 249.7  | Proceeds from<br>pre-sales or<br>sales of<br>properties of the<br>same project | 72.7   | Proceeds from<br>pre-sales or<br>sales of<br>properties of the<br>same project<br>and cash at<br>banks |
| Hanwei Project (漢偉項目)                       | Zhengzhou<br>City  | 15.8   | Proceeds from<br>pre-sales or<br>sales of<br>properties of the<br>same project | 326.5  | Proceeds from<br>pre-sales or<br>sales of<br>properties of the<br>same project                         |
| Weiye Central Park<br>(偉業中央公園), Phase IV    | Xinxiang City      | 72.1   | Bank borrowings  | –  | –  |
| Weiye Central Park<br>(偉業中央公園), Phase V     | Xinxiang City      | 190.3  | Proceeds from<br>pre-sales or<br>sales of<br>properties of the<br>same project | 5.2  | Proceeds from<br>pre-sales or<br>sales of<br>properties of the<br>same project                         |
| Weiye Rhine Coast<br>(偉業萊茵海岸)               | Wenchang<br>City   | 36.9   | Proceeds from<br>pre-sales or<br>sales of<br>properties of<br>other projects   | –  | –  |
| Weiye Oxygen Cube A<br>(偉業氧立方 A), Phase III | Tunchang<br>County | 38.7   | Proceeds from<br>pre-sales or<br>sales of<br>properties of the<br>same project | –  | –  |
| <b>Total</b>                                |                    | <u>603.5</u>   |  | <u>404.4</u>   |  |



### RESETTLEMENT HOUSING OPERATION

As part of the central government's plan to redevelop underdeveloped urban areas, local governments undertake redevelopment schemes whereby local governments provide a statutory framework for participation by property developers using the Built-Transfer model.

#### Resettlement housing operation under the “Merging Villages into Community (合村併城)” scheme

Henan Xingwei entered into a cooperation agreement (the “**Cooperation Agreement**”) with the management committee of Zhengzhou City Jinshuiyangjin Industry Park District (鄭州市金水楊金產業園區管委會) (the “**Management Committee**”) in June 2013 for the development of certain land parcels of Xinzhuang Village (新莊村), Jinshuiyangjin Industry Park District in Zhengzhou City, Henan Province, as part of the “Merging Villages into Community (合村併城)” scheme of Zhengzhou City in accordance with relevant PRC laws and regulations. The entire land parcel covers a total site area of approximately 532,476 sq.m. and is divided into two areas namely, the district for the development of resettlement housing (the “**Resettlement District**”) with site area of approximately 172,056 sq.m. and the district for the development of residential properties with total site area of approximately 360,420 sq.m. (the “**Development District**”).

Pursuant to the Cooperation Agreement, the Management Committee is responsible for the demolition of the existing buildings and resettlement of the existing residents of the entire land parcel while Henan Xingwei shall provide the funding for such demolition and resettlement (the “**Site Clearing Costs**”) and undertake the subsequent construction of resettlement housing and ancillary public facilities, such as kindergarten and community centre in the Resettlement District in accordance with the schedule, specification and costs requirements as set forth in the Cooperation Agreement. It was agreed that such construction costs for the resettlement housing and ancillary public facilities (the “**Construction Costs**”) and the Site Clearing Costs shall be refunded to Henan Xingwei by the Management Committee upon the full settlement of the land grant premium payable by the successful bidder at the subsequent public bidding process for the Development District. We intend to participate in the public bidding process for the Development District once they are available in stages. In case where Henan Xingwei is not successful in securing the land grant contracts or obtaining the relevant land use rights in respect of the Development District, the Management Committee shall refund to Henan Xingwei the entire Site Clearing Costs and Construction Costs paid by Henan Xingwei and shall pay an additional 12% of the aggregate Site Clearing Costs and Construction Costs as compensation.

As of 31 December 2015, we have incurred approximately RMB916.0 million in the development of the Resettlement District. For the years ended 31 December 2013, 2014 and 2015, our revenue from housing construction amounted to approximately RMB660.1 million, RMB325.1 million and RMB113.3 million, respectively, which is recognised (i) to the extent of contract costs incurred where it is probable that those costs will be recoverable or (ii) based on the percentage of completion method depending on whether the outcome of the contract can be measured reliably.

As of the Latest Practicable Date, we had completed the construction of part of the Resettlement District, being phase I of the Resettlement District, occupying a site area of approximately 87,258 sq.m., and was in the process of arranging for delivery of the properties to the Management Committee. Henan Xingwei commenced the construction of resettlement housing prior to obtaining construction land planning permits, construction work planning permits and construction work commencement permits from the relevant government authorities on the belief that such should be undertaken by the Management Committee. Please refer to the paragraph headed “Legal proceedings, compliance and internal control – Past Non-compliance Incidents” in this section for further details.

### **Potential Development Project of the Development District**

Parcels of land of the Development District would be available for public tender, auction and listing-for-sale in various stages. In December 2015, Henan Xingwei entered into a land grant contract for a parcel of land of site area of approximately 55,351 sq.m., which forms part of the Development District, with a land grant premium of RMB361.5 million. As of the Latest Practicable Date, we had paid such land grant premium in full and obtained the land use right certificate in relation thereto. As of the Latest Practicable Date, such parcel of land was still in planning stage. Based on our Directors' best estimate and understanding of the existing and prevailing market condition and industry practice, we estimated that another parcel of land of site area of approximately 23,000 sq.m. will be available for public tender, auction and listing-for-sale in the second quarter of 2016 with estimated land costs of approximately RMB152.3 million. There is no guarantee that we would obtain the land use right of such other parcel of land through public tender, auction and listing-for-sale.

Based on the best estimates of our Directors and the existing and prevailing market condition and industry practice, the estimated total development budget to be contributed in the Development District will be approximately RMB124.1 million. We intend to finance such development budget substantially by bank borrowings. The Development District is intended to be developed into a residential property project.

On 29 January 2016, Henan Xingwei entered into an arrangement with various Independent Third Parties, including a management committee (管委會) in Zhengzhou City Jinshui District (鄭州市金水區), pursuant to which Henan Xingwei obtained a loan in the principal amount of RMB700 million at an annual interest rate of 9.5% for a term of two years. Henan Xingwei had subsequently drawdown the entire principal in February 2016. As specified under such arrangement, the source of repayment shall be the Site Clearing Costs and the Construction Costs to be refunded to Henan Xingwei upon the full settlement of the land grant premium of the relevant development areas.

As at the Latest Practicable Date, we had entered into a land grant contract in relation to parts of the Development District and obtained the land use right certificate in relation thereto. However, we could not ensure whether and when we will obtain the land use right certificates in relation to other parts of the Development District through public tender, auction or listing-for-sale procedures under the relevant PRC laws and regulations. Please refer to the section headed "Risk Factors – Risks relating to our business – We may not be able to obtain land use rights of parcels of land with respect to which cooperation agreement entered into with local government in relation to resettlement housing constructions, and as a result, there may be a material adverse effect on our business, results of operation and financial condition" in this listing document for further details.

As advised by our PRC Legal Adviser, the provisions of the Cooperation Agreement are valid and legally binding on the parties and the performance of it does not violate any applicable PRC laws and regulations.

### **Reasons for Participation in the Resettlement Housing Operation**

We participate in such resettlement housing operation with the intention to participate in the future property development of the Development District. We believe our involvement in such scheme enables us to gain more insight into the land parcels and their respective areas at preliminary stages; and have access land parcels situated in urban areas with significant appreciation potential in a cost-efficient manner.

We plan to fund the above mentioned potential development projects with our operating cash flow and, if necessary, bank loans and proceeds from trust financing arrangements.

To the best knowledge of the Directors, save as disclosed above, no promoter, Directors, or the relevant local governments had any direct or indirect interest in any transaction relating to the above mentioned target parcels of land completed within the two preceding years.

**POTENTIAL DEVELOPMENT PROJECTS****Yuansheng Project (源盛項目)**

On 14 September 2015, Henan Weiye entered into a collaboration agreement (“**Collaboration Agreement**”) with Shenzhen Huibang Investment Management Co., Ltd\* (深圳薈邦投資管理有限公司) (“**Shenzhen Huibang**”) in connection with the development (the “**Yuansheng Project**”) of the land-use rights of certain parcels of land located in Yuansheng Area (源盛片區), Longdong Community (龍東社區), Longgang District (龍崗區), Shenzhen City, the PRC to be granted to Shenzhen City Longda Weiye Development Investment Co., Ltd\* (深圳市龍達偉業建設投資有限公司) (“**Shenzhen Longda**”). Shenzhen Longda was established for the sole purpose of development of the Yuansheng Project and as of the Latest Practicable Date, Shenzhen Longda is wholly owned by Shenzhen Huibang. Shenzhen Huibang has participated in the preliminary city re-development work in the Yuansheng Project and has been granted development rights in the future development of the Yuansheng Project.

The entire development site (the “**Yuansheng Land**”) in Yuansheng Area (源盛片區), Longdong Community (龍東社區), Longgang District (龍崗區), Shenzhen City, to be offered to the market for public tender, auction and listing for sale by the government in stages and expects to be developed by multiple property developers, occupies an extensive site area of approximately 250,000 sq.m. with planned GFA of approximately 1.0 million sq.m.. Based on the best estimates of our Directors and the existing and prevailing market condition and industry practice, the estimated total development costs of the entire Yuansheng Land is approximately RMB9,605.4 million (approximately RMB2,740 million will be land costs and approximately RMB6,865 million will be construction costs). We plan to participate in certain stages of development of the Yuansheng Land and the Yuansheng Project represents first stage of development which we plan to participate. Based on our estimation, Yuansheng Project, being the first stage of Yuansheng Land, is expected to occupy a site area of approximately 66,666.7 sq.m. and expects to have a planned GFA of approximately 260,000 sq.m.. We estimated that the land use rights of the Yuansheng Project would be offered for public tender by the government in the second half of 2016. Based on our understanding of the existing and prevailing market condition and industry practice, the estimated development budget for the Yuansheng Project will be approximately RMB2,600 million, among which approximately RMB1,700 million will be land costs and approximately RMB900 million will be construction costs.

The Yuansheng Project is to be jointly developed by Shenzhen Huibang and us according to the terms of the Collaboration Agreement, with Henan Weiye responsible for the funding and project development while Shenzhen Huibang is responsible for the site clearing and re-settlement work and liaison with the local authorities. Pursuant to the Collaboration Agreement, Henan Weiye shall inject cash of RMB300.0 million (the “**Consideration**”) in total into Shenzhen Longda for 30% equity interest in Shenzhen Longda (the “**Acquisition**”). The Consideration was arrived at arm’s length negotiations on a “willing-buyer, willing-seller” basis, and taking into account the estimated market value of the land-use rights to be obtained by Shenzhen Longda. The Acquisition will be completed in two tranches. The first tranche shall take place upon the approval of the Yuansheng Project by the local authority of Longgang District of Shenzhen City, where Henan Weiye shall inject cash of RMB150.0 million (after the deduction of the deposit paid in the amount of RMB35 million) into Shenzhen Longda for 15% equity interest in Shenzhen Longda. The second tranche shall take place upon the approval of Shenzhen Longda as a property development entity by the local authority of Shenzhen city, where Henan Weiye shall inject cash of RMB150.0 million into Shenzhen Longda for a further 15% equity interest in Shenzhen Longda. We will settle both tranches of capital injection with cash which will be substantially financed by bank borrowings. Upon completion of the Acquisition, Henan Weiye and Shenzhen Huibang shall own 30% and 70% respectively in the equity interest of Shenzhen Longda. Based on the best estimates of our Directors, we expect that the first tranche of the Acquisition will take place in or around the fourth quarter of 2016 and the second tranche of the Acquisition will take place in or around the second quarter of 2017. Pursuant to the Collaboration Agreement, we paid RMB35 million to Shenzhen Huibang as deposit,

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which shall be refunded to us with interests calculated with reference to the bank's prevailing lending rate if the Collaboration Agreement is terminated due to government reasons.

According to Collaboration Agreement, we are entitled to further inject capital in Shenzhen Longda during the development of the Yuansheng Project in order to obtain more than 51% equity interest in Shenzhen Longda, however, currently we do not intend to inject further capital to Shenzhen Longda exceeding 30% of its equity interest. For the avoidance of doubt, besides the Consideration, we are not committed to contribute further funding into Shenzhen Longda nor do we expect Yuansheng Project would require further financing before its completion. In addition, profits derived from the Yuansheng Project will be distributed between Henan Weiye and Shenzhen Huibang according to their respective equity interests in Shenzhen Longda at the time.

### Potential Development Project of the Development District of the Resettlement Housing Operation

For details of our potential development project of the development district of our resettlement housing operation under the "Merging Villages into Community (合村併城)" scheme in Zhengzhou City, please refer to the paragraph headed "Resettlement Housing Operation – Potential Development Project of the Development District" in this section.

### CIVIL AIR DEFENSE PROJECTS

As of 31 December 2015, our property development projects included idle underground area and car parking space planned for civil air defense purposes with an aggregate GFA of 8,030.2 sq.m. (representing approximately 0.7% of our completed GFA) and a carrying amount of approximately RMB0.5 million.

The table below sets out the details and distribution of our civil air defense projects:

| Location of our civil air defense projects | GFA of civil air defense projects<br>(sq.m.) | Usage              | Category of properties accounted for in the Accountants' Report |
|--|--|--------------------|---|
| Weiye Tiandao Tianheshuian (偉業天道天河水岸)      | 7,785.2                                      | idle               | Completed properties held for sale                              |
| Weiye Xiangdi Bay (偉業香堤灣)                  | 245.0  | car parking spaces | Completed properties held for sale                              |

As advised by our PRC Legal Adviser, our business operations, including the construction, management and the use of the civil air defense area had complied with the Civil Air Defense Law (《中華人民共和國人民防空法》).

During the Track Record Period, we had entered into contracts to transfer the right to use civil air defense area in one of our property projects, namely Weiye Xiangdi Bay, for use as car parks (the "Designated Car Parks"). As of the Latest Practicable Date, we had not received any prohibition or rectification order or been subject to any penalty in respect of our transfer of the right to use the Designated Car Parks to our customers, and we had not been involved in any disputes with our customers regarding the transfer of the right to use such car parks.

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Our PRC Legal Adviser advised that our business operations with regard to our car parking spaces forming part of our civil air defense areas as described above are allowed under applicable PRC laws and regulations. As advised by our PRC Legal Adviser, according to the Civil Air Defense Law (《中華人民共和國人民防空法》) and the Administrative Measures for Developing and Using the Civil Air Defense Property at Ordinary Times (人民防空工程平時開發利用管理辦法), the users of civil air defense projects shall obtain permission from relevant governmental authorities for the use of such area. We received confirmations in writing from the relevant PRC governmental regulatory authorities that we are permitted to use, manage and derive profit from the civil air defense area in Weiye Xiangdi Bay.

In addition, the use of civil air defense projects is subject to management and maintenance conditions under the relevant PRC laws and regulations. Under the relevant PRC laws and regulations, while an investor in civil air defense projects can use (including lease) and manage civil air defense property in such times of peace and make profit therefrom, such use shall not impair their functions as civil air defense projects. The design, construction and quality of the civil air defense projects must also conform to the protection and quality standards established by the PRC government. If our customers fail to maintain the Designated Car Parks in accordance with the applicable laws and regulations, since there is uncertainty regarding the transfer of the right to use the Designated Car Parks, should it be adjudicated that ownership of the Designated Car Parks remains with us notwithstanding such contracts of transfer, we may be required to take rectification action within a stipulated time period, subject to a fine ranging from RMB10,000 to RMB50,000 and liable to pay damages arising therefrom.

In the event that the PRC government declares a state of war, the PRC government may take over civil air defense projects as civil air defense shelters. If our customers fail to deliver the Designated Car Parks when required by the PRC government in such times of war, since there is uncertainty regarding the transfer of the right to use the Designated Car Parks, should it be adjudicated that the right to use of the Designated Car Parks remains with us notwithstanding such contracts of transfer, we may be subject to sanctions imposed by the PRC government. As advised by our PRC Legal Adviser, such state of war sanctions are not certain under PRC laws and regulations. However, pursuant to the Civil Air Defense Law (《中華人民共和國人民防空法》), we may be required to take rectification action within a stipulated time period, subject to a fine ranging from RMB10,000 to RMB50,000 and liable to pay damages arising therefrom. In addition, as advised by PRC Legal Adviser, in the event that the PRC government declares a state of war and takes over the civil air defense project which we have transferred such right to use to our customers, the relevant customers may request us to refund the consideration of such transfer, and we may be returned with the relevant civil air defense projects by the PRC government after the war. During Track Record Period, we had transferred civil air defense area as car parking spaces for a consideration of approximately RMB46.7 million, all of which are from Weiye Xiangdi Bay and such relevant transferees agreed in the contracts for such transfers to cooperate with the government and not to claim us for any liabilities during the state of war where the government takes over the car parks.

We will monitor our business practice and will ensure the relevant approval is obtained from the civil air defense supervising authority for the construction, management and the use of the civil air defense area. We would also enhance our internal understanding of the relevant regulations through staff sharing sessions and trainings and seek legal or professional advice where necessary, to ensure our compliance with the relevant PRC laws and regulations.

Please refer to the section headed "Risk Factors – Risks relating to our business – The validity regarding the transfer of the right to use civil air defense projects is uncertain and in the event that the PRC government declares a state of war, we may be required to refund the consideration of such transfer to our customers and subject to adverse legal consequences" in this listing document for further details.

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### PROPERTY DEVELOPMENT MANAGEMENT

We have adopted a three-tier management system comprising (i) our Board and senior management at the headquarters which is responsible for overall strategic planning and management of the Group; (ii) the senior management and different departments at the regional headquarters for each of Henan and Hainan Provinces, being Henan Weiye and Hainan Weiye, which is responsible to oversee our property development projects in each of Henan and Hainan Provinces, respectively; and (iii) our project companies which is responsible for the day-to-day operations of their respective development projects level.

Our property projects located in Henan Province are managed by our Board and senior management of Henan Weiye while our property projects located in Hainan Province are managed by our Board and senior management of Hainan Weiye. We have established detailed procedures and policies setting out clear reporting lines and responsibilities with a view to facilitating efficient communications, prompt decision-making and responsiveness to changing market conditions. We have established various departments at each of our Henan Weiye and Hainan Weiye to oversee and coordinate different aspects of our operations. Each of Henan Weiye and Hainan Weiye, as the case maybe, and our project companies work closely together in developing a property development project. While our Directors and senior management of Henan Weiye and Hainan Weiye closely monitor and oversee all property development projects, we delegate responsibilities to our local teams at the project companies so that our business strategies are adapted to the distinctive local subcultures.

Each of Henan Weiye and Hainan Weiye have the following departments to manage project companies in each of Henan Province and Hainan Province, respectively.

| <b>Departments</b>                           | <b>Responsibilities</b>   |
|--|---|
| Human resource and administrative department | Human resource, coordination among different departments and between headquarters and regional companies, general administration management |
| Financial management department              | Account, tax compliance, financing and funding management   |
| Costs control department                     | Project design and costs control and monitoring   |
| Project reserves department                  | Market research and data analysis, assist in decision making process of land acquisition  |
| Project management department                | Project construction and management, selection of contracts, quality control and monitoring   |
| Sales and marketing department               | Project sales, marketing and promotion management   |

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In terms of division of responsibilities, our Board, senior management and senior management of each of Henan Weiye and Hainan Weiye are responsible for:

- formulating strategies and budgeting;
- city and site selection;
- making decisions on land acquisitions and financing;
- design and product research and development;
- marketing planning;
- cost assessment and procurement;
- construction and quality control;
- legal compliance of our operations and corporate governance;
- formulating human resources policies;
- formulating accounting policies;
- internal control and internal audit; and
- maintaining investor, public and government relations.

Our project companies attend to the day-to-day operations of their respective property development projects. Our project companies are responsible for:

- implementing land acquisition decisions;
- obtaining government permits required for project development;
- engineering, construction and project management;
- sales and marketing; and
- providing after-sales services to customers and managing customer relations.

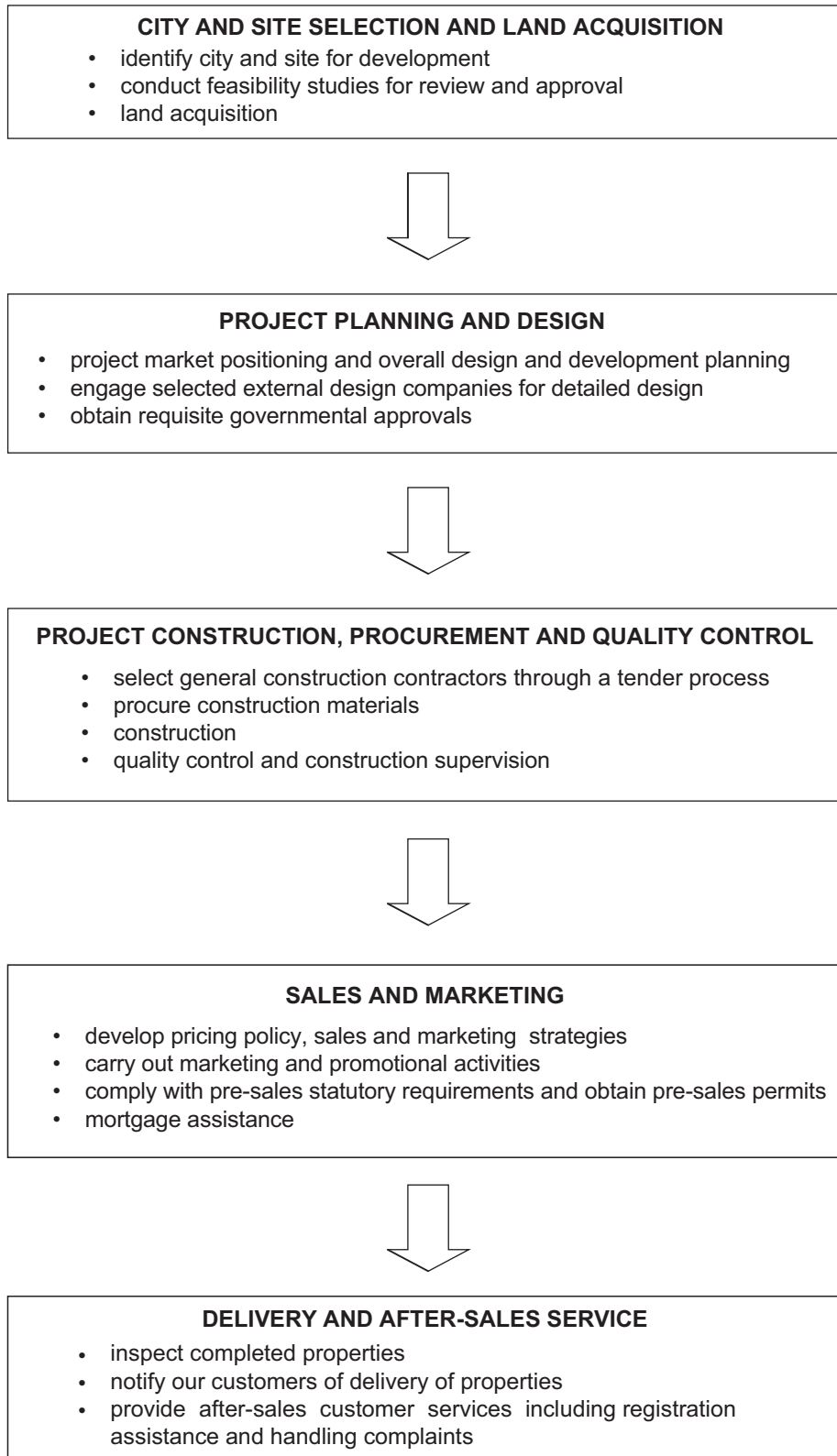
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### PROPERTY DEVELOPMENT PROCESS

The following diagram summarises the key stages and elements of our property development process:





### **City and site selection and land acquisition**

#### ***City and site selection***

Our Group's property development process begins with the formulation of the overall development strategies and investment plan. Our Group's senior management team will take into account the following key macro matters in formulating our overall development strategies and investment plan which involve the selection of appropriate cities or areas for development:

- the macroeconomic policies and development plans of the PRC government and the potential impact on the economic growth and development of the city or area concerned and in particular, the potential impact on the real estate market in that city or area;
- the economic growth and prospects and the demand and supply conditions in the real estate market of the city or area concerned; and
- the level of our proposed investment commitment within a three to five year time frame.

To formulate our overall development and investment strategy, we strive to keep abreast of the latest trend and changes in the property market by conducting research on the property market. We conduct research and analysis on the general property market trend, as well as collect data and information in respect of the regions where our target development sites are located, for development purposes. We generally evaluate the development potential of a target market by estimating the expected market demand and sales trend of the target local markets.

Once the overall development and investment strategy is formulated, our management would then proceed with identifying the appropriate site for property development.

Our chairman, Mr. Zhang Wei, our executive Directors, our chief executive officer and representatives from each of the project reserves department and project management department of each of Henan Weiye and Hainan Weiye, would hold meetings to identify and evaluate cities and sites in the PRC for potential development. As part of our site selection process, we conduct in-depth feasibility studies, which include product positioning analysis, project planning and design proposal, financial projection and return analysis, of the sites in which we plan to develop.

We assess the potentials of the local markets and target development sites by taking into account a number of factors, including:

- macroeconomic conditions of the relevant site and its neighbouring area;
- government development plans and policies for the relevant site and its neighboring area;
- growth potential of the property market where the site is located;
- geographical location, size and natural environment;
- transportation access and the availability of supporting infrastructure and proximity to public facilities;
- local competition environment;
- demographics, purchasing power and target customer demand in areas where the site is located; and
- estimated capital investment and development costs, cash flow requirements and expected financial return of the potential development.

#### ***Land acquisition***

During the Track Record Period, we obtained our land use rights through the following means:

- participation in government-organised public tender, auction or listing-for-sale process in accordance with relevant PRC laws and regulations; and

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- acquisition of land in the secondary market by acquiring equity interests in companies that hold land use rights.

As we believe acquiring suitable land at a competitive price is crucial to our overall business prospects and development strategy, we employ different land acquisition strategies that best meet this goal.

### **Project Planning and Design**

This is an important component of our property development process and this process generally takes about six months. Our costs control department at each of our Henan and Hainan regional headquarters will work with the relevant project company to conduct research to decide the target market segment, product positioning and customers preference so as to determine the overall design and development phases of the project.

Our costs control department at each of our Henan and Hainan regional headquarters, which comprises professionals, including landscape specialists, planning experts, interior designers and engineers, is responsible to prepare detailed design schedules, verify the budgets for design costs, align the market positioning for the projects to our project designs and coordinating the discussions and meetings to approve the project planning and design processes.

Our tender committee will call for tenders from external design companies to perform detailed project designs. During our selection of design companies, we normally consider a number of factors including reputation for reliability and quality, proposed design proposals, prices quoted, track record and their past cooperation with us. Our costs control department at each of our Henan and Hainan regional headquarters will work closely with such external design companies and supervise their work so as to ensure that their project design is in accordance with their conceptual requirements and reflect the pre-determined market positioning. During the Track Record Period, we had engaged 19 external design companies, all of which are Independent Third Parties, and had maintained business relationships ranging from one to six years with us. These design firms are generally entitled to a fixed fee for their services, which are payable in progressive installments upon completion of each stage of the planning and design process.

### ***Pre-construction approvals***

To comply with relevant PRC laws and regulations, prior to the commencement of construction work, we must first obtain development rights for the relevant land parcel and the necessary permits and certificates, which include construction land planning permit, construction work planning permit and construction work commencement permit (which will only be issued after the land use rights certificate, the construction land planning permit and the construction work planning permit having been obtained). During the Track Record Period, save as disclosed in this listing document, we did not experience any significant delays in obtaining the aforesaid certificates and permits. Our PRC Legal Adviser advised us that as of the Latest Practicable Date, save as disclosed in this listing document, we had obtained all material certificates and permits as required by PRC laws and regulations for all of our projects and project phases. Please refer to the section headed "Regulatory Overview" in this listing document for further details of these permits.

### **Project Construction, Procurement and Quality Control**

The construction process refers to the period of time between obtaining construction work commencement permit and obtaining completion certificate with respect to each property development in our multi-phase development projects, ranging generally from 25 to 52 months during the Track Record Period, depending on the type of property, number of phases and particular circumstances relating to the property development project.

### ***Selection of general construction contractors***

We outsource all of our project construction work to qualified third-party construction contractors. These construction contractors carry out various types of work, from laying the foundation, general construction to equipment installation. We select general construction contractors for our property development projects through tender process in accordance with relevant PRC laws and regulations.

Our tender committee of the project management department at our headquarters is responsible for managing the tender process and evaluating and selecting our contractors. Our tender committee comprises of the vice chairman of each of the project management department and costs control department at the headquarters, the person in charge of the costs control department, the sourcing manager of the project management department at the headquarters and the chairman and the vice chairman of the unit which initiate the tendering. Typically, we invite at least two construction contractors to participate in the tender process. In selecting our general construction contractors, we conduct detailed evaluations of the contractors and their tender documents. We consider various factors, including the contractors' reputation, proposed construction schedule, qualifications of the contractors, track records in similar projects and quoted price.

We enter into a general construction contract with the successful bidder of each tender, pursuant to which the general contractor provides warranties in respect of, amongst others, the quality and construction completion schedules and will be liable for any delay in the construction schedule and bear the costs of rectifying any construction defects. We pay our general contractors in stages in accordance with the payment schedules set forth in our general construction contracts. The percentage of each stage payment varies from case to case. We usually settle approximately 95% to 97% of the total payment upon completion of construction of the project, while withholding the remaining approximately 3% to 5% as retention money for a period of two to five years, for any losses we may incur as a result of breach of warranties on quality. Subject to any deduction for breach of warranties, the unused portion of the retention money will normally be paid to the contractors after the retention period expires. In addition, under circumstances where the construction schedules are delayed for more than the agreed buffer as stipulated in the general construction contracts, we are entitled to be paid a pre-determined amount as damages and, in some cases, we will have the right to terminate the contracts. Our Directors believe that the amount of retention money we withhold under our construction contracts is in line with the industry practice in the PRC and is sufficient to cover our liabilities for breach of warranties we provide to our customers under the sales contracts or pre-sales contracts.

During the Track Record Period, we did not experience any incident where the retention money was insufficient to cover the amount we had to pay to rectify construction work defects. Our Directors confirm that during the Track Record Period and as of the Latest Practicable Date, we were not subject to any material penalty, claims, or direct loss resulting from unsatisfactory work performed by our contractors or from construction delays.

We generally take out insurance against our employees' and third parties' personal injuries and property damage that may occur during the construction of our properties. The construction contractors are responsible for quality and safety control during the course of construction and are also required to maintain insurance against personal injuries and accidents for their construction workers and property damage. We are not responsible for any construction workers' issues that our contractors may experience. During the Track Record Period, no material personal injury or death occurred during the construction of our property projects, and we did not experience any material disputes with our construction contractors that would have a material adverse effect on our operations or financial position. The general construction contractors shall not sub-contract any part of their works under the general construction contract without our consent and such general construction contractors are still responsible for ensuring that the sub-contractors abide by the terms of the general construction contract. Pursuant to the general construction contract, the general construction contractors are jointly liable with the sub-contractors they engaged if there are any breach of the terms of the general construction contract by the sub-contractor.

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During the Track Record Period, we had engaged 13 general construction contractors, all of which are Independent Third Parties, and had maintained business relationships ranging from one to two years with them. During the Track Record Period and as of the Latest Practicable Date, our Group did not have any long term contracts with any construction contractors.

### *Procurement*

Our contractors are responsible for procuring substantially all construction materials such as iron, steel, cement and sand for our property development projects. We generally require the contractors to procure the construction materials according to the specifications and quality required by us. We conduct inspection on the raw materials procured by the construction contractors before they are used in our projects to ensure they meet our specifications and quality requirements. If the contractors are required by relevant PRC laws and regulations to procure a specific type of construction materials through tender, we generally require such contractors to include our selected brands or manufacturers in the tender documents and we would also observe the tender process to ensure the selected construction materials supplier is of quality acceptable to us. Generally, for construction materials procured by our contractors, the risk of price fluctuations is absorbed by them, save and except adjustment would be made to certain construction materials against the standard price published by local authorities.

We procure certain specialised construction materials and equipment directly from third-party suppliers. In order to procure such construction materials at a competitive price, our Group procures certain construction materials such as the component parts of elevators, windows, doors and insulation materials, in bulk. During the Track Record Period, our Group through Jinwei (Henan) procured certain construction materials in bulk for use in property development projects undertaken by other project companies. Our Group's tender committee at the headquarters is responsible for procuring these supplies through tender process. Our tender committee also negotiates and agrees upon the pricing, the clauses on payment and delivery of construction materials and other clauses in the procurement contract.

Selected raw materials supplier will enter into supply contracts with us which generally do not provide for price adjustments. Payment methods vary in the procurement of different construction materials, and payment is typically settled in stages after the completion of a certain stage of installation works. We inspect all equipment and materials delivered to us to ensure compliance with the contractual specifications before accepting the materials and approving payment.

We generally withhold 3% to 5% retention monies for warranties purpose in certain cases and pay to the suppliers the unused portion after expiry of the retention period which varies on a case by case basis. We may terminate a contract if the supplier fails to supply the relevant materials in accordance with the specification set out in the contract or relevant regulatory requirements.

During the Track Record Period, all of our raw material suppliers were Independent Third Parties.

Since most of our raw materials are sourced by our contractors, any change in the cost of such materials will not materially affect our total cost of properties sold.

During the Track Record Period, we did not enter into any long-term agreements with our construction material suppliers and we were not subject to any minimum purchase commitment with any of our construction material suppliers. During the Track Record Period, our construction materials were primarily purchased from suppliers in the PRC. We do not generally maintain construction material inventory and order these materials only on an as needed basis. During the Track Record Period, we did not experience any material shortage or delay in the supply of construction materials that would have a material adverse effect on our business operation or financial position.

We only commence the construction work for projects after obtaining the construction work commencement permit. The construction process is usually the component which takes up most of the time in a property development project and may take seven to 49 months depending on the nature of the properties.

### ***Quality Control and Construction Supervision***

We place great emphasis on quality control and adopt quality control procedures to ensure that our properties and services are in compliance with relevant PRC laws and regulations relating to quality and safety as well as meeting market standards. The construction team from the Group's project company is responsible for the management and supervision of daily operations, progress and quality control of the construction process in the property development. As required by relevant PRC laws and regulations, property developments are also inspected by third-party construction supervision companies and the PRC government's Construction Department. We require our contractors to comply with the relevant PRC laws and regulations relating to construction quality as well as our internal quality control standards and specifications, and to report any non-compliance to us.

The project engineers of our regional project companies conduct on-site supervision and conduct progressive inspections at each construction phase with respect to construction quality, safety control and their compliance with relevant PRC regulations and standards relating to construction materials and workmanship and to ensure that the development projects will be completed in accordance with the project schedule. In addition, our regional project companies inspect each unit of our completed property development to ensure it is in satisfactory condition before delivery to our customers.

In compliance with PRC laws and regulations, we also engage third-party construction supervision companies to monitor certain aspects of our project construction as specified by the relevant laws and regulations. During the Track Record Period, we engaged eight construction supervision companies to monitor our projects under development and all these construction supervision companies are Independent Third Parties. According to our construction supervision contracts, these construction supervision companies are responsible for supervising the construction quality of our projects, and are required to report the progress and the quality conditions of the projects regularly. If there is any quality related problem with construction materials or workmanship, these supervision companies have the right to request for suspension of the construction work and rectification. Payments to construction supervision companies are made in stages upon the completion of each construction progress milestones in accordance with the construction supervision contracts.

As part of the selection process for the construction materials suppliers, we only allow the accredited suppliers with the relevant certificates or permits to participate in the tender process. In addition, the contracts with the construction materials suppliers stipulate that the construction materials supplied to our Group shall comply with relevant regulations and meet market standards. Our staff and the third-party construction supervision companies will also conduct inspection before the construction materials are used for construction in our development projects.

During the Track Record Period, we did not encounter any material quality control problems nor receive any material complaints about the quality of our properties.

Apart from monitoring construction quality and progress, our cost control department is responsible for controlling project budgeting. At the initial planning stage, our cost control department will set up a series of progress control indicators for costs in accordance with our budgeted total construction costs. Our cost control department will review project expenditure reports to ensure the costs incurred are within our initial budget.

### **Sales and marketing**

#### ***Pricing Policy***

The sales and marketing department at our headquarters determines the overall marketing and pricing strategies based on market research and feasibility studies conducted for each project. Prior to the pre-sales of each project, our relevant regional project company will submit proposal of suggested sale price as well as marketing budget plans and strategies to our sales and marketing department at our headquarters for review and approval. We price our properties primarily based on the estimated total costs, target profit margin and the prices of comparable properties in the vicinity, while also taking into account recent prevailing market price trends.

Due to the highly competitive and volatile nature of the property industry in the PRC, the sales and marketing team of our relevant regional project company closely monitors and analyses market conditions, including pricing strategies and promotion campaigns of other competing properties, and the actual pre-sales figures of the project, and proposes adjustments to our suggested sale price as well as marketing and pricing strategies as appropriate to our sales and marketing department at headquarters.

#### ***Sales and Marketing***

The sales and marketing department at each of our Henan and Hainan regional headquarters and the sales departments of our Group's relevant project companies are responsible for the development and implementation of various sales and marketing policies of our property development projects. The sales and marketing department at our headquarters is responsible for the overall management of our marketing activities and works closely with other departments to help ensure that our property developments are well positioned, meet customers' expectations and are appropriately and profitably priced. Set forth below are their primary roles and responsibilities:

- conduct market analysis;
- formulate and execute overall marketing strategies;
- conduct marketing campaigns and arrange promotional activities;
- participate in sales and pricing strategies.

Each of the sales departments of our Group's project companies are responsible for carrying out the marketing activities for the relevant projects, and focuses on establishing the project branding and corporate branding prior to the commencement of pre-sales for such project.

The sales and marketing department also cooperates with other departments to render an effective and systematic procedure for immediate sales, arrange promotional activities and to collect customer data and feedback. There is a database of customers' names which our sales personnel use to periodically update our customers with marketing and product information so as to control the sales process more effectively. Our Group also conducts marketing activities through distribution of questionnaires to and home visits with potential customers prior to the design and construction of the property development projects so as to generate publicity preceding such projects and to provide tailor-made products which both fulfill customers' demands and potentially yield higher profits for us.

Our sales and marketing efforts are conducted through various channels including distribution of brochures, direct mailers and other printed materials, advertising on newspaper, internet, billboard and other outdoor media. In addition, we organise various promotional activities such as seminars and performances to attract buyers. Furthermore, our Group also provides on-site reception and exhibition areas so as to showcase information relating to our property development projects.

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We have established a membership club, Weiye Club (偉業會), for buyers of our properties in Hainan Province. Members are entitled to enjoy benefits such as transportation services to and from high-speed rail station, may choose to swap their units for units owned by other Weiye Club members at our other developments in Hainan Province and enjoy deductions to the purchase price of our properties. With our rapid recent developments in Hainan Province, we intend to further promote Weiye brand through Weiye Club in Hainan Province through different marketing activities.

As part of our sales and marketing strategies for certain property development projects, we invite potential customers of interest to pay a sum of refundable deposit as earnest monies before entering into formal sale and purchase agreement. Such refundable deposit will be deducted from the purchase price if the potential customer later enters into formal sale and purchase agreement with us. If no formal sale and purchase agreement were entered into, such potential customer can be refunded with the deposit they paid together with extra compensation on a discretionary basis. As of 31 December 2013, 2014 and 2015, we had a balance of refundable deposit received from potential customers in the amount of approximately RMB422.4 million, RMB278.7 million and nil, respectively. For the years ended 31 December 2013, 2014 and 2015, approximately RMB0.7 million, RMB3.2 million and RMB6.3 million were extra compensation paid to our potential customers together with the deposits refunded. We had, previously, in contemplation of the development of the development district of the resettlement housing operation under the “Merging Villages into Community” scheme by Henan Xingwei; and the development of Weiye Tiandao Tianheshui and Weiye Tiandao International by Henan Tiando, received refundable deposits as earnest monies before obtaining the required pre-sales permit. For details, please refer to paragraph headed “Legal Proceedings, Compliance and Internal Control – Past Non-compliance Incidents – Commencement of pre-sales before obtaining pre-sales permit” in this section.

### ***Third-Party Sales Agent***

In addition to direct sales conducted by our own sales and marketing department, we also engage real estate sales agents for the sales and marketing of some of our projects. Our internal sales and marketing team approves the overall sales and marketing planning and monitors such agents’ sales and marketing activities to ensure that our marketing strategies and plans are implemented and our products are well-positioned and properly presented. Generally, we engage sales agents on a project basis several months before the expected commencement of the pre-sales of a property project. Generally, we enter into agreements with such sales agent setting out, among other things, the detailed scope of services to be provided by the sales agent, the calculation of service fees and commission, sales target and settlement methods. Generally, such sales agents are responsible for, among other things, conducting market research, advising on pricing, devising sales plans and marketing strategies and implementing such strategies and plans.

In certain cases, the sales agents are required to meet our pre-determined sales target, which varies across our projects, and we are entitled to terminate the agreement if the sales agents fail to meet such target for a certain period as provided in some of our sales agency agreements. Usually the sales agents are remunerated through fixed service fees and agency commissions, which are usually settled on a monthly basis. Such agency commission usually amounts to a percentage of the contracted sales amount and such percentage generally ranges from 1% to 2% depending on the level of completion of the pre-determined sales target. Our Directors are of the view that the agency commission is in line with industry practice. If the sales agents fail to meet certain level of pre-determined sales target, the sales agencies would be entitled to a lesser fixed amount.

We have guidelines which we require our sales agents to comply with and our sales agents must adopt our target prices for our properties. We do not allow the sales agents to offer any discounts to the customers without our approval. To ensure due compliance, our sales team regularly performs checks on the performance of our sales agents. During the Track Record Period, we did not identify any material breach by any sales agents.

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For the years ended 31 December 2013, 2014 and 2015, the total agency fees incurred by us in respect of the agency services amounted to approximately RMB11.3 million, RMB10.5 million and RMB7.5 million, respectively. During the Track Record Period, to the best of our Directors' knowledge all of the third-party sales agents were Independent Third Parties.

### ***Pre-sales***

We generally conduct pre-sales activities before the completion of the entire project or any phases thereof in accordance with the law and regulations governing the pre-sales of properties in the PRC.

Under the Development Regulations and the Measures for Administration of Pre-sales of Commodity Properties (《城市商品房預售管理辦法》), we are required to comply with certain conditions prior to commencing pre-sales of any particular property development, including the following:

- the land premium must have been fully paid, the relevant land use rights certificates must have been obtained;
- the construction work planning permit and the construction work commencement permit must have been obtained;
- the funds contributed to the property development where property units are to be pre-sold must be at least 25% of the total amount invested in a project, and the construction progress and the expected completion and delivery date of the construction work must have been confirmed; and
- pre-sales permits must have been obtained from the construction bureau of the local government authority.

Further to the above requirements, our Group is also required to fulfil other conditions stipulated in local regulations in various cities prior to obtaining pre-sales permit. Save as disclosed in this listing document, we had obtained all essential permits, certificates and approvals under the applicable PRC laws and regulations for commencing pre-sales of those properties that we were pre-selling as of the Latest Practicable Date. During the Track Record Period, we did not experience any significant delay in obtaining the relevant permits, certificates or approvals for the pre-sales of our properties.

Our pre-sales agreements are prepared in accordance with applicable PRC laws and regulations, which require us to provide warranties on the quality of properties we develop or sell to our customers for periods no shorter than that of the quality warranties we receive from our construction contractors under the relevant construction contracts, being generally two to five years. Please refer to the section headed "Risk Factors – Risks Relating to Our Business – We rely on external contractors and suppliers to deliver our projects on time and up to our specified quality standards" in this listing document for further details regarding the associated risks.

Cancelled contracted sales are sales transactions cancelled after the signing of sales contracts or pre-sales contracts but before the delivery of properties. So far as our Directors are aware, we did not experience any material cancelled contracted sales during the Track Record Period and as of the Latest Practicable Date.



### ***Arrangements for payment***

Our customers normally purchase our property either by one lump sum payment or by mortgage financing. Customers choosing to settle the purchase price by one lump sum payment will be required to fully settle the purchase price shortly after the execution of the sales or pre-sales agreement. Customers choosing to settle the purchase price by mortgage financing shall, according to the terms stipulated in the relevant sales or pre-sales agreement, normally pay a down payment of no less than 30% of the purchase price upon the execution of the sales or pre-sales agreement in accordance with the applicable PRC laws and regulations, depending on the type and GFA of the property and whether it is their first mortgage. The remainder of the purchase price will normally be paid by the mortgagee bank within three months depending on the approval process of relevant mortgagee banks. Under the relevant PRC laws and regulations, our customers may obtain mortgage loans with a repayment period of up to 30 years. In addition, these customers shall pay to us the outstanding balance of the purchase price that is not covered by any mortgage.

In line with market practice in the PRC, we have arrangements with various banks for the provision of mortgage financing to our customers and where required, provide our customers with guarantees as security for mortgage loans. We believe this service facilitates the decision-making process of first-time home buyers and is helpful in our efforts to attract more of these target customers. The terms of such guarantee typically last until the certificate of third party right (他項權證) is issued to the mortgagee. We are required to deposit with the mortgagee banks an amount which typically represents 3% to 10% of the mortgage to which the guarantee relates. If a customer defaults on payment of its mortgage loan, the mortgagee bank may deduct the payment due from the deposited sum and require that we immediately repay the entire outstanding balance of the mortgage pursuant to the guarantee. As a guarantor, if the purchaser defaults in payment, we are obligated to repay all outstanding debt owed by the purchaser to the mortgagee bank under the loan, after which the mortgagee bank will assign its rights under the loan and the mortgage to us and we will have full recourse to the property. In addition, such purchaser will be liable for default penalty as stipulated in our typical sale or pre-sales agreement. We do not conduct credit checks on our customers but rely on credit checks conducted by relevant banks.

In case our customers default under the formal sale and purchase agreement entered into at pre-sales for properties pre-sold which were financed by bank mortgage, we, as the guarantor for the purchasers' mortgaged loan, are required to repay all amounts due under the mortgage owed by the purchaser to the mortgage bank. Generally, upon the default of the purchaser, the mortgagee bank would initiate legal proceedings against the purchaser for the mortgage loan and apply the proceeds from sale of the mortgaged property by auction in the payment of amounts due under the mortgage. Accordingly, if the proceeds of sale of the mortgaged property by auction are not enough to cover the amounts due under the mortgage, we, as the guarantor for the purchasers, would need to pay any short-fall to the mortgage bank.

As of 31 December 2013, 2014 and 2015, our outstanding guarantees in respect of the mortgages for certain purchasers of our properties amounted to approximately RMB576.1 million, RMB189.8 million and RMB840.9 million, respectively. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any incidents of default by purchasers which resulted in our Group having to repay all outstanding amounts owed by the purchaser to the mortgagee bank pursuant to the guarantees provided by us. Please refer to the section headed "Risk Factors – Risks relating to our business – We provide guarantee for mortgage loans of our customers and may become liable to mortgagee banks if customers default on their mortgage payments" in this listing document for further details.

### **Delivery and After-Sales Services**

#### ***Delivery***

Our project companies' customer services departments are responsible for delivery of the properties and providing purchasers with after-sales services.

We endeavour to deliver completed properties to our customers on a timely basis and within the time frame prescribed in the sales or pre-sales contracts. We closely monitor the progress of construction work of our projects under development. If we fail to deliver the completed properties within the stipulated timeframe due to our default, we will be liable to pay damages in accordance with the terms of the relevant sales or pre-sales contracts, which generally ranges from 0.001% to 0.002% of the purchase price on a daily basis. If our delay exceeds 60 days, the relevant purchaser may have the right to terminate the sales or pre-sales contracts and have the purchase price refunded, in addition to claiming for damages of 1.0% of the purchase price paid. As of the Latest Practicable Date, there had been no repudiation of sales or pre-sales contracts by our purchasers.

Under current PRC laws and regulations, we are required to pass the completion and acceptance inspection before delivering properties to our customers. After a property development project has passed the requisite completion and acceptance inspections, we are required to notify and make arrangements with our customers in respect of the inspection and delivery of properties. We also undertake to deliver individual building ownership certificates for our properties within a specified timeframe from the date of the completion certificate pursuant to the sales or pre-sales contracts.

We did not experience any significant delays in the completion of our property development projects or delivery of relevant title documents after sales during the Track Record Period. Our Directors confirm that we were not liable to pay any compensation in connection with material defects in properties delivered. In addition, our Directors confirm that none of the properties delivered to the purchasers after relevant recognition of revenue was returned to us due to our default during the Track Record Period.

#### ***After-sales Services***

Our sales and marketing department at each of our Henan and Hainan regional headquarters is responsible for our after-sales customer services and handling customers' complaints. We are also responsible for supervising the repair and ongoing maintenance of the properties we developed. In addition, our customer service team also collects and analyzes customer data to identify the latest market trends and conducts customer satisfaction surveys to improve our projects' market positioning, design, marketing strategies and quality of services.

### **PROJECT PLANNING AND SALES MANAGEMENT MODEL**

During the Track Record Period, save and except for our development of Weiye Paris Impression, all our development projects have been developed using the integrated property development model where we undertake the entire property development process, from land acquisition, construction to sales and marketing above mentioned.

In the development of Weiye Paris Impression, we adopted the project planning and sales management model. Under the project planning and sales management model, our Group is responsible for the initial land acquisition, project planning and the sales and marketing of the project. The entire project management, construction and financing of the project is undertaken by a third party construction contractor where such contractor will be compensated by our Group based on a pre-determined unit price of the completed properties. We entered into cooperation agreement with a third party construction contractor, Zhengzhou Shijizhongxin Zhiye Co. Ltd.\* (鄭州世紀中信置業有限公司) ("**Shijizhongxin**") to develop a parcel of land owned by a third party project company. Salient terms of the cooperation agreement between Shijizhongxin and us include: (i) Shijizhongxin and us will jointly acquire the equity

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interests of the project company which holds the relevant land use rights; (ii) Shijizhongxin undertakes the project construction according to the specification and time frame given by our Group and bears all the costs of construction, while our Group undertakes the marketing and sales of the properties; (iii) Shijizhongxin is entitled to a pre-determined price per sq.m. payable according to the construction progress; and (iv) our Group is entitled to all proceeds from the sales and pre-sales of the properties to third parties under the project. Pursuant to such contractual arrangement between Shijizhongxin and us, the profit or loss that our Group will derive from Zhengzhou Daimashi shall be the difference between (i) the entire sum of revenue derived from the sales of the properties to third parties under the project; and (ii) the fixed costs, being the pre-determined construction costs per sq.m. payable to Shijizhongxin according to the construction progress, and other relevant costs. We believe this model allows our Group to better control the costs of construction of our projects and minimise cash outflow on the initial land acquisition stage. On 16 October 2015, each of Shijizhongxin, Chen Xiuna (陳秀娜), and Liu Gairong (劉改榮), shareholders of Zhengzhou Daimashi other than us, had issued a written confirmation (the “**Confirmations**”) confirming that Shijizhongxin is to bear all operation costs of Zhengzhou Daimashi, other than the costs in relation sales and the agreed tax to be borne by us, including administrative costs, labour costs, social security insurance, housing provident funds contributions, costs arising from administrative penalties, legal proceedings and arbitrations. Shijizhongxin also agreed to compensate Zhengzhou Daimashi for costs incurred by Zhengzhou Daimashi as a result of any non-compliance in relation to social security insurance, housing provident funds or other laws and regulations, administrative penalties or arbitration.

### INVESTMENT PROPERTIES

As stated in the section headed “Industry Overview” in the listing document, the PRC property market has been growing rapidly and the average selling price of commodity housing has been steadily increasing. In view of this, our Directors considered that certain development properties with growth potential should be kept as investment properties located for capital appreciation, especially when such properties of our Company are located in prime locations and are expected to enjoy significant capital appreciation in the long run. With such view, our Directors have reviewed our self-developed properties and selectively retain the ownership of certain self-developed properties with strategic value for capital appreciation. During the review to decide whether to change the intention of a development property, our Group assesses the potential of such property for further capital appreciation in value by considering various factors of the developed properties including but not limited to (i) the proximity to transportation links, (ii) the convenience of location, (iii) the expected supply and demand in the neighbourhood, (iv) the existing and future development in the area, and (v) the expected rental income, and the anticipated financial impact on our cashflow given that sales of development properties generate relatively large amounts of revenue in a short period of time. To cope with the dynamic property market, our Group will continue to review our development properties regularly and maintain a systematic and flexible approach to the holding of the self-developed properties as medium to long-term investment for capital appreciation.

After our Directors’ review on our Group’s development properties in mid 2014, the intention of the six selected development properties with total GFA of approximately 54,880 sq.m. was changed from held for sale in the ordinary course of business to held for investment purpose for capital appreciation, and accordingly, these development properties were reclassified from development properties to investment properties and would be leased so as to generate some rental income to our Group before we sell them with capital appreciation that our Directors considered to be appropriate. For Building No.6 of Weiye Costa Rhine (“**Costa Rhine No. 6**”) and Building No. 2 of Phase II of Weiye Oxygen Cube A (“**Oxygen Cube A No. 2**”), we were approached by the then existing tenants, both being members of a group hotel operator and Independent Third Parties, which expressed to us their interests in acquiring the entire property interests Costa Rhine No. 6 and Oxygen Cube A No. 2 for operation as hotels. Considering the consideration offered by such existing tenants, the potential gain on disposal and the

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brand building advantage of such hotel chain operation in our property developments, our Directors decided to sell the Costa Rhine No. 6 and Oxygen Cube A No. 2 to such hotel operator. Our Directors considered such decision of selling the Costa Rhine No. 6 and Oxygen Cube A No. 2 is consistent with our intention in mid 2014 to hold such property for investment for capital appreciation and rental income as such opportunity is one of those rare business opportunities encountered by us to realise our investment at a favourable price. Subsequently, in August 2015, we entered into sales contracts with the respective existing tenants of Costa Rhine No. 6 and Oxygen Cube A No. 2 to sell these two properties. Oxygen Cube A No. 2 was delivered in December 2015 while Costa Rhine No. 6 is expected to be delivered no later than July 2016. Costa Rhine No. 6 has been reclassified to assets held for sale.

As of 31 December 2015, we had investment properties with a total GFA of approximately 37,529 sq.m.. For the years ended 31 December 2013, 2014 and 2015, our investment properties generated rental income of nil, approximately RMB2.4 million and RMB2.0 million. Our Directors believe that our rents are generally determined based on the prevailing market rates subject to commercial negotiations with the tenants.

The table below sets forth a summary of our investment properties and their respective leasing status as of 31 December 2015:

| Project                                   | Types of Properties    | Total GFA Held for Investment | Land Use Rights Certificate Expiry Date | Effective leased GFA as of 31 December 2015 | Occupancy Rate as of 31 December 2015 | Range of Lease Term as of 31 December 2015 | Attributable Capital Value <sup>(5)</sup> | Reference to Property Valuation Report |
|---|------------------------|-------------------------------|---|---|---------------------------------------|--|---|--|
|   |                        | (sq.m.)                       |   | (sq.m.)                                     | (%)                                   | (year)                                     | (RMB million)                             | (Project No.)                          |
| Weiye Ru Guo Ai                           | Retail                 | 2,384                         | 27 August 2074                          | 2,384                                       | 100                                   | 9.0  | 36.0                                      | 1                                      |
| Weiye Costa Rhine <sup>(1)</sup>          | Apartment hotel        | 4,997                         | 31 December 2063                        | 4,997                                       | 100                                   | 0.5  | 48.0                                      | 2                                      |
| Weiye Oxygen Cube B <sup>(2)</sup>        | Residential            | 2,078                         | 16 December 2079                        | 2,078                                       | 100                                   | 0.5  | 11.0                                      | 3                                      |
| Weiye Rhine Coast <sup>(3)</sup>          | Tourism and commercial | 15,479                        | 8 September 2064,<br>2 February 2066    | –   | –                                     | –  | 55.0                                      | 4                                      |
| Weiye International Square <sup>(4)</sup> | Retail and office      | 12,591                        | 9 October 2050                          | –   | –                                     | –  | –   | 5                                      |

*Notes:*

- (1) The investment properties consist of Building No. 1 of Weiye Costa Rhine. Such lease of Building No. 1 of Weiye Costa Rhine was expired on 31 December 2015 and was then renewed with term from 1 January 2016 to 31 December 2016.
- (2) Such lease of Weiye Oxygen Cube B was expired on 31 December 2015 and was discontinued. As of the Latest Practicable Date, we did not enter into any lease agreements regarding Weiye Oxygen Cube B and our Group was exploring with various tenants to lease such property.
- (3) Weiye Rhine Coast is estimated to be completed in July 2016. As of the Latest Practicable Date, our Group was exploring with various tenants to lease such property.

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- (4) In March 2013 and April 2013, Henan Weiye purchased from Henan Jinwei Property Co., Ltd.\* (河南金偉置業有限公司), a former subsidiary of the Company and an Independent Third Party, 30 retail units with a total GFA of 3,448.85 sq.m. and 104 office units with a total GFA of 9,141.96 sq.m., located at Weiye International Square situated at north of Shangdu Road, east of Xinyi Road, Zhengdong New District, Zhengzhou City, Henan Province, the PRC, at a total consideration of approximately RMB45.03 million. As of 31 December 2015, the superstructure of Weiye International Square was completed and the interior construction was being conducted. As of the Latest Practicable Date, our Group was exploring with various tenants to lease such property. As of the Latest Practicable Date, the building ownership certificates of the property have not been obtained and such building ownership certificate is expected to be issued to our Group in or around September 2016.
- (5) It does not include attributable value of non-saleable amenities. Our interest in the relevant projects or project phases are set out in "Appendix III – Property Valuation Report" to this listing document.

### SUPPLIERS AND CUSTOMERS

#### Suppliers

For the years ended 31 December 2013, 2014 and 2015, procurement from our five largest suppliers, which comprised construction contractors, accounted for approximately 16.8%, 36.8% and 26.1% of our total purchases, respectively, and procurement from our single largest supplier accounted for approximately 4.5%, 13.7% and 10.5% of our total purchases for the same period. Each of our five largest suppliers during the Track Record Period was an Independent Third Party. During the Track Record Period, we did not enter into any long term procurement contracts with our top five suppliers.

The table below sets out the details of our five largest suppliers for the year ended 31 December 2013:

| Background and business profile of suppliers | Year in which business relationship started | Percentage of total purchase for the year ended 31 December 2013 (%) |
|--|---|--|
| Supplier A, construction contractor          | 2013  | 4.5  |
| Supplier B, construction contractor          | 2013  | 3.8  |
| Supplier C, construction contractor          | 2012  | 3.0  |
| Supplier D, construction contractor          | 2012  | 2.9  |
| Supplier E, construction contractor          | 2011  | 2.6  |

The table below sets out the details of our five largest suppliers for the year ended 31 December 2014:

| Background and business profile of suppliers | Year in which business relationship started | Percentage of total purchase for the year ended 31 December 2014 (%) |
|--|---|--|
| Supplier B, construction contractor          | 2013  | 13.7   |
| Supplier F, construction contractor          | 2013  | 6.5  |
| Supplier A, construction contractor          | 2013  | 6.3  |
| Supplier G, construction contractor          | 2013  | 5.9  |
| Supplier H, construction contractor          | 2013  | 4.4  |

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The table below sets out the details of our five largest suppliers for the year ended 31 December 2015:

| <b>Background and business profile of suppliers</b> | <b>Year in which business relationship started</b> | <b>Percentage of total purchase for the year ended 31 December 2015 (%)</b> |
|---|--|---|
| Supplier B, construction contractor                 | 2013   | 10.5  |
| Supplier G, construction contractor                 | 2013   | 5.7   |
| Supplier H, construction contractor                 | 2013   | 4.2   |
| Supplier A, construction contractor                 | 2013   | 3.0   |
| Supplier I, construction contractor                 | 2013   | 2.7   |

### Customers

For our property development projects in Henan Province, we primarily target customers who are looking to purchase their first home or seeking to upgrade their living environment while for our property development projects in Hainan Province, we primarily target at customers who live outside Hainan Province and seeking to purchase holiday homes.

For the years ended 31 December 2013, 2014 and 2015, sales to our five largest customers accounted for approximately 3.1%, 2.9% and 9.4% of our revenue, respectively, and our sales to single largest customer accounted for approximately 2.3%, 1.4% and 3.4% of our revenue for the same period. Our five largest customers during the Track Record Period included various individuals and corporations for the purchase of our properties and corporations for the purchase of our clean room equipment. Each of our five largest customers during the Track Record Period was an Independent Third Party. None of our five largest customers during the Track Record Period were our suppliers. During the Track Record Period, we did not enter into any long-term agreements with our top five customers.

To the best of the knowledge of our Directors, none of our Directors, their respective close associates or any shareholder who owns more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our five largest suppliers and customers aforementioned.

### PROPERTIES USED BY US FOR OPERATIONS

Our corporate headquarters is located at 11th Floor, No. 50 Yingxie Road, Jinshui District, Zhengzhou City, Henan Province, the PRC. The properties where our headquarters is located comprised four premises leased to us from four connected persons, namely Mr. Zhang Jianwei, Ms. Zhang Lihong and Ms. Yang Kai, being respectively the brother, sister and spouse of Mr. Zhang Wei, our chairman, one of our executive Directors and Controlling Shareholders; Ms. Zhang Peihong, the sister of Mr. Zhang Wei and spouse of Mr. Chen Zhiyong, one of our executive Directors with aggregate GFA of approximately 919.10 sq.m.. For further details, please refer to the section headed "Connected Transactions – Continuing Connected Transactions exempt from reporting, annual review, announcement and independent shareholders' approval requirements" in this listing document.

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Other than our headquarters in Zhengzhou City, we also leased other premises in Zhengzhou City and other cities in the PRC and in Singapore for our operations and as of 31 December 2015, we leased 32 properties from Independent Third Parties as our offices with an aggregate GFA of approximately 8,717 sq.m.. The table below summaries the properties we leased from Independent Third Parties as of 31 December 2015 by geographical location:

| Location                                  | Use    | Number of properties leased from Independent Third Parties | Approximate Aggregate GFA leased (sq.m.) | Range of term of lease   |
|---|--------|--|--|--|
| Zhengzhou City, Henan Province, the PRC   | Office | 17   | 5,015                                    | one to 20 years, expiring on 6 July 2016 soonest, or long-term use         |
| Xinxiang City, Henan Province, the PRC    | Office | 1  | 92                                       | five years, expiring on 28 February 2020                                   |
| Kaifeng City, Henan Province, the PRC     | Office | 1  | 80                                       | ten years, expiring on 31 July 2017  |
| Haikou City, Hainan Province, the PRC     | Office | 7  | 1,301                                    | one to three years, expiring on 17 February 2016 soonest <sup>(note)</sup> |
| Tunchang County, Hainan Province, the PRC | Office | 2  | 50                                       | three years, expiring on 30 August 2018 soonest                            |
| Wenchang City, Hainan Province, the PRC   | Office | 1  | 20                                       | three years, expiring on 27 August 2018                                    |
| Shenzhen, the PRC                         | Office | 1  | 1,301                                    | five years, expiring on 15 May 2020  |
| Shanghai, the PRC                         | Office | 1  | 58                                       | three years, expiring on 31 December 2016                                  |
| Singapore                                 | Office | 1  | 800                                      | three years, expiring on 28 February 2018                                  |

*Note:*

As of the Latest Practicable Date, the relevant lease of one property with aggregate GFA of approximately 10 sq.m. was renewed. Accordingly, as of the Latest Practicable Date, the range of term of lease is half a year to 20 years, expiring on 14 October 2016 soonest, or long-term use.

For further information of the properties we leased from third parties, please refer to the Property Valuation Report contained in Appendix III to this listing document.

As of the Latest Practicable Date, we leased and occupied six premises as our offices in the PRC with an aggregate GFA of approximately 720 sq.m., of which building ownership certificates have not been provided by the relevant lessors to us. As advised by our PRC Legal Adviser, in the event that any party claims its right upon such properties or actions raised by relevant governmental authorities against the lessors for improper use of such properties, we may not be able to continue such leases and as such we may need to relocate and seek for an alternative location for our offices. In light of the size and the number of employees working at such offices and in case of relocation, we estimate such costs of relocation from such offices to other locations will be minimal. However, there is no assurance that we

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will be able to find a suitable replacement in a timely manner. Please refer to the section headed “Risk Factors – Risks relating to our Business – We may not be able to use certain properties leased by us as offices because of defects affecting our leasehold interests” in this listing document for further details. Our Directors believe that the rental costs for these properties with defective title would not be materially different should the landlords obtain relevant building ownership certificate.

As of the Latest Practicable Date, 31 leases which we entered into as tenant in the PRC had not been registered with the relevant government authorities in accordance with relevant PRC laws and regulations. Please refer to the paragraph headed “Legal Proceedings, Compliance and Internal Control – Past Non-compliance Incidents” in this section for details.

For the premises we leased in Singapore abovementioned, our Eindex Group also used it as its headquarters for our Equipment Manufacturing Business. Such premises is located at 8 Pandan Crescent, Singapore and was leased to us with a three-year term expiring on 28 February 2018.

Save and except for the property interests stated in the Property Valuation Report contained in Appendix III to this listing document, we also owned the following properties in Malaysia for the operation of our Equipment Manufacturing Business and none of the properties below has a carrying amount of 15% or more of our total assets as of 31 December 2015.

| <u>Location</u>   | <u>Approximate<br/>GFA<br/>(sq.m.)</u> | <u>Use/Planned Use</u>  | <u>Encumbrances</u>   |
|---|--|---|---|
| Tempat Sengkang, Mukim Senai,<br>Daerah Kulaijaya, Negeri Johor<br>Malaysia | 28,640                                 | Factory and<br>office   | Charge and<br>debenture in favour<br>of Public Bank<br>Berhad |
| Mukim Kulai, Daerah Kulaijaya,<br>Negeri Johor, Malaysia                    | 289                                    | Dormitory   | –   |
| Mukim Kulai, Daerah Kulaijaya,<br>Negeri Johor, Malaysia                    | 289                                    | Staff dormitory   | –   |
| Mukim Kulai, Daerah Kulaijaya,<br>Negeri Johor, Malaysia                    | 143,066                                | Currently vacant<br>and planned to<br>use as staff<br>dormitory | –   |
| Mukim Kulai, Daerah Kulaijaya,<br>Negeri Johor, Malaysia                    | 143,066                                | Currently vacant<br>and planned to<br>use as staff<br>dormitory | –   |

Our Directors confirm that there are no regulatory requirements or environmental issues that may materially affect our utilisation of the above properties.

### PROJECT FINANCING

During the Track Record Period, we financed our property development projects primarily through proceeds from pre-sales and sales of our properties, bank borrowing and other borrowings. We have not experienced shortage of funds for the financing of our projects during the Track Record Period.



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### **Proceeds from pre-sales and sales**

We use proceeds from the pre-sales and sales of our properties to fund part of the construction costs of the relevant projects and our business operation. For the three years ended 31 December 2013, 2014 and 2015, our contracted sales of properties amounted to approximately RMB750.7 million, RMB1,092.7 million and RMB928.7 million, respectively.

### **Bank loans and other borrowings**

Bank loans and other borrowings are our primary source of external financing, and as of 31 December 2013, 2014 and 2015, we had outstanding bank loans and other borrowings of approximately RMB912.6 million, RMB1,650.6 million and RMB2,254.9 million, respectively. Please refer to the section headed “Financial Information – Indebtedness and Contingent Liabilities” in this listing document for further details of our indebtedness and borrowings.

According to the guidelines issued by the CBRC, domestic PRC bank loans may not be granted in respect of projects which have not obtained the relevant land use rights certificate, construction land planning permit, construction work commencement permit and construction work planning permit. Furthermore, the “Notice on Adjusting Capital Ratio of Fixed Asset Investment Projects” (《關於調整固定資產投資項目資本金比例的通知》) stipulates that no less than 20% or 30% of the total investment of certain property development projects must come from a property developer’s own capital for the property development project.

Our ability to raise capital for our property development projects is affected by the overall economy and regulatory measures introduced by the PRC government to stabilise the property market in the PRC. In particular, any decisions to raise the reserve ratio by the PBOC will limit the amount available to commercial banks for lending, and limit our ability to obtain financing from commercial banks. Please refer to the section headed “Risk Factors – Risks Relating to Our Business – We may not have adequate financing to fund our property developments, and such capital resources may not be available on commercially reasonable terms, or at all, and if that happens, our business, financial condition, results of operations and prospects could be materially and adversely affected” in this listing document for more details.

During the Track Record Period and up to the Latest Practicable Date, we were not in default of any material provisions (including any cross-default provisions) of our bank loans and other borrowings. None of our lenders had, in the past, been entitled to accelerate repayment of our outstanding indebtedness as a result of such cross-default provisions.

During the Track Record Period, we also obtained trust financing from a trust financing company to fund our property development projects. Trust financing arrangements are funding arrangements provided by trust funds, which are domestic funds established and managed by trust financing companies registered with the CBRC that act as trustees of these funds. Trust financing is an authorised form of financing transaction under PRC laws. As of 31 December 2013, 2014 and 2015, we had a total principal amount of nil, RMB110 million and RMB540 million, respectively, of trust financing outstanding, accounting for nil, 6.7% and 23.9% of our total bank loans and other borrowings as of the same dates, respectively.

We carried trust financing during the Track Record Period because trust loans, when compared with bank loans, offer greater flexibility in terms and structures and more favourable timing with respect to draw-downs and repayments and help us diversify our financing channels even though they typically involves higher interest rates. Our borrowings with trust financing companies are specifically negotiated to fit the capital structure of the relevant project company, the risk-return profile of the relevant property development project and the funding requirements of our project development process.

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As of 31 December 2015, we had three outstanding trust financing arrangements with Zhongyuan Trust Company Limited (中原信託有限公司) (“**Zhongyuan Trust**”), entered into in the ordinary course of business to finance our operations. The main terms of the outstanding trust financing arrangements with Zhongyuan Trust are as follows:

Pursuant to a series of agreements entered into among Henan Weiye, Henan Xingwei, Zhongyuan Trust and Mr. Zhang Wei dated 5 June 2014, Zhongyuan Trust agreed to finance Henan Xingwei in the principal sum of not exceeding RMB500 million by way of subscribing certain increased registered capital of Henan Xingwei up to not more than 50% of the enlarged registered capital of Henan Xingwei. Such financing will be capitalised in stages. As of the Latest Practicable Date, Zhongyuan Trust granted a trust financing in the principal amount of RMB500 million to Henan Xingwei by way of capital injection, of which RMB258.17 million served as registered capital and the remaining RMB241.83 million served as capital surplus. After the capital injection, Zhongyuan Trust held approximately 48.7% equity interest in Henan Xingwei. Pursuant to the arrangement, Henan Weiye pledged its approximately 51.3% equity interest in Henan Xingwei as security for the trust financing, and agreed to give up all voting rights at the shareholders’ meetings of Henan Xingwei during the subsistence of arrangement. To further secure the trust financing arrangement, Mr. Zhang Wei and Henan Xingwei agreed to guarantee the repayment of all indebtedness under the trust financing. The outstanding principal amount as of 31 December 2014 and 31 December 2015 under the Zhongyuan Trust is repayable at its nominal value within two years after the capital contribution, and bore an effective interest rate of 17% per annum. Please also refer to the section headed “Connected Transactions – Connected transactions exempt from reporting, annual review, announcement and independent shareholders’ approval requirements” for details.

On 18 September 2015, Xinxiang Weiye entered into two separate trust financing agreements with Zhongyuan Trust pursuant to which Zhongyuan Trust agreed to finance Xinxiang Weiye in the aggregate principle amount of RMB240 million, at an interest rate of 12% per year for a fixed term of two years from 25 September 2015 to 25 September 2017 for use in the development of Phase VI of Weiye Central Park. As of 31 December 2015, Xinxiang Weiye has drawn down RMB240 million. The building ownership rights of certain parts of Weiye Oxygen Cube, the equity interest of Henan Weiye, Tunchang Hongji and Xinxiang Weiye have been pledged as security and Henan Weiye also provided guarantee in respect of such trust financing. As Zhongyuan Trust is a connected person of our Company at the subsidiary level, such trust financing constitutes a continuing connected transaction of our Group upon Listing, for details, please refer to the section headed “Connected Transactions – (B) Continuing connected transaction exempt from independent shareholders’ approval requirement” in this listing document.

Our PRC Legal Adviser is of the view that the above trust agreements between our Group and Zhongyuan Trust are valid and binding on both parties and such trust financing arrangements complied with applicable PRC laws and regulations.

### ***Relevant laws and regulations of trust financing***

Pursuant to the Notice on Strengthening the Supervision of Trust Companies’ Real Estate Business (《關於加強信託公司房地產業務監管有關問題的通知》) promulgated by CBRC on 11 February 2010, a trust company shall offer loans for a property development project only if certain requirements have been satisfied. On 12 November 2010, the CBRC issued the Notice on Risk Alert for Trust Companies’ Real Estate Business (《關於信託公司房地產信託業務風險提示的通知》) to require all trust companies to immediately conduct self-examination of the compliance risk of the real estate trust business. Each trust company must analyze its regulatory compliance and risk exposure on case-by-case basis. If the banking regulatory bureau discovers any problem during the inspection, it must take measures immediately to order the trust companies to rectify such non-compliance and penalise any non-compliance behaviour in accordance with the relevant rules and regulations.

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### AWARDS AND RECOGNITIONS

Over the past years, we have received various awards and recognitions from various industry associations and public entities. The table below sets out certain of the awards we received in respect of our property development operations:

#### Corporate level awards

| Year | Name of award/certificate/accolade  | Conferred by   | Recipient      |
|------|---|--|----------------|
| 2010 | 2008-2009 Annual Tax Credit Rating of Class A Enterprise<br>(2008-2009年度納稅信用A級企業)   | Xinxiang City Government<br>(新鄉市人民政府)  | Xinxiang Weiye |
| 2010 | 2009 Enterprises for Economic Development Outstanding Contributions to Red Flag Zone<br>(紅旗區 2009年度經濟發展突出貢獻企業)              | Communist Red Flag Zone Committee, People's Government Red Flag District<br>(中共紅旗區委, 紅旗區人民政府)                    | Xinxiang Weiye |
| 2011 | 2010 Outstanding Enterprises for Economic Contributions<br>(2010年度財政貢獻突出企業)   | Xinxiang City Government<br>(新鄉市人民政府)  | Xinxiang Weiye |
| 2011 | 2010 Leading Enterprise without Default<br>(2010年度清欠工作-先進單位)  | Leading Group Office of Xinxiang City Construction Fee Settlement<br>(新鄉市清理拖欠工程款領導小組辦公室)                         | Xinxiang Weiye |
| 2011 | Leading Enterprise for Supporting New Type Rural Community Construction<br>(支持新型農村社區建設-先進企業)                                | Communist Red Flag Zone Committee, People's Government Red Flag District<br>(中共紅旗區委, 紅旗區人民政府)                    | Xinxiang Weiye |
| 2011 | 2010 Enterprises for Economic Outstanding Contributions to Red Flag Zone (RMB300,000 Award)<br>(紅旗區2010年度經濟貢獻突出企業 - 獎金30萬元) | Communist Red Flag Zone Committee, People's Government Red Flag District<br>(中共紅旗區委, 紅旗區人民政府)                    | Xinxiang Weiye |
| 2011 | 2011 Shou Contract Re Credit Enterprises in Kaifeng<br>(2011年度開封市守合同重信用企業)  | Kaifeng City Administration of Industry and Commerce, Kaifeng City Contract Association<br>(開封市工商行政管理局, 開封市合同協會) | Henan Huibang  |

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| Year      | Name of award/certificate/accolade   | Conferred by  | Recipient      |
|-----------|--|---|----------------|
| 2012      | 2012-2013 Gold Real Estate Enterprises in Kaifeng<br>(2012-2013開封市金牌房地產企業)   | Kaifeng Daily Newspaper Agency, Kaifeng Housing and urban and Rural Construction Bureau, Kaifeng Real Estate Development Association<br>(開封日報報業集團, 開封市住房和城鄉建設局, 開封市房地產開發協會) | Henan Huibang  |
| 2013      | 2013 Gold Development Enterprises in Henan Province Real Estate Industry<br>(2013年度河南房地產行業-金牌開發企業)                         | Henan Province Real Estate Business Chamber of Commerce<br>(河南省房地產業商會)  | Henan Weiye    |
| 2014      | 2012-2013 Shou Contract Re Credit Enterprises in Kaifeng<br>(2012-2013年度開封市守合同重信用企業)                                       | Kaifeng City Administration of Industry and Commerce, Kaifeng City Contract Association<br>(開封市工商行政管理局, 開封市合同協會)  | Henan Huibang  |
| 2014      | 2013 Enterprises for Economic Outstanding Contributions to Red Flag Zone<br>(紅旗區2013年度區域經濟發展重大貢獻企業)                        | Communist Red Flag Zone Committee, People's Government Red Flag District<br>(中共紅旗區委, 紅旗區人民政府)   | Xinxiang Weiye |
| 2013-2015 | 2013 to 2015 Vice President Unit of Henan Province Real Estate Business Chamber of Commerce<br>(2013年-2015年河南省房地產業商會副會長單位) | Henan Province Real Estate Business Chamber of Commerce<br>(河南省房地產業商會)  | Henan Weiye    |
| 2015      | 2014 Leading Enterprises for Construction in Zhengdong New District<br>(鄭東新區2014年度建設-先進單位)                                 | Zhengzhou City Zhengdong New District Management Committee<br>(鄭州市鄭東新區管理委員會)  | Henan Tiandao  |

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### Project level awards

| Year | Name of award/certificate  | Project awarded to            | Conferred by  |
|------|--|-------------------------------|---|
| 2010 | Safety Civilisation Construction Standard Site in First Half Year of 2010<br>(2010年上半年度“新鄉市安全文明標準化工地”稱號) | Weiye Central Park            | Xinxiang City Residential and Urban Real Estate Association<br>(新鄉市住房和城鄉建設局)  |
| 2010 | Henan Structure Zhongzhou Cup Project<br>(河南結構中州杯工程)   | Weiye Central Park            | Henan Province Residential and Urban Real Estate Association<br>(河南省住房和城鄉建設廳) |
| 2010 | Safety Civilisation Construction Site<br>(安全文明工地)  | Weiye Central Park            | Henan Province Residential and Urban Real Estate Association<br>(河南省住房和城鄉建設廳) |
| 2011 | Henan Structure Zhongzhou Cup Project<br>(河南結構中州杯工程)   | Weiye Central Park            | Henan Province Residential and Urban Real Estate Association<br>(河南省住房和城鄉建設廳) |
| 2011 | Safety Civilisation Construction Site<br>(建築施工安全文明工地)  | Phase II of Weiye Xiangdi Bay | Kaifeng City Residential and Urban Real Estate Association<br>(開封市住房和城鄉建設局)   |
| 2012 | Engineering Certificate of Kaifeng City Structure Chrysanthemum Cup<br>(開封市結構菊花杯工程證書)                    | Phase II of Weiye Xiangdi Bay | Kaifeng City Residential and Urban Real Estate Association<br>(開封市住房和城鄉建設局)   |

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| Year | Name of award/certificate   | Project awarded to             | Conferred by  |
|------|---|--------------------------------|---|
| 2012 | Engineering Certificate of Henan Province Structure Zhongzhou Cup<br>(河南省結構中州杯工程證書)   | Phase II of Weiye Xiangdi Bay  | Henan Province Residential and Urban Real Estate Association<br>(河南省住房和城鄉建設廳)   |
| 2012 | 2012-2013 Kaifeng Gold Award Building (Project)<br>(2012-2013開封市金牌樓盤(項目))   | Weiye Xiangdi Bay              | Kaifeng Daily Newspaper Agency, Kaifeng City Residential and Urban Real Estate Association, Kaifeng City Real Estate Development Association<br>(開封日報報業集團, 開封市住房和城鄉建設局, 開封市房地產開發協會) |
| 2013 | 2013 Henan Real Estate Industry – the Most Appreciation Potential Building<br>(2013年度河南房地產行業 – 最具升值潛力樓盤)                          | Weiye Tiandao International    | Henan Province Real Estate Business Chamber of Commerce<br>(河南省房地產業商會)  |
| 2013 | The 10th PRC Real Estate Network Popularity List – 2013 Hainan Health Resort Model Building<br>(第十屆中國房地產網絡人氣榜 – 2013年度海南養生度假典範樓盤) | Weiye Oxygen Cube              | Sou Fun<br>(搜房)   |
| 2014 | The Best Living Property<br>(最佳宜居樓盤)  | Weiye Costa Rhine              | Tencent, Tencent Property<br>(騰訊網、騰訊房產)   |
| 2014 | Top 10 Regional New Landmark<br>(十大區域新地標)   | Weiye West International Plaza | Tencent, Tencent Property<br>(騰訊網、騰訊房產)   |

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| Year | Name of award/certificate   | Project awarded to            | Conferred by   |
|------|---|-------------------------------|--|
| 2014 | Engineering Certificate of Kaifeng City Structure Chrysanthemum Cup<br>(開封市結構菊花杯工程證書) | Phase II of Weiye Xiangdi Bay | Kaifeng City Residential and Urban Real Estate Association<br>(開封市住房和城鄉建設局)            |
| 2015 | The Best Ecology Building<br>(最佳生態樓盤)   | Weiye Xiangdi Bay             | Kaifeng Radio and TV Station<br>(開封廣播電視台)  |
| 2015 | 2014 the Most Investment Value Building<br>(2014年度最具投資價值樓盤)                           | Weiye Tiandao International   | www.hnhaofang.com<br>(好房網)   |
| 2015 | Engineering Certificate of Henan Province Structure Zhongzhou Cup<br>(河南省結構中州杯工程證書)   | Weiye Central Park            | Henan Province Construction Engineering Quality Supervision Station<br>(河南省建設工程質量監督總站) |

### COMPETITION

The property market in Henan and Hainan Provinces and elsewhere in the PRC is fragmented and competitive. Our existing and potential competitors include both major national and regional property developers with extensive operations in the cities or markets in which we operate as well as local property developers. We believe that the major competitive factors in the residential and commercial property development industry include land acquisition, geographic location, management expertise, financial resources, access to transportation infrastructure, size of land bank, product quality, brand recognition by customers, customer services and support, pricing and design quality. Many of our competitors, including top-tier domestic developers, may have better financial and capital resources, experience, marketing and other capabilities and/or brand recognition than us. Certain local competitors may have extensive local knowledge and business relationships and/or a longer operating track record in the relevant local markets than we do. We cannot assure you that we will be able to continue competing effectively in our industry. Please see “Risk Factors – Risks Relating to Property Development Industry in the PRC – The PRC property market industry is competitive and intensified competition may materially and adversely affect our business, results of operations and financial condition.”

We believe major entry barriers into the PRC property development industry include a potential entrant’s limited knowledge of local property market conditions and limited brand recognition in these markets. Despite these competitive factors, we believe that the PRC property industry still has significant growth potentials. We believe our established position in the property development industry in Henan and Hainan Provinces, our strategically located land reserves, our effective management structure with standardised streamlined development process, our experience and brand name, coupled with quality property products, have demonstrated and developed our business operations in spite of market changes and competition and gained a certain level of recognition of our brand amongst customers and potential customers. Furthermore, given our brand recognition, we believe we can react promptly to the challenges in the PRC property market. We endeavour to further strengthen our position in Henan and Hainan Provinces while selectively entering other cities and provinces in China. For more information of our industrial environment, please refer to the section headed “Industry Overview” in this listing document.

### REAL ESTATE-RELATED AUSTERITY MEASURES PREVIOUSLY IMPLEMENTED BY THE PRC GOVERNMENT AND RECENT POLICY ADJUSTMENT

Over the past few years, the PRC government has introduced a number of policies to control the growth and curtail the overheating of, and the foreign investment in, the PRC property sector by increasing minimum down payment requirements for residential properties and controlling bank lending to non-first time home buyers or developers who hold idle land. In February 2013, the PRC Government further promulgated the “Notice on Further Regulation and Control of Real Estate Market” (《關於繼續做好房地產市場調控工作的通知》), introducing six policy measures to control the real estate market, including: (i) improving the accountability system for stabilisation of property prices; (ii) strictly controlling the purchase of property for speculative purpose; (iii) increasing the supply of ordinary residential properties and residential land use supply; (iv) accelerating the planning and construction of subsidised property development projects; (v) tightening market regulations and forecast management; and (vi) accelerating the establishment and optimisation of long-term mechanisms for healthy development of the real estate market. Please refer to the section headed “Regulatory Overview” in this listing document for further details.

Our Directors believe that while the introduction of austerity measures may have affected demand from speculative buyers or property investors, the impact on demand from our target customers, being actual users who are first-time home buyers, customers with a need to upgrade their living environment, or customers who would like to buy a holiday home has been minimal. Notwithstanding the austerity measures and policies introduced by the PRC government in recent years, we have remained profitable during the Track Record Period and recorded a profit after tax of approximately RMB182.4 million, RMB271.0 million and RMB106.6 million for the years ended 31 December 2013, 2014 and 2015, respectively.

Recently, a number of PRC cities have loosened certain measures on stabilising housing price and home purchase restrictions. For example, on 17 April 2015, the Henan Provincial Department of Housing and Urban-Rural Development and other Departments issued Several Opinions Concerning Promoting Steady and Sound Development of the Real Estate Market (《關於促進房地產市場平穩健康發展若干意見的通知》) which, among others, reduced the sales tax for property in certain cases. Also on 19 November 2008, the People’s Government of Hainan promulgated and implemented the Hainan Province Government’s Notice on Promoting Steady and Sound Development of the Real Estate Market (《海南省人民政府關於促進房地產業持續穩定健康發展的意見》) which, among others, reduced individual’s deed tax for first time purchaser of property. For more details, please refer to the section headed “Regulatory Overview” in this listing document.

However, there is no assurance that we can maintain our profitability in the future or that further measures or policies introduced by the PRC government will not adversely affect our business, results of operations and financial condition. Please refer to the section headed “Risk Factors – Risks relating to our business – Our operations in the PRC property industry are subject to extensive government policies and regulations and, in particular, we are susceptible to adverse changes in policies relating to the PRC property sector and in local policies in the regions where we operate” in this listing document for details.



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## BUSINESS

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### EQUIPMENT MANUFACTURING BUSINESS

Apart from our Property Development Business, we, through our Eindec Group, also engage in Equipment Manufacturing Business, carrying out design, manufacture and sales of clean room equipment, HVAC equipment and air purifiers, and sales and installation of cooling towers, mainly in Singapore and other South-east Asian countries.

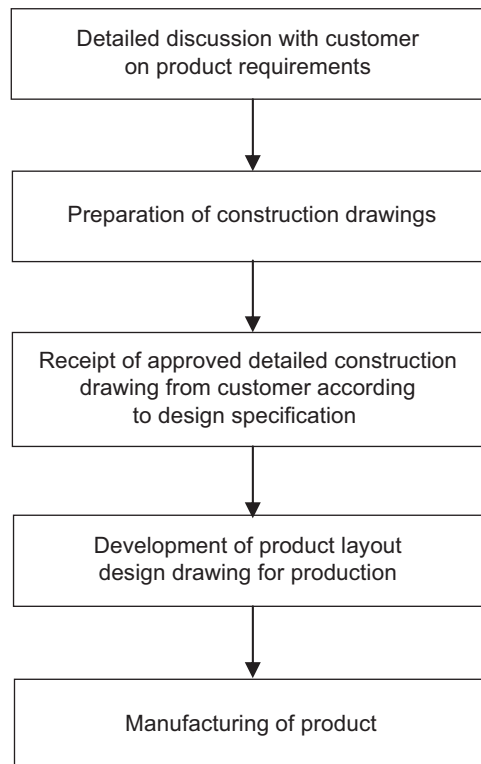
Our clean room equipment are used to create a clean room environment which is essential in the manufacture and production processes of industries such as the electronics, semiconductors, pharmaceutical and food processing industries. Most of our clean room equipment are customised and tailored to cater to the unique specification of each of our customers.

Our Eindec Group also designs, manufactures and sells HVAC equipment. HVAC equipment consists of four main categories of products, namely, (a) grilles and diffusers; (b) air control dampers; (c) fire dampers and (d) marine dampers. Our Eindec Group also sells cooling towers which are an integral and essential feature of water-chilled centralised air-conditioning system.

In addition to the above, leveraging on our technological expertise in clean room products, our Eindec Group has also ventured into the consumer air purifier market. In particular, we completed the design and building of a prototype of a new line of air purifiers under the Aijiabao (愛家寶) brand name for sales in the PRC. We plan to sell our Aijiabao (愛家寶) products to customers such as appointed local distributors, property developers and corporations for installation in homes and offices for consumer end users, as well as through e-commerce platforms. Once we have established a presence in the consumer market, we also intend to expand our product range for the commercial and industrial markets.

### Business Flow of our Equipment Manufacturing Business

The following diagram illustrates the business flow of our Equipment Manufacturing Business:



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### *Detailed discussion with customer on product requirements*

We generally seek to understand the specific requirements of a customer by having detailed discussions with the customer and conducting on-site inspections and surveys.

### *Preparation of construction drawings*

In designing our products, we take into consideration physical factors such as the size, layout and design of the manufacturing facilities, based on the discussions, on-site inspection and survey carried out earlier. With our expertise, we assist the customer in formulating a design which best suits their specifications, and provide them with our design blueprint and solution for their approval.

### *Receipt of approved detailed construction drawing from customer according to design specification*

After developing the blueprint for the proposed equipment, we conduct various tests and experiments to determine the feasibility of the solution based on the proposed design. We then forward the proposed solution to our customers for their approval. The proposed solution would include detailed design drawings of the product, and relevant information such as test reports and performance chart, wiring diagrams, automation sequence diagram and dimension drawing. We may, upon request, produce a prototype of the product for the customer.

Then the customer will review and approve the detailed construction drawing prepared according to the customer's needs and design specifications.

### *Development of product layout design drawing for manufacturing*

Upon obtaining approval from the customer, our engineers will translate all the design drawings into in-house manufacturing drawings for manufacturing.

### *Manufacturing of product*

Manufacturing will commence based upon our in-house manufacturing drawings. The manufacturing process generally comprises (i) metal processing by cutting metal sheets and other materials to the required dimensions, and other relevant processes such as punching, plating, grinding, bending, and welding; and (ii) installation of electronic, electrical and mechanical components.

The semi-finished product will then be subject to strict quality control measures to ensure that it meets our quality control standards. Depending on the customer's requirements, our products will either be packed and delivered to the customer, or we installed them on-site at the customer's premises.

## **Manufacturing Facilities and Quality Assurance**

We have manufacturing facilities in Singapore and Malaysia for our Equipment Manufacturing Business.

The facility we leased in Singapore, occupying a GFA of approximately 800 sq.m. mainly served as the corporate headquarters and research and development centre of our Eindex Group. On the other hand, we generally design, fabricate, install and test our products at for our Equipment Manufacturing Business at the facility in Kulai, Malaysia, which occupies a site area of approximately 28,000 sq.m., with a factory area of approximately 16,000 sq.m..

Most of our clean room equipment and HVAC equipment are entirely manufactured and assembled by us. Our fabrication and installation process is closely monitored by experienced personnel. For components and parts not produced by us, we would conduct tests on samples thereof to ascertain that such components and the manufacturing processes of the suppliers for these components meet our quality standard. In line with our commitment to achieving and maintaining high quality standard, in

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December 1996, we were awarded ISO 9002 certification for quality system management in the manufacture of our clean room equipment and HVAC equipment. We generally provide a warranty of a period of one year for our products. We have not experienced any returns of defective products from our customers during the Track Record Period.

As confirmed by our Directors, during the Track Record Period, we had no work-related fatalities and there had been no claims for personal or property damages or related compensation paid to our employees. Our Directors also confirmed that we had not experienced any material environmental pollution accident during the Track Record Period. As at the Latest Practicable Date, we had not been prosecuted, penalised, sanctioned or ordered to pay any penalties for violation of any environmental protection laws, rules and regulations applicable to our Equipment Manufacturing Business.

### **Customers and Suppliers of our Equipment Manufacturing Business**

Major customers of our Equipment Manufacturing Business are mainly mechanical and electrical engineering contractors, clean room facilities contractors, construction companies, HVAC equipment manufacturers and distributors in Singapore and various parts of Asia. Major suppliers of our Equipment Manufacturing Business are mainly suppliers of parts and components for our products, such as parts for grilles and air diffusers, filters and blowers. We do not enter into long-term or exclusive contracts with our major customers or major suppliers of our Equipment Manufacturing Business. During the Track Record Period, our Group's five largest customers included our customers of our Equipment Manufacturing Business. For further details, please refer to the section headed "Business – Suppliers and Customers – Customers" in this listing document.

### **Industry Environment**

We compete with other manufacturers of clean room equipment, HVAC equipment and air purifiers.

We consider Singapore as a high-technology hub in Southeast Asia with specialisations in industries such as electronics and life sciences manufacturing. For these industries, clean rooms are crucial to ensure production standards during the manufacturing process and for laboratory research work. According to the National Survey of Research and Development in Singapore published by the Agency for Science, Technology and Research Singapore in December 2014, the Gross Expenditure on R&D ("GERD") in Singapore has grown at a CAGR of 8.0% between 2003 and 2013. The growth of GERD in this industry is expected to have a positive effect on the market for clean room equipment.

Further, as we are venturing into the consumer air purifier market in the PRC, we believe air purifiers are seen as an increasingly necessary household item, due to worsening air quality in the PRC. With rising urbanisation and living standard of the people in the PRC, we believe demand for consumer air purifiers would increase.

### **Marketing and Sales Activities**

We have local marketing and sales teams based in Singapore, Malaysia and the PRC for our Equipment Manufacturing Business. As of 31 December 2015, the marketing and sales team of our Equipment Manufacturing Business comprised 28 staff members. Such marketing and sales team is primarily responsible for the sale of products and monitoring of sales with the assistance of our manufacturing staff and research engineers whom also provide after-sales services to our customers. The marketing and sales team also undertakes business and market research and monitors business trends for our Equipment Manufacturing Business. We generally determine the product price for our Equipment Manufacturing Business by taking into account our estimation of design and manufacturing costs and the design specifications and requirements of our customers. Our Directors believe that there is no apparent seasonality factor which affects our Equipment Manufacturing Business.

### **Research and Development**

Our Equipment Manufacturing Business requires us to possess specialised expertise, in-depth knowledge and industrial know-how in order to remain competitive and be able to offer new products with innovative or enhanced features to meet changes in customer requirements and standards. We therefore need to be equipped with the engineering design capability in order to satisfy the requirements of our customers. In this regard, we have set up the Engineering Division to support our product manufacturing operation. Our engineers in the Engineering Division undertake to oversee the preparation and review of drawings, review of filter test report and also liaise with customer on product specifications and requirement.

### **Insurance**

As at the Latest Practicable Date, we maintained several insurance policies to cover our risks associated with our Equipment Manufacturing Business, such as fire insurance, consequential loss, public liability, medical insurance for our employees, property insurance, work injury compensation and equipment all risks. Our Directors are of the view that the above insurance policies are adequate for our Equipment Manufacturing Business.

### **Spin-off Listing**

For the years ended 31 December 2013, 2014 and 2015, our Equipment Manufacturing Business contributed approximately RMB70.5 million, RMB69.3 million and RMB76.9 million to our revenue respectively, representing approximately 5.1%, 5.4% and 6.2% of our total revenue for the same period. As of 31 December 2015, our Eidec Group had 169 full time employees.

In furtherance of our Equipment Manufacturing Business, we reorganised the corporate structure of our Equipment Manufacturing Business entities and completed the Spin-Off Listing on 15 January 2016. For details of the Spin-off Listing, please refer to the section headed “History – Spin-off Listing” in this listing document.

### **RISK MANAGEMENT**

We recognise that risk management is crucial to the success of any property developer in the PRC. Key operational risks that we face include changes in general market conditions and the regulatory environment in the PRC property market, availability of suitable sites for development at commercially reasonable prices, local economic environment, availability of financing to support our developments and growth, ability to complete our development projects on time and with sound quality, competition from other property developers and our ability to promote and sell our properties in a timely fashion. Please refer to the section headed “Risk Factors” in this listing document for a discussion of various risks and uncertainties we face.

In addition, we also face various market risks. In particular, we are exposed to interest rate, foreign currency exchange rate, credit and liquidity risks that arise in the ordinary course of our business. Please refer to the section headed “Financial Information – Quantitative and Qualitative Disclosure of Market Risks” in this listing document for a discussion of these market risks.

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In order to face these challenges, we have established the following structures and measures to manage our risks:

- Our Board is responsible for and has general oversight of the management and conduct of the business of our Group, and is in charge of the overall risk control of our Group. Any significant business decision involving material risks are reviewed, analysed and approved at the Board level to ensure a thorough examination of the associated risks at our highest corporate governance body. Please refer to the section headed “Directors and Senior Management – Directors” in this listing document for details of the experience of members of our Board.
- Our Board and senior management at our Henan and Hainan regional headquarters are in charge of overall business operations and risk monitoring of our Group, and are responsible for the supervision of the respective fields of operations as well as the supervision and approval of any material business decisions of our project companies. We have established procedures and policies setting out clear reporting lines and responsibilities with a view to facilitating efficient communications among our Board, regional headquarters and our project companies. We have also developed a standardised property development process that governs each step of our property development activities.
- Our audit committee is responsible for, among others, maintaining a satisfactory control environment and an effective system of internal control (including any arrangements for internal audit) and to review our Group’s financial information, by monitoring the integrity of our Group’s financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them.
- Our city and site selection decisions are made by our Board. Our project reserves department at each of our Henan and Hainan regional headquarters is in charge of formulating feasibility studies for development plans and investment strategies, which takes into account and involves the participation of other departments, including the accounts department, engineering management department and cost control department.
- For certain operational and market risks, control measures are adopted at an operational level. For example, we minimise major construction risks by conducting due diligence procedures on our general construction contractors before their appointment and imposing strict contractual requirements, while adhering to regular quality control measures overseen by us and third-party construction supervision companies.
- We have adopted various internal policies and procedures for our individual employees in respect of different aspects of the property development process based on our operational needs. We also provide both in-house and external training to our employees in order to enhance their industry knowledge to manage our operational risks.

### INTELLECTUAL PROPERTY

As of the Latest Practicable Date, our Group had nine trademarks and one domain name registered in the PRC, one trademark registered in Hong Kong and two trademark applications filed in Hong Kong, which were material to our business. For further details of our intellectual property rights, please refer to the section headed “Statutory and General Information – Further Information about the Business of our Group – Intellectual property rights” in Appendix VI to this listing document.

As of the Latest Practicable Date, we were not aware of any infringement (i) by us of any intellectual property rights owned by third parties; or (ii) by any third parties of any intellectual property rights owned or being applied by us.

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### INSURANCE

According to relevant PRC laws and regulations, property developers are not required to maintain insurance coverage in respect of their property development operations. Under relevant PRC laws and regulations, however, construction contractors as employers are required to take out insurance for their construction workers. As we engage third-party contractors to carry out construction for our projects, we typically require the construction contractors of our property development projects to take out sufficient insurance coverage for our projects under development.

Our Group's PRC subsidiaries have maintained insurance for and as a third party liability against the loss of life. We also maintain motor-vehicle insurance, and has insurance coverage for our Group's properties for destruction of or damages to such properties.

Save as disclosed above, we have not maintained insurance in respect of litigation risks, business termination risks, product liability or important personnel of our Group, as such is not required under the applicable PRC laws and regulations. Our Directors are of the view that our insurance coverage is adequate and in line with customary industry practice in the PRC. However, we may incur losses beyond the limits, or outside the coverage, of our insurance policies. In addition, there are certain losses for which insurance is not available on commercially reasonable terms, such as losses suffered due to earthquake, war, civil unrest and certain other events of force majeure. We do not carry insurance to cover such losses as consistent with general business and industry practices. For our Equipment Manufacturing Business, as of the Latest Practicable Date, we maintain several insurance policies to cover our Equipment Manufacturing Business's risks, such as fire insurance, consequential loss, public liability, medical insurance for our employees, property insurance and work injury compensation. Our Directors are of the view that the above insurance policies are adequate for the existing operations of our Equipment Manufacturing Business. For further information, please refer to the section headed "Risk Factors – Risks Relating to Our Business – We may not have adequate insurance coverage to cover our potential liability or losses and as a result our business, results of operations and financial condition may be materially and adversely affected" in this listing document.

### EMPLOYEES AND OCCUPATIONAL SAFETY

#### Employees

As of 31 December 2015, we employed a total of 393 direct and full-time employees. A breakdown of our employees by geographic location as of 31 December 2015 is set forth in the table below:

| <u>Location</u>          | <u>Total Number of Direct Employees</u> | <u>Percentage of Total Direct Employees</u> |
|--------------------------|---|---|
| Singapore                | 58                                      | 14.8%                                       |
| Malaysia                 | 86                                      | 21.9%                                       |
| Thailand                 | 2                                       | 0.5%  |
| Shanghai/Shenzhen        | 23                                      | 5.1%  |
| Henan Province, the PRC  | 147                                     | 37.4%                                       |
| Hainan Province, the PRC | <u>77</u>                               | <u>19.6%</u>                                |
| <b>Total</b>             | <u><u>393</u></u>                       | <u><u>100%</u></u>                          |

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A breakdown of our employees by function as of 31 December 2015 is set forth in the table below:

| Function                                | Total Number of<br>Direct Employees | Percentage of<br>Total Direct<br>Employees |
|---|-------------------------------------|--|
| <b>Management</b>                       | 27                                  | 6.9%                                       |
| <b>Property Development Business</b>    |                                     |  |
| Sales and Marketing                     | 89                                  | 22.6%                                      |
| Project Management                      | 47                                  | 12.0%                                      |
| Project Development                     | 10                                  | 2.5%                                       |
| Finance                                 | 45                                  | 11.5%                                      |
| Personnel and Administrative            | 39                                  | 9.9%                                       |
| Business development                    | 24                                  | 6.1%                                       |
| <b>Equipment Manufacturing Business</b> |                                     |  |
| Production                              | 83                                  | 21.1%                                      |
| Purchasing & Warehouse                  | 12                                  | 3.1%                                       |
| Engineering                             | 9                                   | 2.3%                                       |
| Security                                | 2                                   | 0.5%                                       |
| Logistics                               | 6                                   | 1.5%                                       |
| <b>Total</b>                            | <u>393</u>                          | <u>100%</u>                                |

We actively recruit skilled and qualified personnel in local markets through various channels, such as headhunter's referral and advertisement placing. During the Track Record Period, we engaged headhunter in our personnel selection process for certain specific role in order to identify skilled and qualified personnel competent for the specific role. Pursuant to the contract we had with the headhunter, we would pay a commission to such headhunter equal to certain percentages of the annual salary of the personnel successfully employed by us. Save and except for the headhunter arrangement, we do not engage any external employment agent for recruitment purposes. During the Track Record Period, we had not engaged any external employment agent for recruitment purposes.

The remuneration package of our employees includes base salary and discretionary bonuses. In general, we determine employees' salaries based on each employee's qualifications, experience, position and seniority and discretionary bonuses based on employees' performances and our Group's results of operations. We believe the salaries and benefits that our employees receive are competitive with market standards in each geographic location where we conduct business.

We believe that our employees are one of our most valuable assets and have contributed to our success. We believe our workforce has sufficient credentials and experience to face the challenges that may arise in our day-to-day operations and that our initiatives, training programmes and competitive remuneration packages have contributed to increase employee productivity. We provide trainings to our employees from time to time to enhance their knowledge and skills in order to allow them to keep abreast with the changes in the real estate industry. Occasionally, we will send selected employees to other cities in the PRC for field studies in order to allow them to observe and learn from other property development projects. New employees generally undergo a probation period of two months, at the end of which a performance appraisal will be conducted, the result of which will determine their employment and remuneration package at our Group. We also conduct annual appraisal of all our employees to determine, inter alia, discretionary bonus payable. We organise training programmes for the sales and marketing employees before the launch of our development projects.

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Our employees do not negotiate their terms of employment through any labour union or by way of collective bargaining agreements. During the Track Record Period, we have not experienced any significant turnover of staff or any disruption to our business operations due to labour disputes, strikes or other industrial actions. Our Directors believe we have maintained good relationships with our employees. We did not receive any material complaints or claims from employees that affected our business operations during the Track Record Period.

As required by applicable PRC laws and regulations, we participate in various employee benefit plans of the municipal and provincial governments, including pension, medical, maternity, occupational injury, unemployment benefit plans and housing provident funds. We are required under PRC laws to make contributions to the employee benefit plans at specified percentages of the employees' monthly income, falling within the range of maximum and minimum amount specified by the relevant local government authorities. During the Track Record Period, save as disclosed in this listing document, we made full contributions to the employee benefit plans for our employees in our PRC subsidiaries as required under PRC laws and regulations during the Track Record Period.

### **Occupational Safety**

We are subject to various PRC laws and regulations with respect to occupational, health, safety, insurance and accidents, which include the Labour Law of the PRC (《中華人民共和國勞動法》), Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), the Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), the Regulations on Work-related Injury Insurances (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》) and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time. In respect of social responsibilities, in particular health, safety and social insurance, we have entered into labour contracts with our employees in accordance with the applicable PRC laws and regulations.

Under PRC laws and regulations, the construction contractor assumes responsibility for the safety of the respective construction site. Generally, a general contractor has overall responsibility for a site with subcontractors required to comply with the safety measures adopted by a general contractor. Our staff of our project management department at our headquarters and our staff of our engineering and operation department at the relevant project company will conduct site visit regularly to ensure safety measures are implemented to our satisfaction. Our employees' working manual contains policies and procedures regarding work safety and occupational health issues. We provide our employees with work safety training, and our construction sites are equipped with safety equipment. Our project management department at each of our Henan and Hainan regional headquarters is responsible for dealing with employees' health and labour safety matters.

During the Track Record Period, we did not experience any material employees safety incidents and there were no claims for personal injury or property damages. We did not pay compensation to any employees in respect of claims for personal or property damages. During the Track Record Period, no fines or penalties for non-compliance of PRC labour and safety laws and regulations were imposed on us.



### ENVIRONMENTAL MATTERS

We are subject to a number of environmental and safety laws and regulations in the PRC including the PRC Environmental Protection Law (《中華人民共和國環境保護法》) and PRC Environmental Impact Assessment Law (《中華人民共和國環境影響評價法》). Please refer to the section headed “Regulatory Overview” in this listing document for details of these laws and regulations.

We have secured the necessary assessment reports on environmental impact from Independent Third Parties for our projects in accordance with relevant PRC laws and regulations during the Track Record Period and up to the Latest Practicable Date. Under our standard construction contracts, we require our contractors to strictly comply with relevant environmental and safety laws and regulations.

For the years ended 31 December 2013, 2014 and 2015, we incurred approximately nil, nil and RMB0.67 million, respectively, in compliance costs for applicable environmental laws and regulations. Assuming there are no material changes in the environmental laws and regulations in our industry, we believe our annual environmental compliance cost will primarily depend on the number of projects which are subject to the preparation of the assessment report on environmental impact for the particular period.

As of the Latest Practicable Date, we had not encountered any material issues in passing inspections conducted by the relevant environmental authorities upon completion of our property development projects. During the Track Record Period and as of the Latest Practicable Date, we did not incur any fines or penalties for non-compliance with PRC environmental laws and regulations. As of the Latest Practicable Date, we had complied in all material respects with applicable environmental laws and regulations in the PRC, and we had obtained all required approvals in relation to the environmental impact reports for our property development projects.

### LEGAL PROCEEDINGS, COMPLIANCE AND INTERNAL CONTROL

#### Legal Proceedings

As a property developer in the PRC, from time to time, we are subject to litigation, arbitration or administrative proceedings, disputes or claims that arise during the ordinary course of our business. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or threatened litigations, arbitration or administrative proceedings which have or could be expected to have a material adverse effect on our business, results of operations, financial condition and reputation.

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### Permits, Licenses and Certificates

The table below sets forth the details of the real property developer qualification certificates and property management enterprise certificates obtained by our PRC subsidiaries for our Property Development Business in effect as of the Latest Practicable Date:

| Subsidiary         | Qualification  | Expiry Date      | Classification        |
|--------------------|--|------------------|-----------------------|
| Hainan Zhongfang   | Interim Qualification Certificate for Real Estate Development Enterprise in the PRC (中華人民共和國房地產開發企業暫定資質證書) | 11 January 2018  | Level four            |
| Wanning Yingde     | Qualification Certificate for Real Estate Development Enterprise in the PRC (中華人民共和國房地產開發企業資質證書)           | 22 March 2018    | Level four            |
| Wenchang Maoyuan   | Interim Qualification Certificate for Real Estate Development Enterprise in the PRC (中華人民共和國房地產開發企業暫定資質證書) | 23 October 2016  | Interim qualification |
| Tunchang Hongji    | Qualification Certificate for Real Estate Development Enterprise in the PRC (中華人民共和國房地產開發企業資質證書)           | 11 November 2018 | Level four            |
| Tunchang Yajing    | Qualification Certificate for Real Estate Development Enterprise in the PRC (中華人民共和國房地產開發企業資質證書)           | 11 November 2018 | Level four            |
| Henan Weiye        | Qualification Certificate for Real Estate Development Enterprise in the PRC (中華人民共和國房地產開發企業資質證書)           | 31 March 2016    | Level two             |
| Zhengzhou Daimashi | Qualification Certificate for Real Estate Development Enterprise in the PRC (中華人民共和國房地產開發企業資質證書)           | 3 August 2017    | Interim qualification |

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| Subsidiary     | Qualification  | Expiry Date      | Classification        |
|----------------|--|------------------|-----------------------|
| Henan Huibang  | Interim Qualification Certificate for Real Estate Development Enterprise in the PRC (中華人民共和國房地產開發企業暫定資質證書) | 19 June 2016     | Interim qualification |
| Henan Tiandao  | Interim Qualification Certificate for Real Estate Development Enterprise in the PRC (中華人民共和國房地產開發企業暫定資質證書) | 14 December 2016 | Interim qualification |
| Xinxiang Weiye | Qualification Certificate for Real Estate Development Enterprise in the PRC (中華人民共和國房地產開發企業資質證書)           | 8 July 2016      | Level two             |
| Henan Xingwei  | Qualification Certificate for Real Estate Development Enterprise in the PRC (中華人民共和國房地產開發企業資質證書)           | 10 October 2016  | Interim qualification |
| Hanwei Zhiye   | Interim Qualification Certificate for Real Estate Development Enterprise in the PRC (中華人民共和國房地產開發企業暫定資質證書) | 23 November 2017 | Interim qualification |

We shall submit application to renew the qualification certificate within one month before their expiry in accordance with relevant PRC laws and regulations. As advised by our PRC Legal Adviser, if the application documents have been submitted to the relevant authorities in accordance with Real Estate Development Enterprise Qualification Management Regulations (《房地產開發企業資質管理規定》) and other relevant laws and regulations, and the relevant authorities are of the view that such renewal is in compliance with the requirements under real estate development enterprise qualification management regulations and other relevant laws and regulations, there are no legal impediments to the renewal of the relevant qualification certificate.

As advised by our PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, save as disclosed in this listing document, our PRC subsidiaries had obtained all material licenses, permits, certificates and qualifications for our business operation in the PRC. If we fail to maintain our qualification certificates upon expiry, our development plans may be delayed, which could have a material adverse effect on our business and results of operations. Please refer to the section headed “Risk Factors – Risks Relating to Our Business – Failure to obtain, abide by, or material delays in obtaining, requisite certificates, permits, approvals or licenses from the PRC government may adversely affect our ability in carrying out our property development operations” in this listing document for further details.

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## BUSINESS

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For our Equipment Manufacturing Business, the following table sets forth the details of the material permits, licenses and certificates in effect as of the Latest Practicable Date that were essential to our operations:

| Subsidiary     | Permits, licenses and certificates       | Expiry Date    | Licensing body  | Description   |
|----------------|--|----------------|---|---|
| Eidec Malaysia | Manufacturing licence                    | Valid          | Ministry of International Trade and Industry Malaysia | Manufacture of clean room equipment and part thereof  |
| Eidec Malaysia | Manufacturing licence                    | 31 August 2016 | Royal Malaysian Custom Department                     | Manufacture and storing of the relevant types of dutiable/taxable goods (Licensed/ Manufacturing Warehouse) |
| Eidec Malaysia | Registration certificate of installation | 24 June 2016   | Energy Commission                                     | Registration of installation of standby generator at business premises                                      |

During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any instances of suspension or revocation of material licences, permits and certificates granted to us that were essential to our operations.

### Past Non-compliance Incidents

Our Directors confirm that, save as disclosed below, we were in compliance in all material respects with all applicable laws and regulations in the jurisdiction where we conduct our business. We set out below details of certain material non-compliance incidents. Our Controlling Shareholders have entered into the Deed of Indemnity with us to indemnify us among other things, all loss, cost, liability, damages, charges, fees, fines or expenses which any of the members of our Group may incur or suffer, arising from or in connection with any non-compliance of any members of our Group on or before the Listing Date.

Based on (i) the nature and reasons of the historical non-compliance incidents; (ii) the confirmation letters issued by the relevant competent PRC government authorities; (iii) our PRC Legal Adviser's views set forth below in respect of such non-compliance; and (iv) rectification measures and enhanced internal control measures that have been implemented, our Directors believe that none of non-compliance matters mentioned below will have any material adverse effect on our business, financial conditions and results of operations.

Save as disclosed in this listing document, our PRC Legal Adviser has advised us that we were in compliance in all material respects with PRC legal regulations and requirements applicable to us. In addition, as of the Latest Practicable Date, save as disclosed in this listing document, no material penalty for non-compliance with any laws or regulations had been imposed on us.

| Non-compliance incident  | (i) Reason(s) identified; and (ii) responsible person(s) involved  | Legal consequences, potential maximum penalties and provision made  | Rectification actions (if any) taken, current status as well as internal control measures taken   |
|--|--|---|---|
| <p><b>Commencement of construction before obtaining the requisite certificates and permits</b></p> <p>A. In June 2013, Henan Xingwei commenced construction of resettlement housing prior to obtaining the requisite construction land planning permits, construction work planning permits and construction work commencement permits from the relevant government authorities.</p> | <p>(i) We engaged in the construction of resettlement housing pursuant to our cooperation with the management committee of Zhengzhou City Jinshuiyangjin Industry Park District (鄭州市金水楊金產業園區管委會) (the "Management Committee") as part of the "Merging Villages into Community (合村併城)" scheme of Zhengzhou City, the PRC. Pursuant to the agreement regarding this project, such construction was supervised and led by the government and the relevant permits and licenses in relation to the construction should be obtained by the Management Committee. We therefore did not obtain the relevant permits and licenses in the same manner as in the construction of our other property projects.</p> <p>(ii) the Management Committee</p> | <p>According to the relevant PRC laws and regulations, we may be (i) ordered to suspend the construction, make rectification or demolition, (ii) subject to a penalty of up to 10% of the total construction cost incurred for commencing construction before obtaining the relevant construction work planning permits and subject to a penalty of up to 2% of the total value of the relevant construction contracts for commencing construction before obtaining the relevant construction work commencement permits. We may fail to obtain the completion check and acceptance regarding urban planning requirements of the project from the planning authority, and may fail to obtain the filing of the completion check and acceptance of the project from the construction authority.</p> <p>The Management Committee has issued a confirmation on 21 September 2015 confirming that such construction was supervised and led by the government in accordance with the Supervisory Opinion in relation to Merging Villages into Community (合村併城) Work issued by Zhengzhou City People's Government* (鄭州市人民政府關於合村併城工作的指導意見 (鄭政文 [2011]257號) (the "Supervisory Opinion") and the relevant permits and licenses in relation to the construction should be obtained by the Management Committee.</p> <p>In accordance with the Supervisory Opinion, local management committees are the primary responsible unit of the Merging Villages into Community projects.</p> | <p>As the Management Committee is the responsible party for obtaining the relevant permits and licenses, we are unable to rectify this non-compliance incident by obtaining such permits and licenses by ourselves.</p> <p>As of the Latest Practicable Date, the construction of phase I of the resettlement housing was completed and Henan Xingwei was in the process of arranging the delivery of the properties to the Management Committee.</p> <p>In October 2015, to ensure ongoing compliance with the applicable PRC laws and regulations relating to the obtaining of requisite permits, certificates and approvals for construction, we have adopted internal control policy requiring the manager of the engineering department of each project company to prepare a checklist setting out all permits, certificates and approvals that are required to be obtained before commencement of construction. The respective deputy general manager of the project management department of Henan Weiye and Hainan Weiye which the relevant project company is reporting to shall ensure that construction work is commenced only after all the applicable permits, certificates and approvals set out in the checklist have been obtained.</p> |

| Non-compliance incident | (i) Reason(s) identified; and (ii) responsible person(s) involved | Legal consequences, potential maximum penalties and provision made  | Rectification actions (if any) taken, current status as well as internal control measures taken   |
|-------------------------|---|---|---|
|                         |   | <p>During the Track Record Period and up to the Latest Practicable Date, we had not received any rectification order or been subject to any fine or penalty due to our construction of the resettlement housing.</p> <p>As a result of the foregoing, our PRC Legal Adviser advised us that the risk of any governmental authority imposing any penalty on us in respect of such non-compliance incident is remote.</p> <p>As such, we have not made any provision in relation to this non-compliance incident.</p> | <p>As advised by the Company, as of the Latest Practicable Date, the manager of the engineering department of each project company had at least five years of working experience and most of them had engineering-related education background; and the deputy manager of the project management department of Henan Weiye and Hainan Weiye were engineers with more than 10 years of working experience.</p> |

| <b>Non-compliance incident</b>   | <b>(i) Reason(s) identified; and (ii) responsible person(s) involved</b>  | <b>Legal consequences, potential maximum penalties and provision made</b>   | <b>Rectification actions (if any) taken, current status as well as internal control measures taken</b>   |
|--|---|---|--|
| <p>B. In April 2012, Xinxiang Weiye commenced construction of Phase III of Weiye Central Park prior to obtaining the relevant construction work commencement permits from the relevant government authorities.</p> | <p>(i) This was primarily due to inadvertent oversight of the relevant regulations by the project manager of Xinxiang Weiye.</p> <p>(ii) The project manager of Xinxiang Weiye.</p> | <p>Regarding such early construction, on 28 April 2012, the relevant government authority issued an administrative penalty (the "Administrative Penalty") to Xinxiang Weiye ordering Xinxiang Weiye to obtain relevant construction work commencement permits and fined in the amount of RMB5,000.</p> <p>We had paid the fines under the Administrative Penalty in full in May 2012 and we have obtained the relevant construction work commencement permits in August 2012. We had completed the construction and passed the completion and acceptance inspection for Phase III of Weiye Central Park.</p> <p>Save for the Administrative Penalty, as of the Latest Practicable Date, we had not been subject to any penalties imposed by the relevant government authority due to our early construction.</p> <p>As a result of the foregoing, our PRC Legal Adviser has advised us that the risk of any governmental authority imposing further penalty on us in respect of such non-compliance incident is remote.</p> <p>As such, we have not made any provision in relation to this non-compliance incident.</p> | <p>This non-compliance incidents has been settled/rectified by settling our penalty of RMB5,000.</p> <p>In October 2015, to ensure ongoing compliance with the applicable PRC laws and regulations relating to the obtaining of requisite permits, certificates and approvals for construction, we have adopted internal control policy requiring the manager of the engineering department of each project company to prepare a checklist setting out all permits, certificates and approvals that are required to be obtained before commencement of construction. The respective deputy general manager of the project management department of Henan Weiye and Hainan Weiye which the relevant project company is reporting to shall ensure that construction work is commenced only after all the applicable permits, certificates and approvals set out in the checklist have been obtained.</p> <p>As advised by the Company, as of the Latest Practicable Date, the manager of the engineering department of each project company had at least five years of working experience and most of them had engineering-related education background; and the deputy manager of the project management department of Henan Weiye and Hainan Weiye were engineers with more than 10 years of working experience.</p> |

| Non-compliance incident  | (i) Reason(s) identified; and (ii) responsible person(s) involved  | Legal consequences, potential maximum penalties and provision made  | Rectification actions (if any) taken, current status as well as internal control measures taken  |
|--|--|---|--|
| <p><b>Carrying out property development without the relevant qualification certificate for real estate development enterprise</b></p> <p>The interim qualification certificate for real estate development enterprise in the PRC for Wenchang Maoyuan expired on 10 October 2014 and it was subsequently renewed on 23 October 2015. Wenchang Maoyuan had been carrying out property development during the period from 11 October 2014 and 22 October 2015 without the relevant qualification certificate for real estate development enterprise.</p> | <p>(i) Wenchang Maoyuan submitted the relevant application materials to the relevant governmental authorities for processing; and the renewal of such certificate took place more than one year after its expiry was due to the change of functions of relevant governmental authorities and delay in governmental processes.</p> <p>(ii) The relevant governmental authorities.</p> | <p>As advised by our PRC Legal Adviser, since (i) on 31 August 2015, Wenchang City Residential and Urban Real Estate Association (文昌市住房和城乡建设局) issued a written confirmation (the "August Confirmation") confirming that Wenchang Maoyuan had been complying with relevant laws and regulations relating to property management (房屋管理), had obtained necessary authorisation and was not in violation of relevant laws and regulations relating to property management (房屋管理); (ii) on 29 September 2015, Wenchang City Residential and Urban Real Estate Association (文昌市住房和城乡建设局) issued a written confirmation (the "September Confirmation") confirming that the expiry of Wenchang Maoyuan's interim qualification certificate for real estate development enterprise would not affect its property development; (iii) the interim qualification certificate for real estate development enterprise was renewed on 23 October 2015, thus the property development activities undertaken by Wenchang Maoyuan during the period where the interim qualification certificate for real estate development enterprise had not been renewed would not have any adverse legal consequences to our Group.</p> <p>Our PRC Legal Advisers advised that Wenchang City Residential and Urban Real Estate Association (文昌市住房和城乡建设局) is a competent authority to issue the August Confirmation and the September Confirmation and that based on the scope of work and key responsibilities of Wenchang City Residential and Urban Real Estate Association (文昌市住房和城乡建设局), "property management (房屋管理)" is a general term which refers to various property-related activities under its monitoring; and it includes property development activities that Wenchang Maoyuan is principally engaged in.</p> | <p>Wenchang Maoyuan has renewed its qualification certificate for real estate development enterprise on 23 October 2015 with expiry date on 23 October 2016.</p> <p>In October 2015, to ensure ongoing compliance with the applicable PRC laws and regulations relating to the obtaining of requisite permits, certificates and approvals for construction, we have adopted internal control policy requiring the manager of the engineering department of each project company to prepare a checklist setting out all permits, certificates and approvals that are required to be obtained before commencement of construction. The respective deputy general manager of the project management department of Henan Weiye and Hainan Weiye which the relevant project company is reporting to shall ensure that construction work is commenced only after all the applicable permits, certificates and approvals set out in the checklist have been obtained.</p> |



| Non-compliance incident  | (i) Reason(s) identified; and (ii) responsible person(s) involved   | Legal consequences, potential maximum penalties and provision made  | Rectification actions (if any) taken, current status as well as internal control measures taken  |
|--|---|---|--|
| <p><b>Development of projects exceeding the eligibility under the project company's real property qualification certificate</b></p> <p>On 25 June 2013, Xinxiang Weiye was fined to an amount of RMB100,000 pursuant to an administrative penalty in relation to the development of Weiye Central Park where the actual GFA developed by Xinxiang Weiye had exceeded the maximum permitted GFA under its then valid Qualification Certificate for Real Estate Development Enterprise (Level Three), being 100,000 sq.m., in 2013. Based on our estimation, Xinxiang Weiye had developed GFA of approximately 82,293 sq.m. in excess of the then maximum permitted GFA, representing approximately 82.3% of the then permitted GFA.</p> | <p>(i) This was primarily due to inadvertent oversight and misunderstanding of the relevant regulations by the project manager of Xinxiang Weiye. Our executive Directors, namely Mr. Zhang Wei and Mr. Chen Zhiyong, had, at the relevant time, delegated the responsibility of the daily operation of Xinxiang Weiye to its project manager and management, and thus were unaware of the occurrence of such non-compliance incident. The project manager of Xinxiang Weiye misinterpreted the relevant regulations and considered that Xinxiang Weiye could rely on the higher level of qualification (being the Qualification Certificate for Real Estate Development Enterprise (Level Two) with maximum permitted GFA being 250,000 sq.m.) held by Henan Weiye, its sole shareholder, to develop the then planned GFA for Weiye Central Park. This misunderstanding was reinforced by the fact that, Xinxiang Weiye had obtained all the necessary approvals for its development of Weiye Central Park, including construction work planning permit and construction work commencement permit, issued by Xinxiang City Urban and Rural Planning Bureau (新鄉市城鄉規劃局) and Xinxiang City Urban and Rural Residential Construction Committee (新鄉市住房和城鄉建設委員會) (formerly known as 新鄉市建設委員會) respectively, and the planned GFA to be developed were made known to them on application. Such misunderstanding of the project manager was made clear after Xinxiang Weiye was fined on 25 June 2013 by Xinxiang City Urban and Rural Residential Construction Committee (新鄉市住房和城鄉建設委員會), after which Xinxiang Weiye immediately sought to upgrade its then Qualification Certificate for Real Estate Development Enterprise (Level Three) to Level Two.</p> | <p>Regarding such non-compliance, on 25 June 2013, the relevant government authority issued an administrative penalty (the "Administrative Penalty") to Xinxiang Weiye ordering Xinxiang Weiye to pay a fine in the amount of RMB100,000 (the "Fines").</p> <p>We had paid the Fines under the Administrative Penalty in full in May 2014. Save for the Administrative Penalty, as of the Latest Practicable Date, we had not been subject to any penalties imposed by the relevant government authority due to such non-compliance.</p> <p>On 18 September 2015, the Xinxiang City Urban and Rural Residential Construction Committee (新鄉市住房和城鄉建設委員會) issued a written confirmation (the "Xinxiang September Confirmation") confirming that Xinxiang Weiye had paid the Fines in full and such non-compliance would not have any adverse effect on the operation of Xinxiang Weiye. Our PRC Legal Adviser advised that the Xinxiang City Urban and Rural Residential Construction Committee is a competent authority to provide the above mentioned confirmation.</p> <p>As a result of the foregoing, our PRC Legal Adviser has advised us that the risk of any governmental authority imposing further penalty on us in respect of such non-compliance incident is remote.</p> <p>As such, we have not made any provision in relation to this non-compliance incident.</p> | <p>To facilitate our development plan, Xinxiang Weiye has upgraded its Qualification Certificate for Real Estate Development Enterprise from level three to level two and obtained the Qualification Certificate for Real Estate Development Enterprise (Level two) with maximum permitted GFA being 250,000 sq.m., on 8 July 2014.</p> <p>On 20 November 2015, the Xinxiang City Urban and Rural Residential Construction Committee (新鄉市住房和城鄉建設委員會) issued a written confirmation (the "November Confirmation") confirming that Xinxiang Weiye is permitted to carry out the construction work of Phase V of Weiye Central Park under the Qualification Certificate for Real Estate Development Enterprise (Level two) of Xinxiang Weiye.</p> <p>Having considered the Xinxiang September Confirmation and the November Confirmation issued by the Xinxiang City Urban and Rural Residential Construction Committee (新鄉市住房和城鄉建設委員會), our PRC Legal Adviser is of the view that Xinxiang Weiye is permitted to carry out the construction work of all of the phases (i.e. Phase I to Phase V) of Weiye Central Park under the aforementioned certificate and that such Administrative Penalty would not have any adverse impact on Xinxiang Weiye to renew its property qualification certificate.</p> |

| Non-compliance incident | (i) Reason(s) identified; and (ii) responsible person(s) involved  | Legal consequences, potential maximum penalties and provision made | Rectification actions (if any) taken, current status as well as internal control measures taken   |
|-------------------------|--|--|---|
|                         | <p>(i) After Xinxiang Weiye was fined on 25 June 2013, based on (i) Xinxiang Weiye's communication with the relevant governmental authorities; (ii) approvals obtained necessary for the continual development of Weiye Central Park from Xinxiang City Urban and Rural Residential Construction Committee (新鄉市住房和城鄉建設委員會); and (iii) Xinxiang Weiye considered there would be no legal impediments in obtaining the Qualification Certificate for Real Estate Development Enterprise (Level Two) since it could meet all the relevant objective standards, Xinxiang Weiye continued with its planned construction for Weiye Central Park.</p> |  | <p>In October 2015, to ensure that our actual GFA under development for our projects do not exceed the maximum permitted GFA under the real property qualification certificate, we have adopted internal control policy requiring that the manager of the engineering department of each project company to monitor the actual GFA under development and if in doubt about the calculation of the maximum permitted GFA under the real property qualification certificate, clarification and acknowledgment shall be sought from relevant government authorities. The respective deputy general manager of the project management department of Henan Weiye and Hainan Weiye, which the relevant project company is reporting to, would also monitor and review the actual GFA under development undertaken by the project companies.</p> |
|                         | <p>(ii) The project manager of Xinxiang Weiye.</p>   |  | <p>As advised by the Company, as of the Latest Practicable Date, the manager of the engineering department of each project company had at least five years of working experience and most of them had engineering-related education background; and the deputy manager of the project management department of Henan Weiye and Hainan Weiye were engineers with more than 10 years of working experience.</p>   |

| Non-compliance incident  | (i) Reason(s) identified; and (ii) responsible person(s) involved  | Legal consequences, potential maximum penalties and provision made   | Rectification actions (if any) taken, current status as well as internal control measures taken   |
|--|--|--|---|
| <p><b>Commencement of pre-sales before obtaining pre-sales permit</b></p> <p>In relation to the sales and marketing of Weiye Tiandao Tiansheshuan and Weiye Tiandao International by Henan Tiandao and in contemplation of the development of the development district of the resettlement housing operation under the "Merging Villages into Community" scheme (the "Development District") by Henan Xingwei, in Zhengzhou City, Henan Province, the PRC, Henan Xingwei and Henan Tiandao had conducted pre-sales activities, being the receipt of refundable deposit from potential customers as earnest monies for property development projects, before obtaining the required pre-sales permit.</p> | <p>(i) Lack of understanding of the relevant laws and regulations in relation to pre-sales. Due to the misinterpretation of the relevant PRC laws and regulations on pre-sales at the relevant times, our Directors and project managers of the relevant project companies mistakenly considered that receiving earnest monies from potential customers did not constitute "pre-sales" under the relevant PRC laws and regulations since (i) we did not conduct any public marketing of the relevant property projects before obtaining the relevant pre-sale permit; (ii) we did not enter into any agreement with the potential customers whom we received earnest monies from; and (iii) the earnest monies did not constitute down payment or full payment for the houses as the target unit for sale and the property price were not certain at the time the potential customers paid the earnest monies; and the earnest monies received were refundable prior to the entrance of any agreement.</p> | <p>According to the relevant PRC laws and regulations, we may be ordered to forfeit the refundable deposit received from potential customers and imposed penalties of up to 1% of such deposit received.</p> <p>During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any charge, order or penalty and no action has been taken by the governmental authorities in relation to this non-compliance incident.</p> <p>Henan Tiandao had obtained pre-sales permit to pre-sell the uncompleted units of Weiye Tiandao Tiansheshuan and Weiye Tiandao International in December 2014 and August 2015, respectively. Based on an interview conducted with an official of Zhongmou County Real Estate Management Bureau (中牟縣房地產管理局) on 15 October 2015, such official confirming that as Henan Tiandao had obtained the relevant pre-sales permit to pre-sell Weiye Tiandao Tiansheshuan and Weiye Tiandao International, they would not take any action or impose any penalties against this non-compliance. As advised by our PRC Legal Adviser, Zhongmou County Real Estate Management Bureau (中牟縣房地產管理局) is a competent governing authority for pre-sales regulation.</p> | <p>Henan Tiandao had obtained pre-sales permit to pre-sell the uncompleted units of Weiye Tiandao Tiansheshuan and Weiye Tiandao International in December 2014 and August 2015, respectively.</p> <p>In October 2015, Henan Xingwei had refunded all refundable deposits to the potential customers for the Development District in which we had received refundable deposits. As advised by our PRC Legal Adviser, having considered that all potential customers to whom we had refunded the relevant deposits had, pursuant to their written confirmations provided in October 2015, confirmed and acknowledged that (i) they had received the refundable deposits from Henan Xingwei, and (ii) upon receipt of the aforementioned refund, Henan Xingwei shall not owe any responsibilities to them regarding any unexecuted contracts, refunds, compensation and/or other obligations, our PRC Legal Adviser is of the view that the risk that Henan Xingwei would be exposed to any liabilities or claims by these potential customers is remote.</p> |
| <p>Henan Tiandao had received refundable deposit in the aggregate amount of approximately RMB229.5 million from potential customers of Weiye Tiandao Tiansheshuan and Weiye Tiandao International since January 2013 and September 2013, respectively, as earnest monies for the purchase of properties before Henan Tiandao obtained pre-sales permit for the pre-sales of Weiye Tiandao Tiansheshuan and Weiye Tiandao International on 19 December 2014 and 3 August 2015, respectively.</p>  | <p>(ii) Our executive Directors and the project managers of the relevant companies.</p>  | <p>In October 2015, to ensure ongoing compliance with the applicable PRC laws and regulations in respect of pre-sales, we have adopted an internal policy which designates our selling and marketing department at our headquarters to monitor our pre-sales activities. The general manager or the deputy general manager of our sales and marketing department of Henan Weiye and Hainan Weiye, which the relevant project company is reporting to, is responsible for approving pre-sales activities after the requisite pre-sales permits have been obtained. Regarding the compliance status of our pre-sales, the manager of the sales department of each of our project company shall report regularly to the general manager or deputy general manager of the sales and marketing department of Henan Weiye and Hainan Weiye, which in turn shall report the same regularly to the Board of Directors.</p>   | <p>In October 2015, to ensure ongoing compliance with the applicable PRC laws and regulations in respect of pre-sales, we have adopted an internal policy which designates our selling and marketing department at our headquarters to monitor our pre-sales activities. The general manager or the deputy general manager of our sales and marketing department of Henan Weiye and Hainan Weiye, which the relevant project company is reporting to, is responsible for approving pre-sales activities after the requisite pre-sales permits have been obtained. Regarding the compliance status of our pre-sales, the manager of the sales department of each of our project company shall report regularly to the general manager or deputy general manager of the sales and marketing department of Henan Weiye and Hainan Weiye, which in turn shall report the same regularly to the Board of Directors.</p>  |

| Non-compliance incident | (i) Reason(s) identified; and (ii) responsible person(s) involved | Legal consequences, potential maximum penalties and provision made | Rectification actions (if any) taken, current status as well as internal control measures taken  |
|-------------------------|---|--|--|
|                         |   |  | <p>As advised by the Company, as of the Latest Practicable Date, the general manager and deputy general manager of the sales and marketing department of Henan Weiye and Hainan Weiye had at least nine years of working experience with tertiary education; while the manager of the sales department of each of our project Company had at least five years of working experience with tertiary education.</p> |

| Non-compliance incident   | (i) Reason(s) identified; and (ii) responsible person(s) involved  | Legal consequences, potential maximum penalties and provision made  | Rectification actions (if any) taken, current status as well as internal control measures taken  |
|---|--|---|--|
| <p>Henan Xingwei had received refundable deposit in the amount of approximately RMB439.0 million from potential customers of the Development Districts since July 2013 to September 2015 as earnest monies for the Development District. As of the Latest Practicable Date, Henan Xingwei had not obtained the relevant land use rights of the Development Districts and had not started the development of the Development District.</p>   | <p>Henan Xingwei had received refundable deposits to the potential customers for the Development District in which we had received refundable deposits. Based on an interview conducted with an official of Zhengzhou City Housing Security and Real Estate Management Bureau* (鄭州市住房保障和房地產管理局) on 15 October 2015, such official confirming that as Henan Xingwei had refunded all the refundable deposits received from the potential customers before obtaining the relevant pre-sales, they would not take any action or impose any penalties against this non-compliance. As advised by our PRC Legal Adviser, Zhengzhou City Housing Security and Real Estate Management Bureau* (鄭州市住房保障和房地產管理局) is a competent governing authority for pre-sales regulation.</p>   | <p>In October 2015, Henan Xingwei had refunded all refundable deposits to the potential customers for the Development District in which we had received refundable deposits. Based on an interview conducted with an official of Zhengzhou City Housing Security and Real Estate Management Bureau* (鄭州市住房保障和房地產管理局) on 15 October 2015, such official confirming that as Henan Xingwei had refunded all the refundable deposits received from the potential customers before obtaining the relevant pre-sales, they would not take any action or impose any penalties against this non-compliance. As advised by our PRC Legal Adviser, Zhengzhou City Housing Security and Real Estate Management Bureau* (鄭州市住房保障和房地產管理局) is a competent governing authority for pre-sales regulation.</p> | <p>Based on the above, our PRC Legal Adviser is of the view that chances that we will be penalised for such non-compliance is remote.</p>  |
| <p>The actual net cash receipt in relation to the refundable deposits of the aforementioned projects for the years ended 31 December 2013, 2014 and 2015 were approximately RMB406.9 million, RMB4.3 million and RMB257.3 million, respectively. However, even if the above amount of refundable deposits received from the non-compliance pre-sales during the Track Record Period were excluded from our operating cash flow during the Track Record Period, our adjusted cash at banks and on hand would be approximately RMB146.4 million, RMB182.1 million and RMB215.2 million as of 31 December 2013, 2014 and 2015, respectively. Based on the above, our Directors believe that we would still have had sufficient liquidity to meet our financial needs and obligations at the relevant time.</p> | <p>As further advised by our PRC Legal Adviser, the relevant PRC law, rules and regulations do not state that the receipt of refundable deposits from potential customers without pre-sale permits would adversely affect one's ability to obtain of pre-sales permits and/or relevant land use rights. Therefore, our PRC Legal Adviser is of the view that (i) upon the fulfillment of the conditions to obtain the pre-sale permits as provided in the relevant PRC laws and regulations, our Group can obtain the relevant pre-sales permits; (ii) upon the fulfillment of the conditions to obtain the state-owned land use right as provided in the relevant PRC laws and regulations and on condition that our Group wins in the tendering, auction or listing for sale of land use right implemented by the competent PRC regulatory authorities, our Group can obtain the relevant the state-owned land use right in accordance with the relevant procedures; and (iii) the abovementioned non-compliance incidents of commencement of pre-sales before obtaining pre-sales permit would not adversely affect our ability to obtain pre-sales permits and/or relevant land use rights for other projects in the future.</p> | <p>Based on the above, our PRC Legal Adviser is of the view that chances that we will be penalised for such non-compliance is remote.</p>   | <p>In view of our PRC Legal Adviser's advice, our Directors consider that such non-compliance would not have a material operational or financial impact on us. Accordingly, no provision was made in our financial statements.</p> |
| <p>For further details of our pre-sales activities, please refer to the paragraph headed "Property Development Process – Sales and marketing" in this section.</p>  |  |   |  |

| <b>Non-compliance incident</b>   | <b>(i) Reason(s) identified; and (ii) responsible person(s) involved</b>   | <b>Legal consequences, potential maximum penalties and provision made</b>  | <b>Rectification actions (if any) taken, current status as well as internal control measures taken</b>  |
|--|--|--|---|
| <p><b>Engagement in improper competitive activities</b></p> <p>In April 2009 and May 2012, Xinxiang Weiye was found to be in contravention of the Competition Law of the PRC due to its engagement in improper competitive activities. Such improper competitive activities related to the prize of lucky draws held during marketing events of Weiye Central Park in April 2009 and May 2012, respectively, being in excess of the statutory limit of RMB5,000.</p> | <p>(i) Lack of understanding of the relevant laws and regulations in relation to improper competitive activities.</p> <p>(ii) The project manager of Xinxiang Weiye.</p> | <p>In April 2009 and May 2012, Xinxiang Weiye was fined RMB10,000 for each incident by the relevant governmental authority.</p> <p>As we have fully settled the penalty, as advised by our PRC Legal Adviser, the risk that we will be subject to further penalty for this non-compliance incident is low.</p> <p>In view of our PRC Legal Adviser's advice, our Directors consider that such non-compliance would not have a material operational or financial impact on us.</p> <p>Accordingly, no provision was made in our financial statements.</p> | <p>As of the Latest Practicable Date, we have fully settled the fines.</p> <p>In October 2015, we have established internal control policy to ensure our staff and sales personnel are familiar with the relevant laws and regulations in relation to improper competitive activities. The general manager and deputy general manager of the sales and marketing department of Henan Weiye and Hainan Weiye, which the relevant project company is reporting to, would enhance the relevant understanding among our staff, especially sales personnel, by providing them with regular trainings and information sessions. We would also seek PRC legal advice to ensure compliance with the relevant laws and regulations.</p> <p>As advised by the Company, as of the Latest Practicable Date, the general manager and deputy general manager of the sales and marketing department of Henan Weiye and Hainan Weiye had at least nine years of working experience with tertiary education.</p> |

| Non-compliance incident  | (i) Reason(s) identified; and (ii) responsible person(s) involved   | Legal consequences, potential maximum penalties and provision made   | Rectification actions (if any) taken, current status as well as internal control measures taken   |
|--|---|--|---|
| <p><b>Failure to make adequate social security insurance and housing provident funds contributions</b></p> <p>Since its establishment on 1 November 2006, Zhengzhou Daimashi had not (i) made certain social security insurance for certain employees; and (ii) had not registered with the local housing provident funds authority and had not made housing provident fund contributions for its employees.</p> | <p>(i) According to the cooperation agreement we entered into with Zhengzhou Shijizhongxin Zhivye Co. Ltd.* (鄭州世紀中信置業有限公司) ("Shijizhongxin"), Shijizhongxin is responsible for project construction undertook by Zhengzhou Daimashi while we are responsible for the marketing and sales of relevant project. We therefore did not monitor the compliance matters of Zhengzhou Daimashi regarding social security insurance and housing provident funds contributions.</p> <p>(ii) Shijizhongxin, our cooperation partner in Zhengzhou Daimashi.</p>  | <p>For our failure to make adequate housing provident funds contributions, as advised by our PRC Legal Adviser, Zhengzhou Daimashi may be ordered to rectify the non-compliance by (i) registering with relevant governmental authorities within a specified time frame, failing which we may be ordered to pay a fines ranging from RMB10,000 to RMB50,000; and (ii) making housing provident funds contributions in full as required under housing provident fund regulations, failing which we may be enforced by the court to make full payment of the housing provident funds contributions.</p> <p>For our failure to make adequate social security insurance, according to the relevant PRC laws and regulations, Zhengzhou Daimashi may be ordered to pay the social security insurance contributions in arrears and be subject to an overdue penalty on delinquent payment of social security insurance contributions calculated at a daily interest rate of 0.2% before 1 July 2011 and at 0.05% on and after 1 July 2011.</p> | <p>In relation to social security insurance, as of 30 September 2015, Zhengzhou Daimashi had rectified such non-compliance and had made adequate social security insurance for its employees. We would proactively seek Shijizhongxin to arrange Zhengzhou Daimashi to register with the local housing provident authority and to make adequate housing provident fund contributions for the employees.</p> <p>In October 2015, we have adopted internal control policy requiring each of our project company to strictly comply with social security insurance and housing provident fund contribution regulations and pay full statutory employee benefits for all of its employees. Specifically, the managers of the human resource department and the accounting department of each of our project company will conduct the following actions to implement such internal control policy on a monthly basis: (i) compare the number of employees contributing to the relevant funds with our internal records prior to each contribution; and (ii) withhold the employees' contribution amount from their salary and contribute to the relevant funds directly.</p> |
|  | <p>As of the Latest Practicable Date, we had not been ordered by any government authorities to make contributions previously unpaid or to pay any fines or penalties, nor are we aware of any employee complaints or demands for payment of previously unpaid contributions.</p> <p>On 16 October 2015, each of Shijizhongxin, Chen Xiuna (陳秀娜), and Liu Gairong (劉改榮), shareholders of Zhengzhou Daimashi other than us, had issued a written confirmation (the "Confirmations") confirming that Shijizhongxin is to bear all operation costs of Zhengzhou Daimashi, other than the costs in relation sales and the agreed tax to be borne by us, including administrative costs, labour costs, social security insurance, housing provident funds contributions, costs arising from administrative penalties, legal proceedings and arbitrations. Shijizhongxin also agreed to compensate Zhengzhou Daimashi for costs incurred by Zhengzhou Daimashi as a result of any non-compliance in relation to social security insurance, housing provident funds or other laws and regulations, administrative penalties or arbitration.</p> | <p>As advised by the Company, as of the Latest Practicable Date, the general manager of the human resource department of each of the project company had at least five years of working experience with tertiary education; while the general manager of the accounting department of each of the project company had at least five years of working experience with tertiary education.</p>   | <p>As advised by the Company, as of the Latest Practicable Date, the general manager of the human resource department of each of the project company had at least five years of working experience with tertiary education; while the general manager of the accounting department of each of the project company had at least five years of working experience with tertiary education.</p>  |

| Non-compliance incident  | (i) Reason(s) identified; and (ii) responsible person(s) involved  | Legal consequences, potential maximum penalties and provision made   | Rectification actions (if any) taken, current status as well as internal control measures taken   |
|--|--|--|---|
| <p><b>Non-registration of leases</b></p> <p>As of the Latest Practicable Date, Xinxiang Weiye had entered into three lease agreements, as lessors, which had yet to be registered with the relevant government authorities.</p>  | <p>(i) For lease agreements we entered into as lessors: our respective subsidiaries were in the process of arranging the registration of lease agreements pending the issuance of building ownership certificate required for registration as of the Latest Practicable Date. As considerable amount of time is needed for building ownership certificate to be issued by relevant governmental authorities, we leased such properties to third parties for rental income and to facilitate potential future sales of such properties as properties with rental contracts are generally more marketable. As advised by our PRC Legal Adviser, having considered that (i) the completion certificate for the relevant properties leased by our Group have been obtained; and (ii) the subject/leased properties are not properties that are prohibited to be leased under the relevant PRC laws and regulations, the lease of properties by our Group before obtaining the relevant building ownership certificates does not violate any applicable PRC laws and regulations.</p> | <p>Based on the above Confirmations, our Directors consider that such non-compliance would not have a material operational or financial impact on us. Accordingly, no provision was made in our financial statements.</p> <p>According to the Administration Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), lease agreements have to be registered with the relevant authorities within 30 days of signing. Our PRC Legal Adviser advised us that, subject to relevant local provincial regulations under relevant PRC laws and regulations, the relevant government authority may require the parties to a lease to register it within a given period, and a fine ranging between RMB1,000 to RMB10,000 for each unregistered lease may be imposed on the parties to the lease for failing to rectify it within the given period. As further advised by our PRC Legal Adviser, according to Henan Province Administration of Lease of Commodity Properties (《河南省房屋租賃管理辦法》), only lessors would be subject to penalties to the extent above mentioned and according to Shenzhen Special Economic Region Rules of Lease of Commodity Properties (《深圳經濟特區房屋租賃條例》), registration of lease had ceased to be mandatory. Based on the above, our PRC Legal Adviser estimated that the maximum penalty that may be imposed on us is RMB140,000.</p> | <p>For lease agreements we entered into as lessors, as of the Latest Practicable Date, we were in the process of arranging the registration of lease agreements pending the issuance of building ownership certificate required for registration.</p> <p>For lease agreements we entered into as lessees, we have been taking proactive steps to liaise with the landlords regarding registration of the lease agreements and as of the Latest Practicable Date, most of our lease agreements entered into as lessee had not been registered with relevant government authorities.</p>  |
| <p>As of the Latest Practicable Date, Hainan Weiye, Henan Weiye, Jinwei (Henan), Hongji Property, Hongji Consulting, Tunchang Hongji, Tunchang Yajing, Zhengzhou Daimashi, Henan Huibang, Henan Tiandao, Xinxiang Weiye, Henan Xingwei, Hanfang Yaoye, Hanwei Zhiye, Eindec Shanghai and Eindec Shenzhen leased 31 properties as offices in various cities of the PRC and accordingly entered into 31 lease agreements as lessees which had yet to be registered with the relevant government authorities.</p> | <p>(ii) For lease agreements we entered into as lessees: the relevant landlords did not cooperate to file the lease agreements and other relevant documents.</p> <p>For lease agreements we entered into as lessors: the project managers of the relevant project companies.</p> <p>For lease agreements we entered into as lessees: the relevant landlords of the properties concerned.</p>   | <p>As further advised by our PRC Legal Adviser, such agreements are valid and shall be binding on the parties even without filing the statutory lease registration. However, a lease without completing the statutory lease registration may be subject to a registered lease entered into between a bona fide third party tenant and the landlord regarding the property in question.</p> <p>During the Track Record Period and up to the Latest Practicable Date, we had not received any rectification order or been subject to any fine or penalty in respect of non-registration of lease agreements. In view of our PRC Legal Adviser's advice, our Directors consider that such non-compliance would not have a material operational or financial impact on us. Accordingly, no provision was made in our financial statements.</p>   | <p>In October 2015, to ensure ongoing compliance with the applicable PRC laws and regulations relating to registration of lease agreements, we have adopted internal control policy requiring that a register which shall include basic information regarding each lease agreement and its registration to be maintained at our headquarters. For lease agreement we entered as lessees, the administrative director and the deputy manager of the human resource and administrative department of Henan Weiye and Hainan Weiye, respectively, which the relevant project company is reporting to, shall review the register on a regular basis and follow up with the relevant landlord if a lease agreement has not been timely registered. For lease agreement we entered as lessors, the deputy manager of the sales and marketing department of Henan Weiye and Hainan Weiye, which the relevant project company is reporting to, review the register on a regular basis and monitoring the timely registration of lease agreement entered into by the relevant project company.</p> |



| Non-compliance incident | (i) Reason(s) identified; and (ii) responsible person(s) involved | Legal consequences, potential maximum penalties and provision made | Rectification actions (if any) taken, current status as well as internal control measures taken   |
|-------------------------|---|--|---|
|                         |   |  | <p>As advised by the Company, as of the Latest Practicable Date, the administrative director of the human resource and administrative department of Henan Weiye had more than 10 years of working experience with tertiary education; deputy manager of the human resource and administrative department of Hainan Weiye had had 15 years of working experience with tertiary education; the deputy manager of the sales and marketing department of Henan Weiye and Hainan Weiye had 15 years of working experience with tertiary education.</p> |

### INTERNAL CONTROL MEASURES TO ENSURE FUTURE COMPLIANCE

In order to ensure future compliance with applicable laws and regulations and related policies in different operational aspects, we have adopted the following steps and measures to further enhance our corporate governance practices and the effectiveness of our internal control measures:

- (i) in October 2015, we have adopted the specific enhanced internal control measures and policies (the “**Specific Internal Control Measures**”) against each of the our historical non-compliance incidents in order to prevent re-occurrence of these incidents in the future. Please refer to the paragraph headed “Legal Proceedings, compliance and internal control – Past non-compliance incidents – Rectification actions (if any) taken, current status as well as internal control measures taken” in this section for further details;
- (ii) our Directors have attended trainings on 6 August 2015 conducted by our Hong Kong legal adviser, Bird & Bird, on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the Listing Rules; and our Directors are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong;
- (iii) since the non-compliance incidents were mainly due to the inadvertent oversight or lack of understanding of the relevant legal requirements by the management or project managers at the individual project company level, our Company arranged our executive Directors and senior management, the management of each of the departments at Henan Weiye and Hainan Weiye and the management and project managers at project companies to attend training sessions either on 11 November 2015, 16 November 2015 or 19 November 2015 conducted by our PRC Legal Adviser, on applicable PRC laws, rules and regulations in relation to property development and project management and the relevant latest development thereof, in order to familiarise and update the relevant personnel on the laws and regulations applicable to our business operation;
- (iv) we will continue to arrange trainings from time to time and at least half yearly after Listing, on applicable industry-related PRC laws, rules and regulations, to our executive Directors, senior management, the management of each of the departments at Henan Weiye and Hainan Weiye and management and project managers at project companies to refresh them with the relevant laws, rules and regulation and update them with any recent development thereof;
- (v) we have appointed CLC International Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines;
- (vi) we have established the Audit Committee which comprises three independent non-executive Directors. The Audit Committee will review and report to the Board at least annually the adequacy and effectiveness of our internal controls. In particular, the Audit Committee is empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters;
- (vii) we shall employ a compliance officer with relevant PRC legal and regulatory background, principally responsible for monitoring and supervising our Group’s regulatory compliance, reporting to the Executive and Compliance Office on the status of our Group’s regulatory compliance and liaising with external legal advisers;

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- (viii) our Executive and Compliance Office, which comprises of our executive Chairman, chief executive officer, chief operating officer, chief financial officer and the compliance officer to be appointed, will continuously monitor our internal control measures, including the implementation of the internal control measures taken to avoid recurrence of the non-compliance incidents stated in the paragraph headed “Legal Proceedings, Compliance and Internal Control – Past Non-compliance Incidents” in this section and will report findings and make appropriate recommendations to the Audit Committee of the Board half yearly. Currently, our executive Chairman and chief operating officer are both executive Directors;
- (ix) we have retained external legal advisers, to review and advise on the regulatory compliance in respect of all relevant PRC laws and regulations, and to provide legal advice and training to our Directors and members of our senior management in respect of all relevant PRC laws and regulations;
- (x) we will provide trainings on our internal policies with respect to key operational aspects to our Directors, senior management and other key personnel of our Group on a need basis; and
- (xi) we will engage external internal control consultant, Nexia TS Risk Advisory Pte. Ltd., to conduct regular internal control reviews once a year to ensure that the governmental regulations and related policies in different operational aspects are fully complied with. Such review conducted by the external internal control consultant would include review of the implementation and effectiveness of internal control measures taken to avoid recurrence of the non-compliance incidents stated in the paragraph headed “Legal Proceedings, Compliance and Internal Control – Past Non-compliance Incidents” in this section.

We engaged our internal control consultant, namely Nexia TS Risk Advisory Pte. Ltd. (“**Nexia TS**”), in July 2015 to review the adequacy and effectiveness of our internal control system associated with our major business processes as well as our Specific Internal Control Measures adopted to prevent recurrence of the non-compliance incidents. Based on the findings, recommendations, action plans proposed and testing results of the work performed by our internal control consultant, it is considered that our internal control system, including our Specific Internal Control Measures adopted to prevent recurrence of the non-compliance incidents, is adequate and sufficient. Nexia TS noted in its follow-up review in October 2015 that we had implemented the internal control policies in accordance with its recommendations, including the Specific Internal Control Measures to avoid recurrence of the non-compliances.

Nexia TS is one of the related companies of Nexia TS Pte Ltd (member firm of Nexia International) and is principally engaged in provision of risk management, internal audit and advisory services. Based on the information provided by Nexia TS, Nexia TS has been engaged to provide internal control review to over 10 listed companies in Singapore in recent years. The engagement team of Nexia TS contain members that are certified internal auditor and/or member of the Institute of Singapore Chartered Accountant. Having considered the experience and qualifications of Nexia TS, the Sole Sponsor has no reasonable doubt on the competency of Nexia TS to act as the internal control consultant of our Company.

After considering the above remedial actions taken by our Group and our business nature and operation scale, our Directors are satisfied that our internal control system is adequate and effective for our current operation environment.

After making enquiries of the management of our Group, discussing with our internal control consultant regarding our internal control system and having considered the above remedial actions taken by us and our business nature and operation scale, the Sole Sponsor concurs with our Directors’ view that our internal control system is adequate and effective to enable us to comply with the Listing Rules and relevant regulatory requirements.

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Furthermore, having considered the facts and circumstances leading to the non-compliance incidents and our internal control measures to avoid recurrence of these non-compliances, particularly the following:

- (i) the Directors did not obtain any personal benefits directly or indirectly from the non-compliance incidents. The past non-compliance incidents are not related to the character of the Directors and do not raise any concern on the integrity of them as such incidents did not involve any fraudulent or dishonest acts by the Directors;
- (ii) all of the past non-compliance incidents occurred at the operational level of the project companies which the executive Directors, namely Mr. Zhang Wei and Mr. Chen Zhiyong, who are primarily involved in the formulation of the overall development strategies and investment plan of the Group, did not involve. The executive Directors had delegated the responsibility of the daily operation of the project companies to the management and project managers of the relevant project companies and thus may not aware of such non-compliance incidents occurred at the operational level. As advised by the Directors, such delegation is not uncommon in the property development industry allowing division of labour and operational flexibility;
- (iii) the management of the Group had all along considered that an effective and updated internal control system is crucial to the Group and had therefore adopted a comprehensive internal control system and engaged internal control consultant, Nexia TS, to regularly review the effectiveness of the Group's internal control system. Nevertheless, it is inevitable that occasional accidental failure of such internal control systems beyond the Director's control may occur. As such, it is considered that there may not be direct correlation between the non-compliance incidents and the competence of the Directors and therefore these non-compliances should not be taken as a conclusive evidence regarding the competence of the Directors as directors of a listed company;
- (iv) as soon as the Directors were made aware of the occurrence of the non-compliance incidents during the preparation of the Listing application, they immediately proceeded to rectify the non-compliance incidents at the first opportunity to the extent applicable, and engaged internal control consultant to review the adequacy and effectiveness of internal control system of the Group;
- (v) the Group has adopted the Specific Internal Control Measures recommended by Nexia TS after its review to avoid recurrence of the non-compliance incidents. Nexia TS noted in its follow-up review in October 2015 that the Group had implemented the internal control policies in accordance with its recommendations, including the Specific Internal Control Measures to avoid recurrence of the non-compliance incidents. Please refer to the paragraph headed "Legal Proceedings, compliance and internal control – Past non-compliance incidents – Ratifications actions (if any) taken, current status as well as internal control measures taken" in this section for details;
- (vi) in addressing the lack of correct interpretation of the relevant PRC laws and regulations of our Group's relevant managers, which were the cause of some of our non-compliance incidents, our Group had arranged executive Directors and senior management, the management of each of the departments at Henan Weiye and Hainan Weiye and the management and project managers at project companies to attend training sessions conducted by the Company's PRC Legal Adviser and intended to continue to arrange trainings from time to time and at least half yearly in relation to applicable industry-related PRC laws, rules and regulations, to our executive Directors, senior management, the management of each of the departments at Henan Weiye and Hainan Weiye and management and project managers at project companies. In addition, our Group shall also retain an external legal adviser prior to the Listing and shall employ a compliance officer with relevant PRC legal and regulatory background;

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- (vii) in order to enhance the oversight and monitoring of our internal control measures, our Executive and Compliance Office, which comprises of our executive Chairman, chief executive officer, chief operating officer, chief financial officer and the compliance officer to be appointed, will continuously monitor our internal control measures and will report findings and make appropriate recommendations to the Audit Committee of the Board half yearly;
- (viii) no similar non-compliance incidents had occurred since the implementation of the enhanced internal control measures and the PRC legal training sessions provided to the Directors and senior management in November 2015 and up to the Latest Practicable Date;
- (ix) the non-compliance incidents were individually and collectively not material, and did not and will not have any significant financial and operational impact to the Group; and
- (x) in particular, in relation to the commencement of pre-sales before obtaining pre-sales permit (the “**Unauthorised Pre-sales**”),
  - the Unauthorised Pre-sales were unintentional, due to the reasons being, the operational delegation of pre-sales-related matters to project companies and the lack of the correct interpretation of the relevant PRC laws and regulations;
  - our executive Directors had delegated the management of the pre-sales activities to the management and project managers of the relevant project companies at the relevant times of the Unauthorised Pre-sales to facilitate division of labour and operational flexibility, while our executive Directors could focus on formulation of the overall development strategies and investment strategy of our Group;
  - the relevant project companies, i.e. Henan Tiandao and Henan Xingwei, had never been subject to any charge, order or penalty and no action has been taken by any governmental authorities in relation to such Unauthorised Pre-sales. Nevertheless, our Group through a legal review in preparation for the Listing discovered such non-compliance and immediately rectified such incident by returning all the refundable deposits to the potential customers of the project which had not obtained pre-sales permit in the aggregate amount of approximately RMB439.0 million; and
  - our Directors, having acknowledged the importance of having an appropriate line of authority in pre-sales management, had adopted a vertical management approach in requiring the selling and marketing department at our headquarters to monitor the pre-sales activities. Please refer to the paragraph headed “Legal Proceedings, compliance and internal control – Past non-compliance incidents – Rectification actions (if any) taken, current status as well as internal control measures taken” in this section in the section for details;

our Directors are of the view, and the Sole Sponsor concurred with our Directors’ view, that the non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules and our suitability for listing under Rule 8.04 of the Listing Rules. Regarding the failures of Mr. Zhang Wei, Mr. Chen Zhiyong and Mr. Dong Xincheng, all being our Directors, in procuring the relevant companies of whom they were either a director and/or legal representative to renew business licenses upon expiry or conduct the required annual inspections, our Directors are of the view, and the Sole Sponsor concurred with our Directors’ view, that such incidents do not have any material impact on their suitability to act as the Company’s Directors under Rules 3.08 and 3.09 of the Listing Rules that since (i) Mr. Zhang Wei, Mr. Chen Zhiyong and Mr. Dong Xincheng did not involve in the management or daily operation of those PRC companies; (ii) there is no wrongful act on the part of Mr. Zhang Wei, Mr. Chen Zhiyong and Mr. Dong Xincheng leading to the revocation of business registration licences; (iii) none of them is aware of any actual or potential claim that has been or will be made against them as a result of such licence revocation; and (iv) no misconduct or misfeasance had been involved in the licence revocation or dissolution of those companies, the licence

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revocations shall not impugn Mr. Zhang Wei, Mr. Chen Zhiyong and Mr. Dong Xincheng's abilities to oversee the operations of companies under their leadership and management. For further details, please refer to the section headed "Directors and Senior Management – Directors" in this Listing Document.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date and immediately following the Listing, save and except any Shares (i) to be lent by Mr. Zhang Wei pursuant to the Stock Borrowing and Lending Agreements or (ii) to be sold by Mr. Zhang Wei pursuant to the Sale and Repurchase Agreement, Zhang Wei and Chen Zhiyong were and will be beneficially interested in approximately 66.93% of the issued share capital of our Company. Although Chen Zhiyong will only hold 20.52% interests in the Company upon Listing and is not a controlling shareholder under the Listing Rules, given his identical past voting pattern and close relationship with Zhang Wei, the Company believes that it is appropriate to aggregate his equity interests in the Company with those held by Zhang Wei and treat them as a group of Controlling Shareholders.

Other than Zhang Wei and Chen Zhiyong, as of 15 March 2016 (being the latest information ascertainable before the Latest Practicable Date), Raffles Nominees (Pte) Limited was interested in approximately 37.28% of the issued share capital of our Company, out of which approximately 31.14% of the issued share capital of our Company was held for Zhang Wei and Chen Zhiyong, our executive Directors and Zhang Jianwei, a former non-executive director and substantial shareholder of our Company and currently remains a connected person of our Company. Raffles Nominees (Pte) Limited is only a nominee holding the Shares as a broker for and on behalf of certain beneficial owners which may or may not be connected persons of our Group including but not limited to Zhang Wei and Chen Zhiyong. Further, as Zhang Wei, Chen Zhiyong and Zhang Jianwei do not control Raffles Nominees (Pte) Limited in terms of its shareholdings or by way of control of its board of directors whether individually or collectively, Raffles Nominees (Pte) Limited is therefore not considered as our controlling shareholder.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, we believe our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the Listing.

#### Financial independence

Our Group has established and maintained independent internal control and accounting systems, accounting and finance departments, independent treasury function for cash receipts and payments, and independent access to third-party financing.

During the Track Record Period, our Controlling Shareholders, namely Zhang Wei and Chen Zhiyong, had provided certain unsecured loans to our Group as working capital. Such loans have been repaid in full prior to Listing. Details of the loans provided by the Controlling Shareholders are set out in the sub-section headed “(B) Discontinued Related Party Transactions” in the section headed “Connected Transactions” in this listing document. Notwithstanding the repayment of the loan to our Controlling Shareholders, our Group can have independent access to third-party financing and is able to obtain bank loans without reliance on our Controlling Shareholders, such that our Group will continue to have sufficient working capital after Listing.

During the Track Record Period, as security in support of various loans or facilities provided to our Group companies, our Controlling Shareholders have provided guarantee or pledged their assets in favour of the lender. All of these security has been released as at the Latest Practicable Date. Please refer to the section headed “Connected Transactions – Related party transactions – (B) Discontinued related party transactions – Security provided by connected persons” for further details.

Under these circumstances, our Directors believe that our Group is capable of carrying on our business without financial reliance on our Controlling Shareholders.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### Operational independence

Despite the fact that we will have certain continuing connected transactions by leasing certain office properties from certain connected persons of our Company or their associates, particulars of which are set out in the sub-section headed “(A) Continuing Connected transactions exempt from reporting, annual review, announcement and independent shareholders’ approval requirements” in the section headed “Connected Transactions” in this listing document, having considered that (i) we have established our own organisational structure which comprises individual departments, each with specific areas of responsibilities; (ii) our Group has not shared our operational resources, such as customers, marketing, sale and general administration resources with our Controlling Shareholders and/or their respective associates; (iii) our Group may lease properties at other locations for our office premises in substitution for and/or in addition to the said properties leased from Zhang Jianwei, Yang Kai, Zhang Peihong and Zhang Lihong, our Directors consider our Group can operate independently from our Controlling Shareholders from the operational perspective.

### Management independence

Notwithstanding the Controlling Shareholders have a controlling interest in our Company and comprise our executive Directors and chairman of the Board, our Board of Directors has full authority to make all decisions on its business operations independently and has access to our suppliers without reliance on the Controlling Shareholders. As at the Latest Practicable Date, none of our executive Directors has overlapping roles or responsibilities in any business other than our business nor has any business which competes or is likely to compete, either directly or indirectly, with our business.

Each of our Directors is aware of his fiduciary duties as a director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as Director and his interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transaction and shall not be counted towards the quorum.

### NON-COMPETITION UNDERTAKING

Our Controlling Shareholders (the “**Undertaking Parties**”) have confirmed that neither they nor any of their respective associates is/are currently interested, involved or engaged, or is likely to be interested, involved or engaged, directly or indirectly, in business which competes or is likely to compete, directly or indirectly, with our Group’s business (as disclosed in this listing document) and would require disclosure under Rule 8.10 of the Listing Rules. The Undertaking Parties have entered into a deed of non-competition (the “**Deed of Non-competition**”) in favour of our Company to the effect that from the Listing Date, the Undertaking Parties will not, and will procure that none of their close associates shall, except through our Group or with prior written consent of our Company, (i) directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of our Group as disclosed in this listing document (the “**Restricted Business**”) in any country/territory/province/state/city (as the case may be) where (a) our Group engages in (i) the business of property development, construction and sales and/or (ii) clean room and HVAC equipment design, manufacture and distribution business, and (b) products of any member of our Group are exported to or sold at, either at present or in the future (the “**Restricted Territory**”) save for the holding by the Undertaking Parties and/or their respective close associates of not more than in aggregate 5% shareholding interests in any listed company of which the Undertaking Parties and their respective close associates are not entitled to participate in the management; and (ii) directly or indirectly take any action which constitutes an interference with or a disruption of any of our Group’s business activities in the Restricted Territory including, but not limited to, solicitation of our Group’s customers, suppliers or personnel of any member of our Group.



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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The Undertaking Parties have also undertaken with us that with effect from the Listing Date, if any new business opportunity relating to the Restricted Business in the Restricted Territory (the “**Business Opportunity**”) is made available to any of them or their respective close associates, he shall direct to us any such Business Opportunity by serving a written notice which shall include all information together with any documents possessed by him or his close associates in respect of the Business Opportunity to enable us to evaluate the merit of the Business Opportunity and provide us with all reasonable assistance as requested by us to enable our Group to secure the Business Opportunity. The Undertaking Parties are not allowed to, and shall procure their respective close associates (other than members of the Group) not to, pursue the Business Opportunity even if we decide not to pursue such Business Opportunity.

The Deed of Non-competition also provides, amongst other things, that:

- (i) the Undertaking Parties undertake to provide to us all information necessary for the enforcement of the undertakings contained in the Deed of Non-competition; and
- (ii) if required by us, the Undertaking Parties undertake to make a statement in the annual report of our Company confirming compliance by them and their respective close associates with the terms of the Deed of Non-competition after the Listing Date.

The Deed of Non-competition will cease to have effect on the Undertaking Parties (i) if the Shares cease to be listed on the Stock Exchange; or (ii) if the Undertaking Parties or their respective close associates are in aggregate interested (directly or indirectly) in less than 30% of the entire issued share capital of our Company. Based on all necessary information so undertaken to be provided by the Undertaking Parties pursuant to the terms of the Deed of Non-competition for the enforcement of the undertakings contained therein, our independent non-executive Directors will review, at least on an annual basis, compliance with the Deed of Non-competition by the Undertaking Parties. We will disclose all decisions, if any, on matters reviewed by our independent non-executive Directors relating to the enforcement of the Deed of Non-competition undertaking in our annual report, in addition to complying with the applicable disclosure requirements under the Listing Rules. In particular, if the Business Opportunity is turned down by our Company under the Deed of Non-competition, all such rejections and the relevant basis will be included in our annual report. Any decision relating to the exercise of any of our rights under the Deed of Non-competition shall be made by our independent non-executive Directors. If we decide to exercise any of our rights granted under the Deed of Non-competition, we will comply with the applicable requirements under the Listing Rules.

### NON-DISPOSAL UNDERTAKING

Each of the Controlling Shareholders has undertaken to each of our Company, the Sole Sponsor, and the Stock Exchange that, except with the prior written consent of the Sole Sponsor and unless in compliance with the requirements of the Listing Rules he will not, and shall procure that none of his close associates will, at any time during the period of six months immediately following the Listing Date (the “**Lock-up Period**”), enter into any transaction to sell, offer to sell, contract or agree to sell, create any encumbrance or grant any option, right or interest over, or otherwise transfer or dispose of any Share or offer to or agree to or announce any intention to effect any of the above transaction.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Each of the Controlling Shareholders has further undertaken to our Company, the Sole Sponsor, and the Stock Exchange that, except with the prior written consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules, he will not, and shall procure that none of his close associates will, at any time during the period of six months immediately following the expiry of the Lock-up Period, do any of the foregoing if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

In the event that he enters into any of the transactions specified above or offers to or agrees to or announces any intention to effect any such transaction, he will take all reasonable steps to ensure that he will not create a disorderly or false market in the securities of our Company.

Each of Zhang Wei and Chen Zhiyong has further undertaken to each of our Company and the Sole Sponsor that, he will, at any time within the period commencing on the date of this listing document and ending on the date which is 12 months after the Listing Date:

- (a) upon any pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any Shares or securities or interests in the Shares or securities of our Company beneficially owned by him for a bona fide commercial loan, immediately inform our Company and the Sole Sponsor in writing of such pledge or charge together with the number of Shares or securities so pledged or charged; and
- (b) upon any indication received by him, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the Shares or securities of our Company will be disposed of, immediately inform our Company and the Sole Sponsor in writing of such indications.

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## CONNECTED TRANSACTIONS

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### CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions with entities which will become our connected persons upon Listing. These transactions will continue following the Listing and will constitute continuing connected transactions within the meaning under the Listing Rules (the “**Continuing Connected Transactions**”).

Other than the connected transactions set out in this section, our Group currently does not have any other on-going connected transaction.

#### **(A) Continuing Connected Transactions exempt from reporting, annual review, announcement and independent shareholders’ approval requirements**

##### ***Lease agreement between Jinwei (Henan) and Zhang Jianwei***

###### *Background*

During the Track Record Period, Jinwei (Henan) leased a piece of property from Zhang Jianwei as office premises in Zhengzhou, PRC. On 31 December 2014, Jinwei (Henan), as tenant, entered into a lease agreement (the “**2014 ZJW Lease Agreement**”) with Zhang Jianwei, as landlord, for the lease of Room 110011, 11/F, Building No. 5, Shangmao Road West and East Shangcheng Road North, Jinshui District, Zhengzhou, Henan Province, China with an area of approximately 265.88 sq. m. at an annual rent of RMB122,052 for a term of 1 year commencing on 6 January 2015 and ended on 6 January 2016. On 25 September 2015, Jinwei (Henan) and Zhang Jianwei entered into a lease agreement to renew the 2014 ZJW Lease Agreement (the “**2015 ZJW Lease Agreement**”), pursuant to which the said property was leased for an additional term of 6 months commencing on 7 January 2016 and ending on 6 July 2016 at a monthly rental of RMB10,171.

###### *Relationship*

Jinwei (Henan) is an indirect wholly owned subsidiary of our Company and Zhang Jianwei is the brother of Zhang Wei, one of our executive Directors and chairman of the Board. Zhang Jianwei is therefore an associate of Zhang Wei and will become a connected person of our Company under Rule 14A.07(1) of the Listing Rules upon Listing.

###### *Historical Transaction Amounts*

For the years ended 31 December 2013, 2014 and 2015, the aggregate amounts of rent paid by Jinwei (Henan) to Zhang Jianwei for the leasing of the property listed above amounted to approximately RMB nil, RMB nil and RMB120,000 respectively.

###### *Future Transaction Amount*

It is anticipated that the rent payable by our Group to Zhang Jianwei under the 2014 ZJW Lease Agreement and the 2015 ZJW Lease Agreement for the financial year ending 31 December 2016 will be approximately RMB63,000.

###### *Proposed Annual Cap on Future Transaction Amounts*

As the 2015 ZJW Lease Agreement was entered into between a subsidiary of our Group and a connected person, in accordance with Rule 14A.53 of the Listing Rules, it is expected that the maximum aggregate annual amount of rent payable by our Group under the 2015 ZJW Lease Agreement for the financial year ending 31 December 2016 shall not exceed the proposed cap of RMB150,000.

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## CONNECTED TRANSACTIONS

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In arriving at the above proposed cap of rental payable, our Directors have considered (i) the historical rent paid by our Group; (ii) the market rental of the properties in the same area and of similar size and grade to the premises.

Our Directors and DTZ, having reviewed the 2015 ZJW Lease Agreement, conducted market research on the leasing markets in Zhengzhou and collected rental evidence of comparable properties in the locality as well as similar locations in Zhengzhou, have confirmed that (i) the terms and conditions of the 2015 ZJW Lease Agreement are fair and reasonable to the parties thereto and are entered into on normal commercial terms; and (ii) the amounts payable thereunder reflect the then market rates or better for properties of a similar status in similar locations.

### *Listing Rules Implications*

As the applicable percentage ratios under Chapter 14 of the Listing Rules for the transactions under the 2015 ZJW Lease Agreement as set out above are on an annual basis less than 5% and the total rental is less than HK\$3,000,000, by virtue of Rule 14A.76(1)(c) of the Listing Rules, such transactions constitute Continuing Connected Transactions exempt from reporting, annual review, announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules.

### ***Lease agreement between Jinwei (Henan) and Yang Kai***

#### *Background*

During the Track Record Period, Jinwei (Henan) leased a piece of property from Yang Kai as office premises in Zhengzhou, PRC. On 31 December 2014, Jinwei (Henan), as tenant, entered into a lease agreement (the "**2014 YK Lease Agreement**") with Yang Kai, as landlord, for the lease of Room 110019, 11/F, Building No. 5, Shangmao Road West and East Shangcheng Road North, Jinshui District, Zhengzhou, Henan Province, China with an area of approximately 255.88 sq. m. at an annual rent of RMB117,360 for a term of 1 year commencing on 6 January 2015 and ended on 6 January 2016. On 25 September 2015, Jinwei (Henan) and Yang Kai entered into a lease agreement to renew the 2014 YK Lease Agreement (the "**2015 YK Lease Agreement**"), pursuant to which the said property was leased for an additional term of 6 months commencing on 7 January 2016 and ending on 6 July 2016 at a monthly rental of RMB9,780.

#### *Relationship*

Jinwei (Henan) is an indirect wholly owned subsidiary of our Company and Yang Kai is the spouse of Zhang Wei, one of our executive Directors and chairman of the Board. Yang Kai is therefore an associate of Zhang Wei and will become a connected person of our Company under Rule 14A.07(4) of the Listing Rules upon Listing.

#### *Historical Transaction Amounts*

For the years ended 31 December 2013, 2014 and 2015, the aggregate amounts of rent paid by Jinwei (Henan) to Yang Kai for the leasing of the property listed above amounted to approximately RMB nil, RMB nil and RMB115,000 respectively.

#### *Future Transaction Amount*

It is anticipated that the rent payable by our Group to Yang Kai under the 2014 YK Lease Agreement and the 2015 YK Lease Agreement for the financial year ending 31 December 2016 will be approximately RMB61,000.

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## CONNECTED TRANSACTIONS

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### *Proposed Annual Cap on Future Transaction Amounts*

As the 2015 YK Lease Agreement was entered into between a subsidiary of our Group and connected person, in accordance with Rule 14A.53 of the Listing Rules, it is expected that the maximum aggregate annual amount of rent payable by our Group under the 2015 YK Lease Agreement for the financial year ending 31 December 2016 shall not exceed the proposed cap of RMB150,000.

In arriving at the above proposed cap of rental payable, our Directors have considered (i) the historical rent paid by our Group; (ii) the market rental of the properties in the same area and of similar size and grade to the premises.

Our Directors and DTZ, having reviewed the 2015 YK Lease Agreement, conducted market research on the leasing markets in Zhengzhou and collected rental evidence of comparable properties in the locality as well as similar locations in Zhengzhou, have confirmed that (i) the terms and conditions of the 2015 YK Lease Agreement are fair and reasonable to the parties thereto and are entered into on normal commercial terms; and (ii) the amounts payable thereunder reflect the then market rates or better for properties of a similar status in similar locations.

### *Listing Rules Implications*

As the applicable percentage ratios under Chapter 14 of the Listing Rules for the transactions under the 2015 YK Lease Agreement as set out above are on an annual basis less than 5% and the total rental is less than HK\$3,000,000, by virtue of Rule 14A.76(1)(c) of the Listing Rules, such transactions constitute Continuing Connected Transactions exempt from reporting, annual review, announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules.

### ***Lease agreement between Jinwei (Henan) and Zhang Peihong***

#### *Background*

During the Track Record Period, Jinwei (Henan) leased a piece of property from Zhang Peihong as office premises in Zhengzhou, PRC. On 31 December 2014, Jinwei (Henan), as tenant, entered into a lease agreement (the “**2014 ZPH Lease Agreement**”) with Zhang Peihong, as landlord, for the lease of Room 110002, 11/F, Building No. 5, Shangmao Road West and East Shangcheng Road North, Jinshui District, Zhengzhou, Henan Province, China with an area of approximately 219.6 sq. m. at an annual rent of RMB101,028 for a term of 1 year commencing on 6 January 2015 and ended on 6 January 2016. On 25 September 2015, Jinwei (Henan) and Zhang Peihong entered into a lease agreement to renew the 2014 ZPH Lease Agreement (the “**2015 ZPH Lease Agreement**”), pursuant to which the said property was leased for an additional term of 6 months commencing on 7 January 2016 and ending on 6 July 2016 at a monthly rent of RMB8,419.

#### *Relationship*

Jinwei (Henan) is an indirect wholly owned subsidiary of our Company and Zhang Peihong is the spouse of Chen Zhiyong, one of our executive Directors. Zhang Peihong is therefore an associate of Chen Zhiyong and will become a connected person of our Company under Rule 14A.07(4) of the Listing Rules upon Listing.

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## CONNECTED TRANSACTIONS

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### *Historical Transaction Amounts*

For the years ended 31 December 2013, 2014 and 2015, the aggregate amounts of rent paid by Jinwei (Henan) to Zhang Peihong for the leasing of the property listed above amounted to approximately RMB nil, RMB nil and RMB99,000 respectively.

### *Future Transaction Amount*

It is anticipated that the rent payable by our Group to Zhang Peihong under the 2014 ZPH Lease Agreement and the 2015 ZPH Lease Agreement for the financial year ending 31 December 2016 will be approximately RMB52,000.

### *Proposed Annual Cap on Future Transaction Amounts*

As the 2015 ZPH Lease Agreement was entered into between a subsidiary of our Group and a connected person, in accordance with Rule 14A.53 of the Listing Rules, it is expected that the maximum aggregate annual amount of rent payable by our Group under the 2015 ZPH Lease Agreement for the financial year ending 31 December 2016 shall not exceed the proposed cap of RMB150,000.

In arriving at the above proposed cap of rental payable, our Directors have considered (i) the historical rent paid by our Group; (ii) the market rental of the properties in the same area and of similar size and grade to the premises.

Our Directors and DTZ, having reviewed the 2015 ZPH Lease Agreement, conducted market research on the leasing markets in Zhengzhou and collected rental evidence of comparable properties in the locality as well as similar locations in Zhengzhou, have confirmed that (i) the terms and conditions of the 2015 New ZPH Lease Agreement are fair and reasonable to the parties thereto and are entered into on normal commercial terms; and (ii) the amounts payable thereunder reflect the then market rates or better for properties of a similar status in similar locations.

### *Listing Rules Implications*

As the applicable percentage ratios under Chapter 14 of the Listing Rules for the transactions under the 2015 ZPH Lease Agreement as set out above are on an annual basis less than 5% and the total rental is less than HK\$3,000,000, by virtue of Rule 14A.76(1)(c) of the Listing Rules, such transactions constitute Continuing Connected Transactions exempt from reporting, annual review, announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules.

### ***Lease agreement between Henan Weiye and Zhang Lihong***

#### *Background*

During the Track Record Period, Henan Weiye leased a piece of property from Zhang Lihong as office premises in Zhengzhou, PRC. On 1 January 2015, Henan Weiye, as tenant, entered into a lease agreement (the "**2015 ZLH Lease Agreement**") with Zhang Lihong, as landlord, for the lease of Room 110013, 11/F, Building No. 5, Shangmao Road West and East Shangcheng Road North, Jinshui District, Zhengzhou, Henan Province, China with an area of approximately 177.74 sq. m. at an annual rent of RMB81,636 for a term of 1 year commencing on 1 January 2015 and ended on 31 December 2015. On 25 September 2015, Henan Weiye and Zhang Lihong entered into a lease agreement to renew the 2015 ZLH Lease Agreement (the "**2016 ZLH Lease Agreement**"), pursuant to which the said property was leased for an additional term of 6 months commencing on 1 January 2016 and ending on 1 July 2016 at a monthly rent of RMB6,803.

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## CONNECTED TRANSACTIONS

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### *Relationship*

Henan Weiye is an indirect wholly owned subsidiary of our Company and Zhang Lihong is the sister of Zhang Wei, one of our executive Directors and chairman of the Board. Zhang Lihong is therefore an associate of Zhang Wei and will become a connected person of our Company under Rule 14A.07(4) of the Listing Rules upon Listing.

### *Historical Transaction Amounts*

For the years ended 31 December 2013, 2014 and 2015, the aggregate amounts of rent paid by Henan Weiye to Zhang Lihong for the leasing of the property listed above amounted to approximately RMB nil, RMB nil and RMB81,636 respectively.

### *Future Transaction Amount*

It is anticipated that the rent payable by our Group to Zhang Lihong under the 2016 ZLH Lease Agreement for the financial year ending 31 December 2016 will be approximately RMB41,000.

### *Proposed Annual Caps on Future Transaction Amounts*

As the 2016 ZLH Lease Agreement was entered into between a subsidiary of our Group and a connected person, in accordance with Rule 14A.53 of the Listing Rules, it is expected that the maximum aggregate annual amount of rent payable by our Group under the 2016 ZLH Lease Agreement for the financial year ending 31 December 2016 shall not exceed the proposed cap of RMB100,000.

In arriving at the above proposed cap of rental payable, our Directors have considered (i) the historical rent paid by our Group; (ii) the market rental of the properties in the same area and of similar size and grade to the premises.

Our Directors and DTZ, having reviewed the 2016 ZLH Lease Agreement, conducted market research on the leasing markets in Zhengzhou and collected rental evidence of comparable properties in the locality as well as similar locations in Zhengzhou, have confirmed that (i) the terms and conditions of the 2016 ZLH Lease Agreement are fair and reasonable to the parties thereto and are entered into on normal commercial terms; and (ii) the amounts payable thereunder reflect the then market rates or better for properties of a similar status in similar locations.

### *Listing Rules Implications*

As the applicable percentage ratios under Chapter 14 of the Listing Rules for the transactions under the 2016 ZLH Lease Agreement as set out above are on an annual basis less than 5% and the total rental is less than HK\$3,000,000, by virtue of Rule 14A.76(1)(c) of the Listing Rules, such transactions constitute Continuing Connected Transactions exempt from reporting, annual review, announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules.

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## CONNECTED TRANSACTIONS

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### (B) CONTINUING CONNECTED TRANSACTION EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

#### Trust financing arrangement between Henan Xingwei and Zhongyuan Trust Company Limited\* (中原信託有限公司) (“Zhongyuan Trust”)

##### **Background**

Pursuant to a series of agreements entered into among Henan Weiye, Henan Xingwei, Zhongyuan Trust and Zhang Wei dated 5 June 2014, Zhongyuan Trust agreed to finance Henan Xingwei in the principal sum of not exceeding RMB500 million for a period of not more than 24 months, by way of subscribing certain increased registered capital of Henan Xingwei up to 50% of the enlarged registered capital of Henan Xingwei (the “**Xingwei Trust Financing**”) to fund the property project of Henan Xingwei. Such financing will be capitalised in stages. Hence, as part of the Xingwei Trust Financing, Zhongyuan Trust injected RMB110 million into Henan Xingwei in August 2014, of which RMB41.83 million served as registered capital and the remaining RMB68.17 million served as capital surplus. Since then, the equity interests in Henan Xingwei were held as to approximately 82.7% by Henan Weiye and approximately 17.3% by Zhongyuan Trust. In December 2015, Zhongyuan Trust further injected RMB190 million into Henan Xingwei, of which RMB72.24 million served as registered capital and the remaining RMB117.76 million served as capital surplus. In January 2016, Zhongyuan Trust further injected RMB200 million into Henan Xingwei, of which RMB75.93 million served as registered capital and the remaining RMB124.07 million served as capital surplus. Since then, the equity interests in Henan Xingwei were held as to approximately 51.3% by Henan Weiye and approximately 48.7% by Zhongyuan Trust. As such, as at the Latest Practicable Date, Zhongyuan Trust has altogether granted trust financing in the principal amount of RMB500 million to Henan Xingwei by way of capital injection. Pursuant to the arrangement, Henan Weiye pledged its approximately 51.3% equity interest in Henan Xingwei as security for the Xingwei Trust Financing, and agreed to give up all voting rights at the shareholders' meetings of Henan Xingwei during the subsistence of the arrangement. The outstanding principal amount under the Xingwei Trust Financing bore an effective interest rate of 17%.

##### **Historical Transaction Value**

As of 31 December 2013, 2014 and 2015, the outstanding principal amount under the Xingwei Trust Financing was RMB nil, RMB110 million and RMB300 million, respectively. During the Track Record Period, the total amount of interests in respect of the Xingwei Trust Financing paid by our Group to Zhongyuan Trust was approximately RMB nil, RMB7.6 million and RMB18.8 million respectively.

##### **Proposed Annual Caps on Future Transactions Amounts**

For the financial year ending 31 December 2016, the maximum outstanding principal amount under the Xingwei Trust Financing will be RMB500 million. Whereas the maximum amount of interests payable by our Group in respect of the Xingwei Trust Financing (assuming that our Group borrows the maximum principal amount under the Xingwei Trust Financing) for the financial year ending 31 December 2016 will be approximately RMB50.5 million. Therefore, it is expected that the annual cap of the Xingwei Trust Financing for the financial year ending 31 December 2016 will be RMB551 million.



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## CONNECTED TRANSACTIONS

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### ***Relationship***

Zhongyuan Trust holds approximately 48.7% equity interests of Henan Xingwei. Thus, Zhongyuan Trust is a substantial shareholder of Henan Xingwei, a subsidiary of our Company. As Zhongyuan Trust is a connected person only because of its connection with Henan Xingwei, Zhongyuan Trust is a connected person of our Company at the subsidiary level under Chapter 14A of the Listing Rules upon Listing.

### ***Listing Rules Implications***

Given that Zhongyuan Trust is a connected person of our Company at the subsidiary level, the Xingwei Trust Financing is only subject to reporting and announcement requirements and are exempt from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules. Our Board of Directors have approved the transactions under the Xingwei Trust Financing. Our Directors (including our independent non-executive Directors) have confirmed that the terms of the transactions under the Xingwei Trust Financing including the proposed annual caps are fair and reasonable, the transactions are in the ordinary and usual course of business of our Group, on normal commercial terms or better and in the interest of our Company and its Shareholders as a whole.

### **Trust financing arrangement between Xinxiang Weiye and Zhongyuan Trust**

#### ***Background***

Pursuant to two agreements between Xinxiang Weiye and Zhongyuan Trust both dated 18 September 2015, Zhongyuan Trust agreed to finance Xinxiang Weiye, in aggregate, in the principal sum of not exceeding RMB240 million for a period of not more than 24 months (the “**Xinxiang Trust Financing**”) to fund the property project of Xinxiang Weiye. The applicable interest rate of the Xinxiang Trust Financing is 12%.

#### ***Historical Transaction Value***

As of 31 December 2013, 2014 and 2015, the outstanding principal amount under the Xinxiang Trust Financing was RMB nil, RMB nil and RMB240.0 million, respectively. During the Track Record Period, the total amount of interests in respect of the Xingxiang Trust Financing paid by our Group to Zhongyan Trust was approximately RMB nil, RMB nil and RMB7.43 million, respectively.

#### ***Proposed Annual Caps on Future Transactions Amounts***

For each of the financial years ending 31 December 2016 and 2017, the maximum outstanding principal amount under the Xinxiang Trust Financing will be RMB240 million. Whereas the maximum amount of interests payable by our Group in respect of the Xinxiang Trust Financing (assuming that our Group borrows the maximum principal amount under the Xinxiang Trust Financing) for each of the financial years ending 31 December 2016 and 2017 will be approximately RMB28.8 million and RMB21.1 million respectively. Therefore, it is expected that the annual cap of the Xinxiang Trust Financing for each of the financial years ending 31 December 2016 and 2017 will be RMB269 million and RMB262 million, respectively.

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## CONNECTED TRANSACTIONS

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### ***Relationship***

Zhongyuan Trust holds approximately 48.7% equity interests of Henan Xingwei. Thus, Zhongyuan Trust is a substantial shareholder of Henan Xingwei, a subsidiary of our Company. As Zhongyuan Trust is a connected person only because of its connection with Henan Xingwei, Zhongyuan Trust is a connected person of our Company at the subsidiary level under Chapter 14A of the Listing Rules upon Listing.

### ***Listing Rules Implications***

Given that Zhongyuan Trust is a connected person of our Company at the subsidiary level, the Xinxiang Trust Financing is only subject to reporting and announcement requirements and are exempt from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules. Our Board of Directors have approved the transactions under the Xinxiang Trust Financing. Our Directors (including our independent non-executive Directors) have confirmed that the terms of the transactions under the Xinxiang Trust Financing including the proposed annual caps are fair and reasonable, the transactions are in the ordinary and usual course of business of our Group, on normal commercial terms or better and in the interest of our Company and its Shareholders as a whole.

### **WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

By virtue of Rules 14A.101 of the Listing Rules, the transactions under the paragraphs headed "(B) Continuing Connected Transaction exempt from independent shareholders' approval requirement" in this section above will constitute Continuing Connected Transactions which are subject to reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

As the above non-exempt Continuing Connected Transactions are expected to continue on a recurring and continuing basis after the Listing, our Directors (including our independent non-executive Directors) consider that compliance with the above announcement requirements would be impractical, would add unnecessary administrative costs and would be unduly burdensome. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from compliance with the announcement requirements in respect of the above non-exempt Continuing Connected Transactions.

The Sole Sponsor is of the opinion that the terms of the above non-exempt Continuing Connected Transactions including the proposed annual caps are fair and reasonable, the transactions are in the ordinary and usual course of business of our Group, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole.

In addition, we confirm that we will comply with Rules 14A.34, 14A.51 to 14A.59, 14A.68(4) and 14A.71(6) of the Listing Rules in relation to the non-exempt Continuing Connected Transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the Continuing Connected Transactions referred to in this listing document, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable time.

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## CONNECTED TRANSACTIONS

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### RELATED PARTY TRANSACTIONS

Our Group entered into certain related party transactions with its related parties during the Track Record Period (“**Related Party Transactions**”). Details of the Related Party Transactions are set out in Note 24 of the Accountant’s Report of the Company in Appendix I to this listing document.

Details of the Related Party Transactions are as follows:

#### (A) CONTINUING RELATED PARTY TRANSACTIONS

##### **Loan agreement between Henan Weiye and Feng Chaoling**

###### ***Background***

On 23 July 2014, Henan Weiye as lender and Feng Chaoling (馮朝嶺) as borrower entered into a loan agreement (the “**FCL Loan Agreement**”). Pursuant to the FCL Loan Agreement, Henan Weiye agreed to grant Feng Chaoling a loan in the principal amount of RMB90 million. Provision of such loan was a pre-condition for Feng Chaoling to enter into a collaboration agreement in connection with the development of a land parcel held by Hanfang Yaoye. Please refer to the section headed “History – Our Property Development Business in Henan Province – (vii) Collaboration regarding Hanfang Yaoye and establishment of Hanwei Zhiye” in this listing document for further details of the collaboration agreement. The loan had an initial term of two years expiring on 20 July 2016, which has been further extended to 23 July 2018. The interest rates charged by Henan Weiye are 10% and 17% per annum for the first year and the remaining years of the loan term, respectively. The loan is secured by the pledge of 49% equity interest in Hanwei Zhiye and 49% equity interest in Hanfang Yaoye by Feng Chaoling.

###### ***Historical Transaction Value***

As of 31 December 2014 and 2015, the principal amount of the loan by our Group to Feng Chaoling were RMB90 million and RMB90 million respectively. During the Track Record Period, the total amount of interests paid by Feng Chaoling to our Group was approximately RMB nil, RMB3,725,000 and RMB11,715,000 respectively.

###### ***Relationship***

Feng Chaoling holds 49% equity interests of Hanwei Zhiye. Thus, Feng Chaoling is a substantial shareholder of Hanwei Zhiye, a subsidiary of our Company. However, Feng Chaoling is not a connected person of our Company as Hanwei Zhiye is an insignificant subsidiary pursuant to Rule 14A.09 of the Listing Rules.

As advised by our PRC Legal Adviser, the FCL Loan Agreement is legal and valid and such interest bearing loan provided by Henan Weiye to Feng Chaoling does not constitute non-compliance of the PRC laws and administrative regulations.<sup>(Note)</sup>

##### **Loan agreement between Henan Weiye and Hanfang Yaoye**

###### ***Background***

On 21 July 2014, Henan Weiye as lender and Hanfang Yaoye as borrower entered into a loan agreement (the “**HY Loan Agreement**”). Pursuant to the HY Loan Agreement, Henan Weiye agreed to grant Hanfang Yaoye a loan in the principal amount of RMB10 million. The purpose of the loan is for the commencement of property development of a piece of land held by Hanfang Yaoye. The interest rate charged by Henan Weiye is 17% per annum. Pursuant to the HY Loan Agreement, the loan will be assigned and novated from Hanfang Yaoye to Hanwei Zhiye, one of our subsidiaries, when Hanfang Yaoye ceases its property business, which is expected to happen in the third quarter of 2016.

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## CONNECTED TRANSACTIONS

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### **Historical Transaction Value**

As of 31 December 2014 and 2015, the principal amount of the loan by our Group to Hanfang Yaoye were RMB10 million and RMB10 million respectively. During the Track Record Period, the total amount of interests paid by Hanfang Yaoye to our Group was approximately RMB nil, RMB774,000 and RMB1,700,000 respectively.

### **Relationship**

Feng Chaoling, a substantial shareholder of our subsidiary Hanwei Zhiye, is also a substantial shareholder of Hanfang Yaoye, holding 49% of its equity interests. However, Feng Chaoling is not a connected person of our Company as Hanwei Zhiye is an insignificant subsidiary pursuant to Rule 14A.09 of the Listing Rules. Therefore, Hanfang Yaoye is not a connected person of our Company.

As advised by our PRC Legal Adviser, the HY Loan Agreement is legal and valid and such interest bearing loan provided by Henan Weiye to Hanfang Yaoye does not constitute non-compliance of the PRC laws and administrative regulations.<sup>(Note)</sup>

*Note:* Pursuant to the recently promulgated Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the "Provisions") (promulgated on 6 August 2015 and implemented on 1 September 2015) which set out the applicable laws in relation to private lending cases, agreements of interest bearing loans provided by corporations to other corporations or individuals due to operational need are legal and valid in the PRC unless the loans constitute any situations provided in article 52 of the PRC Contract Law or article 14 of the Provisions. As advised by our PRC Legal Adviser, the agreement of interest-bearing loan provided by Henan Weiye to Hanfang Yaoye and the agreement of interest-bearing loan provided by Henan Weiye to Feng Chaoling are legal and valid and the interest-bearing loan provided by Henan Weiye to Hanfang Yaoye and the interest-bearing loan provided by Henan Weiye to Feng Chaoling do not constitute any situations provided in article 52 of the PRC Contract Law or article 14 of the Provisions and do not constitute non-compliance of PRC laws and administrative regulations. In relation to the General Lending Provision in the PRC (貸款通則), the departmental rules issued and regulated by the PBOC, our PRC Legal Adviser had conducted an interview with the relevant official of the Zhengzhou Central sub-branch of PBOC, which is the local office of PBOC for Henan Province having the regulatory and enforcement authority of the General Lending Provision in the PRC (貸款通則) in Henan Province, and was informed that considering (i) the Provisions provide that agreements of interest bearing loans provided by corporations to other corporations or individuals due to operational need are in principle legal and valid in the PRC; and (ii) the Non-Depositing Lending Organization Rules (Consultation Paper) (《非存款類放貸組織條例(徵求意見稿)》) issued by PBOC on 12 August 2015 states that occasional loans provided by corporations or individuals or among members of a group company with main business scope not including the loans provision shall not be deemed as conducting the lending business which requires relevant approvals, Zhengzhou Central sub-branch of PBOC would not enforce or penalise the provision of the interest bearing loans provided by corporations to other corporations or individuals due to operational need.

## **(B) DISCONTINUED RELATED PARTY TRANSACTIONS**

### **Lease agreement between Henan Weiye and Zhang Jianwei**

During the Track Record Period, Henan Weiye leased a piece of property from Zhang Jianwei as office premises in Zhengzhou, PRC. On 1 January 2012, Henan Weiye, as tenant, entered into a lease agreement with Zhang Jianwei, as landlord, for the lease of Room 110011, 11/F, Building No. 5, Shangmao Road West and East Shangcheng Road North, Jinshui District, Zhengzhou, Henan Province, China with an area of approximately 265.88 sq. m. at an annual rent of RMB122,052 for a term of 1 year. The said lease agreement expired on 31 December 2012. The same parties entered into new lease agreements in respect of the same property on 1 January 2013 and 1 January 2014 each for 1 year on the same terms and rent. Upon the expiry of the lease on 31 December 2014, the parties did not renew the lease agreement nor enter into new lease agreement. Commencing in January 2015, our Group arranged another subsidiary, namely Jinwei (Henan), to lease the same property from Zhang Jianwei. For details of (i) the relationship between Zhang Jianwei and our Group and (ii) the lease agreement between Zhang Jianwei and Jinwei (Henan), please refer to the paragraph headed "(A) Continuing Connected Transactions exempt from reporting, annual review, announcement and independent shareholders' approval requirements" in this section.

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## CONNECTED TRANSACTIONS

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### **Lease agreement between Henan Weiye and Yang Kai**

During the Track Record Period, Henan Weiye leased a piece of property from Yang Kai as office premises in Zhengzhou, PRC. On 1 January 2012, Henan Weiye, as tenant, entered into a lease agreement with Yang Kai, as landlord, for the lease of Room 110019, 11/F, Building No. 5, Shangmao Road West and East Shangcheng Road North, Jinshui District, Zhengzhou, Henan Province, China with an area of approximately 255.88 sq. m. at an annual rent of RMB117,360 for a term of 1 year. The said lease agreement expired on 31 December 2012. The same parties entered into new lease agreements in respect of the same property on 1 January 2013 and 1 January 2014 each for 1 year on the same terms and rent. Upon the expiry of the lease on 31 December 2014, the parties did not renew the lease agreement nor enter into new lease agreement. Commencing in January 2015, our Group arranged another subsidiary, namely Jinwei (Henan), to lease the same property from Yang Kai. For details of (i) the relationship between Yang Kai and our Group and (ii) the lease agreement between Yang Kai and Jinwei (Henan), please refer to the paragraph headed “(A) Continuing Connected Transactions exempt from reporting, annual review, announcement and independent shareholders’ approval requirements” in this section.

### **Lease agreement between Henan Weiye and Zhang Peihong**

During the Track Record Period, Henan Weiye leased a piece of property from Zhang Peihong as office premises in Zhengzhou, PRC. On 1 January 2012, Henan Weiye, as tenant, entered into a lease agreement with Zhang Peihong, as landlord, for the lease of Room 110002, 11/F, Building No. 5, Shangmao Road West and East Shangcheng Road North, Jinshui District, Zhengzhou, Henan Province, China with an area of approximately 219.6 sq. m. at an annual rent of RMB101,028 for a term of 1 year. The said lease agreement expired on 31 December 2012. The same parties entered into new lease agreements in respect of the same property on 1 January 2013 and 1 January 2014 each for 1 year on the same terms and rent. Upon the expiry of the lease on 31 December 2014, the parties did not renew the lease agreement nor enter into new lease agreement. Commencing in January 2015, our Group arranged another subsidiary, namely Jinwei (Henan), to lease the same property from Zhang Peihong. For details of (i) the relationship between Zhang Peihong and our Group and (ii) the lease agreement between Zhang Peihong and Jinwei (Henan), please refer to the paragraph headed “(A) Continuing Connected Transactions exempt from reporting, annual review, announcement and independent shareholders’ approval requirements” in this section.

### **Provision of loan by Zhang Wei to our Company**

For each of the years ended 31 December 2013, 2014 and 2015, the Group owes an amount of RMB10,000,000, RMB10,000,000 and RMB nil, respectively, to Zhang Wei, one of our executive Directors and chairman of the Board. Such loan was advanced by Zhang Wei to Henan Weiye as general working capital and is unsecured, interest-free and repayable on demand. No written agreement has been entered into for the purpose of this loan, and there is no fixed term for this loan. Our Group has discontinued the loan transaction with Zhang Wei and repaid all outstanding loans in the amount of RMB10 million to Zhang Wei on 7 August 2015.

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## CONNECTED TRANSACTIONS

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### Provision of loan by Chen Zhiyong to our Company

On 7 November 2014, Chen Zhiyong, one of our executive Directors, entered into a loan agreement (the “**2014 CZY Loan Agreement**”) with Henan Tiandao, one of our indirectly non-wholly owned subsidiaries. Pursuant to the 2014 CZY Loan Agreement, Chen Zhiyong agreed to provide a term loan in the amount of RMB30 million for a term of 3 months commencing from the date the loan was advanced. The interest payable by the borrower pursuant to the 2014 CZY Loan Agreement was 18% per annum. The purpose of the loan under the 2014 CZY Loan Agreement was to provide Henan Tiandao with working capital. On 6 February 2015, the same parties entered into another loan agreement (the “**2015 CZY Loan Agreement**”), pursuant to which Chen Zhiyong agreed to provide a term loan of RMB30 million for a term of 4 months commencing on 7 February 2015. The interest payable by the borrower under the 2015 CZY Loan Agreement was 18% per annum. Same as the 2014 CZY Loan Agreement, the purpose of the 2015 CZY Loan Agreement was also to provide Henan Tiandao with working capital. On 6 June 2015, the parties to the 2015 CZY Loan Agreement entered into an agreement (the “**Extension Agreement**”) to extend the loan under the 2015 CZY Loan Agreement for a further term of 2 months from 7 June 2015 to 6 August 2015 on the same terms. The amount of loan under the Extension Agreement was slightly reduced to RMB28.3 million.

As there has been no loan arrangements between Chen Zhiyong and Henan Tiandao prior to the 2014 CZY Loan Agreement and no accrued interest under the 2014 CZY Loan Agreement and 2015 CZY Loan Agreement has been repaid as at 31 December 2015, hence, for the years ended 31 December 2013, 2014 and 2015, the aggregate amount of loan repaid by Henan Tiandao to Chen Zhiyong was RMB nil, RMB nil and RMB30 million respectively and the accrued interests repaid by Henan Tiandao to Chen Zhiyong was RMB nil, RMB nil and RMB nil respectively.

Our Group has discontinued the loan transaction with Chen Zhiyong and repaid all outstanding loans to Chen Zhiyong before the end of July 2015. Chen Zhiyong agreed to waive all rights to receive any interest which had accrued and was payable pursuant to the 2014 CZY Loan Agreement, 2015 CZY Loan Agreement and the Extension Agreement.

### Legal services agreement between Henan Weiye and Zheng Fang Yuan Law Firm

During the Track Record Period, Zheng Fang Yuan Law Firm provided legal services to Henan Weiye. Henan Weiye entered into a service agreement with Zheng Fang Yuan Law Firm, as the service provider, for the provision of certain legal services including, inter alia, providing legal advice, preparing and revising agreements, participating in negotiations, representing Henan Weiye in litigations, arbitration proceedings, etc. at an annual service fee of RMB30,000 on 1 September 2012, 2013 and 2014, respectively, each for a term of 1 year (collectively, the “**Legal Service Agreements**”). According to the Legal Services Agreements, Zheng Fang Yuan Law Firm designated Dong Xincheng, our non-executive Director, to be the handling lawyer providing the legal services to Henan Weiye.

The Legal Service Agreement entered into on 1 September 2014 had expired on 31 August 2015 and Henan Weiye did not renew or enter into a new legal service agreement with Zheng Fang Yuan Law Firm after the expiry.

## CONNECTED TRANSACTIONS

### Security provided by connected persons

During the Track Record Period, as security in support of various loans or facilities provided to our Group companies, certain connected persons of our Company have provided guarantee or pledged their assets in favour of the lender. All these security has been released as at the Latest Practicable Date, details of which are set out below:

| Details of relevant loan agreement  | Security provider   | Details of security   | Status as at the Latest Practicable Date  |
|---|---|---|---|
| <p>Loan facility agreement dated 27 May 2015 between Zhengzhou Urban-rural Credit Cooperation Union* (鄭州市市區農村信用合作聯社金水信用社) (“ZUCCU”) as lender and Henan Weiye as borrower (the “ZUCCU Loan Agreement”).</p> <ul style="list-style-type: none"> <li>• Principal amount: up to RMB60,000,000</li> <li>• Interest rate: 0.852% per month</li> <li>• Loan period: 27 May 2015 to 27 May 2017</li> </ul> | <p>Zhang Wei<br/>(Executive Director and chairman of the Board)</p> <p>Zhang Haoyu<br/>(張皓濤)<br/>(Son of Zhang Wei, executive Director and chairman of the Board)</p> | <p>Pursuant to a pledge agreement dated 27 May 2015 between ZUCCU as pledgee and Henan Xiyuan Zhiye Co., Ltd.* (河南西元置業有限公司), Henan Weiye, Zhang Wei, Song Zhanguo (宋占國), Yang Yuqing (楊玉清) and Zhang Haoyu (張皓濤) as pledgors (the “ZUCCU Pledge Agreement”), Zhang Wei agreed to pledge the following assets as security for all indebtedness under the ZUCCU Loan Agreement in favour of ZUCCU: (i) No.010001, 1/F, Building 7, (ii) No.010004, 1/F, Building 4, (iii) No.010007, 1/F, Building 5 and (iv) No. 70, 18/F, Section 1, Building 3 of Garden 3, Fuyuan Road, Jinshui District.</p> <p>Pursuant to the ZUCCU Pledge Agreement, Zhang Haoyu (張皓濤) agreed to pledge the following assets as security for all indebtedness under the ZUCCU Loan Agreement in favour of ZUCCU: No. 9 1-2/F, Building 5, No. 50, Yingxie Road, Jinshui District.</p> | <p>All indebtedness under the ZUCCU Loan Agreement has been settled in full in January 2016 and the facility granted under the ZUCCU Loan Agreement has been cancelled. Therefore, the pledges provided by Zhang Wei and Zhang Haoyu had been discontinued.</p> |
| <p>Loan agreement dated 13 September 2013 between Kaifeng Branch of China Construction Bank (“CCB”) as lender and Henan Huibang as borrower (the “CCB First Agreement”).</p> <ul style="list-style-type: none"> <li>• Principal amount: RMB80,000,000</li> <li>• Interest rate: benchmark interest rate plus 10%</li> <li>• Loan period: 13 September 2013 to 12 September 2016</li> </ul>          | <p>Chen Zhiyong<br/>(Executive Director and Chief Operation Officer)</p>  | <p>Pursuant to a guarantee agreement dated 13 September 2013 between Chen Zhiyong as guarantor and Kaifeng Branch of CCB, Chen Zhiyong agreed to guarantee the repayment of all indebtedness under the CCB First Agreement.</p>   | <p>All indebtedness under the CCB First Agreement has been settled in full in December 2015 and the CCB First Agreement has been cancelled. Therefore, the guarantee given by Chen Zhiyong has been discontinued.</p>   |

## CONNECTED TRANSACTIONS

| Details of relevant loan agreement  | Security provider  | Details of security  | Status as at the Latest Practicable Date   |
|---|--|--|--|
| <p>Fixed asset loan agreement dated 10 February 2014 between Zhengzhou East District Branch of CCB as lender and Henan Xingwei as borrower (the “<b>CCB Second Agreement</b>”).</p> <ul style="list-style-type: none"> <li>• Principal amount: RMB200,000,000</li> <li>• Interest rate: benchmark interest rate plus 10%</li> <li>• Loan period: 10 February 2014 to 9 February 2017</li> </ul> | <p>Zhang Wei<br/>(Executive Director and chairman of the Board)</p>      | <p>Pursuant to a guarantee agreement dated 10 February 2014 between Zhang Wei as guarantor and Zhengzhou East District Branch of CCB, Zhang Wei agreed to guarantee the repayment of all indebtedness under the CCB Second Agreement.</p>  | <p>Zhang Wei and Chen Zhiyong each entered into a supplemental agreement with CCB on 28 December 2015 which released the relevant guarantees given by Zhang Wei and Chen Zhiyong with no change to the rest of the terms set out in the original loan agreement.</p> |
| <p>Fixed asset loan agreement dated 31 July 2014 between Zhengzhou East District Branch of CCB as lender and Henan Xingwei as borrower (the “<b>CCB Third Agreement</b>”).</p> <ul style="list-style-type: none"> <li>• Principal amount: RMB200,000,000</li> <li>• Interest rate: benchmark interest rate plus 10%</li> <li>• Loan period: 31 July 2014 to 31 July 2017</li> </ul>             | <p>Chen Zhiyong<br/>(Executive Director and Chief Operating Officer)</p> | <p>Pursuant to a guarantee agreement dated 31 July 2014 between Chen Zhiyong as guarantor and Zhengzhou East District Branch of CCB, Chen Zhiyong agreed to guarantee the repayment of all indebtedness under the CCB Third Agreement.</p> | <p>Zhang Wei and Chen Zhiyong each entered into a supplemental agreement with CCB on 28 December 2015 which released the relevant guarantees given by Zhang Wei and Chen Zhiyong with no change to the rest of the terms set out in the original loan agreement.</p> |
|   | <p>Zhang Wei<br/>(Executive Director and chairman of the Board)</p>      | <p>Pursuant to a guarantee agreement dated 31 July 2014 between Zhang Wei as guarantor and Zhengzhou East District Branch of CCB, Zhang Wei agreed to guarantee the repayment of all indebtedness under the CCB Third Agreement.</p>       |  |



## CONNECTED TRANSACTIONS

| Details of relevant loan agreement   | Security provider  | Details of security   | Status as at the Latest Practicable Date   |
|--|--|---|--|
| <p>Loan agreement dated 19 December 2013 between Kaifeng Branch of CCB as lender and Henan Huibang as borrower (the <b>“CCB Fourth Agreement”</b>).</p> <ul style="list-style-type: none"> <li>• Principal amount: RMB15,000,000</li> <li>• Interest rate: benchmark interest rate plus 20%</li> <li>• Loan period: 19 December 2013 to 19 December 2016</li> </ul>  | <p>Chen Zhiyong (Executive Director and Chief Operating Officer)</p>   | <p>Pursuant to a guarantee agreement dated 19 December 2013 between Chen Zhiyong as guarantor and Kaifeng Branch of CCB, Chen Zhiyong agreed to guarantee the repayment of all indebtedness under the CCB Fourth Agreement.</p>   | <p>All indebtedness under the CCB Fourth Agreement has been settled in full in May 2015 and the CCB Fourth Agreement has been cancelled. Therefore, the guarantee given by Chen Zhiyong has been discontinued.</p>           |
| <p>Loan agreement dated 19 December 2013 between Kaifeng Branch of CCB as lender and Henan Huibang as borrower (the <b>“CCB Fifth Agreement”</b>).</p> <ul style="list-style-type: none"> <li>• Principal amount: RMB5,000,000</li> <li>• Interest rate: benchmark interest rate plus 20%</li> <li>• Loan period: 19 December 2013 to 19 December 2016</li> </ul>  | <p>Chen Zhiyong (Executive Director and Chief Operating Officer)</p>   | <p>Pursuant to a guarantee agreement dated 19 December 2013 between Chen Zhiyong as guarantor and Kaifeng Branch of CCB, Chen Zhiyong agreed to guarantee the repayment of all indebtedness under the CCB Fifth Agreement.</p>  | <p>All indebtedness under the CCB Fifth Agreement has been settled in full in May 2015 and the CCB Fifth Agreement has been cancelled. Therefore, the guarantee given by Chen Zhiyong has been discontinued.</p>             |
| <p>Real estate loan agreement dated 14 April 2014 between Zhengzhou Nanyang Road Branch of Industrial and Commercial Bank of China Limited (<b>“ICBC”</b>) as lender and Henan Xingwei as borrower (the <b>“ICBC Loan Agreement”</b>).</p> <ul style="list-style-type: none"> <li>• Principal amount: RMB400,000,000</li> <li>• Interest rate: benchmark interest rate plus 10%</li> <li>• Loan period: 3 years from date of drawdown</li> </ul> | <p>Zhang Wei (Executive Director and chairman of the Board)</p> <p>Chen Zhiyong (Executive Director and Chief Operating Officer)</p> | <p>Pursuant to a guarantee agreement dated 14 April 2014 between Zhang Wei as guarantor and ICBC, Zhang Wei agreed to guarantee the repayment of all indebtedness under the ICBC Loan Agreement.</p> <p>Pursuant to a guarantee agreement dated 14 April 2014 between Chen Zhiyong as guarantor and ICBC, Chen Zhiyong agreed to guarantee the repayment of all indebtedness under the ICBC Loan Agreement.</p> | <p>ICBC issued a letter to Henan Xingwei on 5 January 2016 which released the relevant guarantees given by Zhang Wei and Chen Zhiyong, and their guarantees shall be replaced by a guarantee provided by Xinxiang Weiye.</p> |

## CONNECTED TRANSACTIONS

| Details of relevant loan agreement  | Security provider   | Details of security  | Status as at the Latest Practicable Date   |
|---|---|--|--|
| Trust financing arrangements with Zhongyuan Trust Company Limited* (中原信託有限公司) (“ <b>Zhongyuan Trust</b> ”), details of which are set out in the paragraphs headed “Trust financing arrangement between Henan Xingwei and Zhongyuan Trust Company Limited* (中原信託有限公司) (“Zhongyuan Trust”)” in this section (the “ <b>Xingwei Trust Financing</b> ”).                             | Zhang Wei (Executive Director and chairman of the Board)  | Pursuant to a guarantee agreement dated 5 June 2014 between Zhongyuan Trust as creditor, Henan Xingwei and Henan Weiye as obligors, and Zhang Wei and Henan Xingwei as guarantors, Zhang Wei, amongst others, agreed to guarantee the repayment of all indebtedness under the Xingwei Trust Financing.   | Zhang Wei, Henan Weiye and Henan Xingwei entered into a supplemental agreement with Zhongyuan Trust on 24 December 2015 which released the relevant guarantees given by Zhang Wei with no change to the rest of the terms set out in the original loan agreement.        |
| Loan agreement dated 26 January 2015 between Xidajie Branch of Zhengzhou Bank (“ <b>Zhengzhou Bank</b> ”) as lender and Jinwei (Henan) as borrower (the “ <b>ZB Loan Agreement</b> ”). <ul style="list-style-type: none"> <li>• Principal amount: RMB63,000,000</li> <li>• Interest rate: 8.4% per annum</li> <li>• Loan period: 26 January 2015 to 25 January 2016</li> </ul>  | Zhang Wei (Executive Director and chairman of the Board)<br><br>Song Fulin (Chief Executive Officer)                          | Pursuant to a guarantee undertaking letter from each of Zhang Wei and Song Fulin to Zhengzhou Bank, Zhang Wei and Song Fulin agreed to guarantee the repayment of all indebtedness owed by Jinwei (Henan) to Zhengzhou Bank.   | All indebtedness under the ZB Loan Agreement has been settled in full in January 2016 and the ZB Loan Agreement has been cancelled. Therefore, the guarantees provided by Zhang Wei and Song Fulin have been discontinued.   |
| Fixed asset loan agreement dated 12 August 2015 between Zhongyuan Bank (“ <b>Zhongyuan Bank</b> ”) as lender and Henan Tiandao as borrower (the “ <b>Zhongyuan Bank Agreement</b> ”). <ul style="list-style-type: none"> <li>• Principal amount: RMB200,000,000</li> <li>• Interest rate: 6.5625% per annum</li> <li>• Loan period: 20 August 2015 to 20 August 2017</li> </ul> | Zhang Wei (Executive Director and chairman of the Board)<br><br>Chen Zhiyong (Executive Director and Chief Operating Officer) | Pursuant to a guarantee agreement dated 12 August 2015 between Zhang Wei as guarantor and Zhongyuan Bank, Zhang Wei agreed to guarantee the repayment of all indebtedness under the Zhongyuan Bank Agreement.<br><br>Pursuant to a guarantee agreement dated 12 August 2015 between Chen Zhiyong as guarantor and Zhongyuan Bank, Chen Zhiyong agreed to guarantee the repayment of all indebtedness under the Zhongyuan Bank Agreement. | Zhang Wei and Chen Zhiyong each entered into a supplemental agreement with Zhongyuan Bank on 10 December 2015 which released the relevant guarantees given by Zhang Wei and Chen Zhiyong with no change to the rest of the terms set out in the original loan agreement. |

## CONNECTED TRANSACTIONS

| Details of relevant loan agreement   | Security provider   | Details of security   | Status as at the Latest Practicable Date   |
|--|---|---|--|
| <p>General facility agreement dated 19 January 2015 between Zhengzhou Branch of China Minsheng Bank ("<b>Minsheng</b>") as lender and Zhengzhou Daimashi as borrower (the "<b>Minsheng 1st Agreement</b>").</p> <ul style="list-style-type: none"> <li>• Principal amount: up to RMB75,000,000</li> <li>• Interest rate: to be agreed upon each drawdown</li> <li>• Facility period: 19 January 2015 to 19 January 2016</li> </ul> | <p>Zhang Wei (Executive Director and chairman of the Board)</p> | <p>Pursuant to a guarantee agreement dated 19 January 2015 between Zhang Wei as guarantor and Minsheng, Zhang Wei agreed to guarantee the repayment of all indebtedness under the Minsheng 1st Agreement.</p> | <p>All indebtedness under the Minsheng 1st Agreement has been settled in full in November 2015 and the facility granted under the Minsheng 1st Agreement has since been cancelled. Therefore, the guarantee given by Zhang Wei has been discontinued.</p>  |
| <p>General facility agreement dated 11 March 2015 between Minsheng as lender and Jinwei (Henan) as borrower (the "<b>Minsheng 2nd Agreement</b>").</p> <ul style="list-style-type: none"> <li>• Principal amount: up to RMB30,000,000</li> <li>• Interest rate: to be agreed upon each drawdown</li> <li>• Facility period: 11 March 2015 to 11 March 2016</li> </ul>  | <p>Zhang Wei (Executive Director and chairman of the Board)</p> | <p>Pursuant to a guarantee agreement dated 11 March 2015 between Zhang Wei as guarantor and Minsheng, Zhang Wei agreed to guarantee the repayment of all indebtedness under the Minsheng 2nd Agreement.</p>   | <p>All indebtedness under the Minsheng 2nd Agreement has been settled in full in September 2015 and the facility granted under the Minsheng 2nd Agreement has since been cancelled. Therefore, the guarantee given by Zhang Wei has been discontinued.</p> |

## CONNECTED TRANSACTIONS

| Details of relevant loan agreement  | Security provider  | Details of security   | Status as at the Latest Practicable Date   |
|---|--|---|--|
| <p>Facility agreement dated 16 June 2014 and supplemental agreement dated 16 June 2015 between Bank of China Zhengzhou Huayuan Branch (“<b>BOC</b>”) as lender and Jinwei (Henan) as borrower (the “<b>BOC Facility Agreement</b>”)</p> <ul style="list-style-type: none"> <li>• Principal amount: up to RMB48,000,000 and subsequently revised to RMB32,000,000 pursuant to the supplemental agreement dated 16 June 2015</li> <li>• Interest rate: to be agreed upon each drawdown</li> <li>• Facility period: 16 June 2014 to 12 June 2015 and 16 June 2015 to 16 June 2016</li> </ul> | <p>Zhang Wei<br/>(Executive Director and chairman of the Board)</p> <p>Chen Zhiyong<br/>(Executive Director and Chief Operating Officer)</p> | <p>Pursuant to a guarantee agreement dated 16 June 2014 between Zhang Wei as guarantor and BOC, Zhang Wei agreed to guarantee the repayment of all indebtedness under the BOC Facility Agreement.</p> <p>Pursuant to a guarantee agreement dated 16 June 2014 between Chen Zhiyong as guarantor and BOC, Chen Zhiyong agreed to guarantee the repayment of all indebtedness under the BOC Facility Agreement.</p> | <p>Pursuant to a certificate issued by BOC on 6 January 2016, the guarantees given by Zhang Wei and Chen Zhiyong have been released.</p> |

## DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

The Board consists of six members, three of whom are independent non-executive Directors.

The Board oversees our Group's overall policies, strategies and objectives, key operational initiatives, performance and measurement, internal controls and risk management, major funding and investment proposals, financial performance reviews and corporate governance practices. Approval of the Board is required for such matters including but not limited to corporate restructuring, mergers and acquisition, major investments and divestments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, share issuance, dividend and other returns to shareholders, acceptances of bank facilities, annual budget and release of our Group's financial results.

All the executive Directors have entered into service contracts with our Group.

The following table sets out the information regarding our Directors.

| Name                       | Age | Position                                     | Date of Appointment as Director | Date of joining our Group | Principal duties  | Relationship with other Directors or other senior management members |
|----------------------------|-----|--|---------------------------------|---------------------------|---|--|
| Mr. Zhang Wei<br>(張偉)      | 46  | Chairman of the Board,<br>executive Director | 15 August 2011                  | June 2002                 | Group's strategic planning and overall business development decision making   | Brother-in-law of Mr. Chen Zhiyong                                   |
| Mr. Chen Zhiyong<br>(陳志勇)  | 45  | executive Director, chief operating officer  | 15 August 2011                  | July 2000                 | Manages the construction of our Group's property development projects and overseeing the procurement of construction materials and costs control of our Group's Property Development Business | Brother-in-law of Mr. Zhang Wei                                      |
| Mr. Dong Xincheng<br>(董心誠) | 49  | non-executive Director                       | 15 August 2011                  | 15 August 2011            | Member of the Nominating Committee, provides general legal advice to the Board  | –  |

## DIRECTORS AND SENIOR MANAGEMENT

| Name                       | Age | Position                           | Date of Appointment as Director | Date of joining our Group | Principal duties   | Relationship with other Directors or other senior management members |
|----------------------------|-----|------------------------------------|---------------------------------|---------------------------|--|--|
| Mr. Ong Kian Guan (王建源)    | 48  | independent non-executive Director | 1 May 2012                      | 1 May 2012                | Chairman of the Audit Committee, member of the Nominating Committee and the Remuneration Committee, provides strategic advice and independent judgement to the Board | –  |
| Mr. Oh Eng Bin (胡榮明)       | 42  | independent non-executive Director | 1 April 2014                    | 1 April 2014              | Chairman of the Remuneration Committee, member of the Nominating Committee and Audit Committee, provides strategic advice and independent judgement to the Board     | –  |
| Mr. Siu Man Ho Simon (蕭文豪) | 42  | independent non-executive Director | 10 March 2016                   | 10 March 2016             | Chairman of the Nominating Committee, member of the Audit Committee and the Remuneration Committee, provides strategic advice and independent judgement to the Board | –  |

## DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

**Mr. Zhang Wei (張偉)**, aged 46, is chairman of the Board and an executive Director. He is responsible for the Group's strategic planning and the overall business development decision making.

Mr. Zhang has over 21 years of experience in the real estate industry. He joined Henan Weiye in June 2002 and has been the sole director of Great Spirit since its establishment in 2009. He has been the chairman of the Board since the Reverse Takeover in 2011. Mr. Zhang currently holds certain positions in the members of our Group, namely, director of Great Spirit and Weiye Hong Kong; and the legal representative, executive director and manager of Hongji Property and Hongji Consulting.

From July 1990 to July 1993, he was the operation manager, responsible for the company's operations, in China Construction No. 7 Engineering Bureau Zhongyuan Property Development Company\* (中國建設第七工程局中原房地產開發公司), which principally engaged the business of construction and property development. From July 1993 to March 1994, he was the deputy manager of Henan Xinya Property Co., Ltd.\* (河南新亞置業有限公司), a company engaged in the business of property development. From March 1994 to August 1998, he was the general manager, and was later promoted to the managing director, responsible for the overall business operation of the company, in Henan Xinfeng Property Co., Ltd.\* (河南新豐置業有限公司), which engaged in the business of property development.

Mr. Zhang was certified as an economist by Henan Province Science Committee\* (河南省科技委員會) in November 1996. He obtained a Masters in Business Administration from Macau University of Science and Technology (澳門科技大學) in Macau Special Administrative Region of the PRC in September 2003. Mr. Zhang is the brother-in-law of Mr. Chen Zhiyong, our executive Director and chief operating officer.

Mr. Zhang was a director, the legal representative and/or senior management of the following companies established in the PRC in which their business registration licences were revoked:

| Name of company  | Position held in the company before the licence revocation | Principal business of the company prior to licence revocation | Date of revocation of licence | Reasons for the licence revocation   | Current status           |
|--|--|---|-------------------------------|--------------------------------------|--------------------------|
| Henan Dongxing Goods Exchange Trading Company Limited* (河南省東興舊貨交易有限公司) | Legal representative and chairman                          | Old goods exchange trades                                     | 23 July 1999                  | Failure to conduct annual inspection | Business licence revoked |
| Henan Tenglong Vehicle Logistic Company Limited* (河南騰龍汽車運輸有限公司)        | Legal representative, director and chairman                | Goods transportation between Henan Province and Hong Kong     | 29 November 1999              | Failure to conduct annual inspection | Business licence revoked |
| Henan Fenghua International Airline Agency Co., Ltd* (河南省豐華國際航空代理有限公司) | Legal representative, director and chairman                | International airline goods transportation agency services    | 26 August 2004                | Failure to conduct annual inspection | Business licence revoked |

## DIRECTORS AND SENIOR MANAGEMENT

| Name of company   | Position held in the company before the licence revocation | Principal business of the company prior to licence revocation    | Date of revocation of licence | Reasons for the licence revocation            | Current status           |
|---|--|--|-------------------------------|---|--------------------------|
| Henan Haiguang Port Electronic Engineering Company Limited*<br>(河南海光口岸電子工程有限公司) | Legal representative and chairman                          | Security engineering, sales of electronic goods                  | 23 July 1999                  | Failure to conduct annual inspection          | Business licence revoked |
| Henan Zhonglian Internet Company Limited*<br>(河南眾聯網絡有限公司中原分公司)                  | Legal representative and responsible officer               | Electronic data exchange services                                | 28 December 2000              | Failure to conduct annual inspection          | Business licence revoked |
| Henan Fenghua Industry Company Limited*<br>(河南豐華實業股份有限公司)                       | Director   | Sales of vehicle parts and art crafts                            | 17 October 2005               | Failure to renew business licence upon expiry | Business licence revoked |
| Henan Fenghua Industry Development Co., Ltd*<br>(河南豐華實業發展有限公司)                  | Director   | Interior and exterior design, renovation and commodities trading | 26 February 2002              | Failure to conduct annual inspection          | Business licence revoked |
| Henan Jinbao Property Management Company Limited*<br>(河南金豹物業管理有限公司)             | Director and vice chairman                                 | Property management  | 30 December 2001              | Failure to renew business licence upon expiry | Business licence revoked |
| Henan Fenghua Advertising Company Limited*<br>(河南豐華廣告信息有限公司)                    | Director and vice chairman                                 | Design and advertisement   | 28 October 2000               | Failure to renew business licence upon expiry | Business licence revoked |
| Henan Xinfeng Property Co. Ltd<br>(河南新豐置業有限公司)                                  | Director   | Property development   | 29 December 2004              | Failure to conduct annual inspection          | Business licence revoked |

Mr. Zhang confirmed that there is no wrongful act on his part leading to the above licence revocation and is not aware of any actual or potential claim has been or will be made against him as a result of such licence revocation, and that no misconduct or misfeasance had been involved in the licence revocation these companies.



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## DIRECTORS AND SENIOR MANAGEMENT

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Notwithstanding that Mr. Zhang had been a director and/or legal representative of the above companies the business license of which has been revoked, Mr. Zhang did not participate in any operational, management and/or decision making process of those companies as he was only nominated by the local governments to act as the legal representative/director of such companies. According to Mr. Zhang, as Mr. Zhang was only assigned to take up the respective roles, he had not been involved or allowed to participate in the daily operation, management nor decision making of such companies, all such decisions were instead made by the local government which assigned him to such posts. Mr. Zhang only acted as a nominee with no actual power or rights to interfere with the orders he was given, not even whether the commencing or cessation of business of such companies nor whether to conduct annual inspection or renew the business licenses.

**Mr. Chen Zhiyong (陳志勇)**, aged 45, is our executive Director and chief operating officer. He is responsible for managing the construction of our Group's property development projects and overseeing the procurement of construction materials and costs control of our Group's Property Development Business.

Mr. Chen has over 20 years of experience in the real estate industry. He joined Henan Weiye in July 2000, responsible for property development management, and was later promoted to the position of chief executive officer of Henan Weiye in 2010. He has been an executive Director and the chief executive officer of our Company since the Reverse Takeover in August 2011. On 27 February 2014, he was re-designated as the chief operating officer of our Company. Mr. Chen currently holds certain positions in the members of our Group, namely, the legal representative and executive director of Jinwei (Henan) and Xinxiang Weiye; the legal representative, executive director and general manager of Hongji Weiye, Henan Weiye, Henan Huibang and Henan Tiandao; and the legal representative and chairman of the board of Henan Xingwei and Hanwei Zhiye.

From 1988 to 1993, he worked in the infrastructure department in Zhengzhou City Heavy Industry Management Authority (鄭州市重工業管理局). From 1993 to 1998, he was the manager of the project management department in the No. 2 engineering department of the Zhongjian No. 7 Bureau No. 4 Construction Engineering Company\* (中建七局第四建築工程公司), a company principally engaged in the business of construction where he was responsible for the management of the construction of the property.

Mr. Chen graduated from Naval University of Engineering, PLA (中國人民解放軍海軍工程大學) in Wuhan City, Hubei Province, the PRC, with a degree in project management in June 2006. Mr. Chen is the brother-in-law of Mr. Zhang Wei, the chairman of the Board and an executive Director.

Mr. Chen was the legal representative and executive director of Zhengzhou Hongda Shiye Company Limited\* (鄭州鴻大實業有限公司) at the time of its dissolution on 20 January 2005 following the revocation of its business licence on 25 November 2004 due to failure to conduct annual inspection. Zhengzhou Hongda Shiye Company Limited\* was principally engaged in the business of inter alia, distribution of building materials, hardware products prior to its dissolution.

Mr. Chen was the legal representative, director and chairman of Fenghua Development the business licence of which was revoked on 26 February 2002 due to failure to attend annual check in accordance with regulations. Fenghua Development was principally engaged in the business of interior and exterior design, renovation and commodities trading prior to its business registration licence being revoked.

As confirmed by Mr. Chen, he was assigned by the local government to act as the legal representative, director and chairman of Fenghua Development, and hence he had not been involved or allowed to participate in the daily operation, management nor decision making of Fenghua Development, all such decisions were instead made by the local government which assigned him to such posts. Mr. Chen only acted as a nominee with no actual power or rights to interfere with the orders he was given, not even whether to conduct annual check or renew the business licence.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen confirmed that there is no wrongful act on his part leading to the above licence revocation and company dissolution and is not aware of any actual or potential claim has been or will be made against him as a result of such licence revocation or company dissolution, and that no misconduct or misfeasance had been involved in the licence revocation or dissolution of these companies.

### Non-executive Director

**Mr. Dong Xincheng (董心誠)**, aged 49, is our non-executive Director. Mr. Dong was appointed as an independent non-executive Director of the Company on 15 August 2011 and he was re-designated as a non-executive Director of the Company on 10 March 2016.

Mr. Dong has approximately 13 years of experience in legal practice. From 1990 to 1995, he was an officer in Road Administration Division of Henan Province Bureau of Transport\* (河南省交通廳公路管理局). From 1996 to 2001, he was a deputy general manager at Shijiazhuang Xinlin Real Estate Development Co., Ltd.\* (石家莊鑫麟房地產開發有限公司), where he was responsible for its business management. From 2002 to 2004, he practised law at Henan Guanglei Law Firm\* (河南光磊律師事務所). From 2004 onwards, he has been practising law at Henan Zhengfangyuan Law Firm\* (河南正方圓律師事務所).

Mr. Dong graduated from Zhengzhou University (鄭州大學) in Zhengzhou City, Henan Province, the PRC, with a Bachelor's degree in engineering in June 1990. He obtained the Legal Professional Qualification Certificate in September 2002.

Mr. Dong was either a legal representative, chairman, director and/or supervisor of the following companies established in the PRC the business registration licences of which were revoked:

| Name of company  | Position held in the company before the licence revocation | Principal business of the company prior to license revocation | Date of revocation of licence         | Reasons for the licence revocation            | Current status           |
|--|--|---|---------------------------------------|---|--------------------------|
| Henan Jiadali Trading Company Limited* (河南佳達利商貿有限責任公司)           | Legal representative and chairman                          | Commodities trading   | 18 May 2000                           | Failure to renew business licence upon expiry | Business licence revoked |
| Zhengzhou Yizhongsheng Investment Company Limited* (鄭州易中盛投資有限公司) | Supervisor   | Investment, Investment consultation                           | Date of dissolution#<br>1 August 2012 | Members voluntary dissolution                 | Dissolved                |
| Henan Province Tianhai Shiye Company Limited* (河南省天海實業有限公司)      | Director   | Commodities trading   | 6 September 1998                      | Failure to renew business licence upon expiry | Business licence revoked |

# Zhengzhou Yizhongsheng Investment Company Limited\* was dissolved instead of having its business licence revoked.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Dong confirmed that there is no wrongful act on his part leading to the above licence revocation and is not aware of any actual or potential claim has been or will be made against him as a result of such licence revocation, and that no misconduct or misfeasance had been involved in the licence revocation these companies.

Notwithstanding that Mr. Dong had been a legal representative, chairman and/or director of the above companies the business license of which has been revoked, Mr. Dong did not participate in any management or daily operation of those companies as he was working full time as deputy general manager at Shijiazhuang Xinlin Real Estate Development Co., Ltd.\* (石家莊鑫麟房地產開發有限公司) from 1996 to 2001 and he devoted most of his time and energy to such work commitments during all relevant times. As confirmed by Mr. Dong, during all relevant times when he was acting as legal representative, chairman and/or director of Henan Province Tianhai Shiye Company Limited\* (河南省天海實業有限公司) and Henan Jiadali Trading Company Limited\* (河南佳達利商貿有限責任公司), Mr. Dong was working full-time as deputy general manager at Shijiazhuang Xinlin Real Estate Development Co., Ltd.\* (石家莊鑫麟房地產開發有限公司) from 1996 to 2001, and Mr. Dong devoted most of his time and energy to such work commitments during all relevant times. As such, Mr. Dong further confirmed that he was not involved in the management or daily operations of Henan Province Tianhai Shiye Company Limited\* (河南省天海實業有限公司) and Henan Jiadali Trading Company Limited\* (河南佳達利商貿有限責任公司) during the relevant times. To the best knowledge or understanding of Mr. Dong, Henan Province Tianhai Shiye Company Limited\* (河南省天海實業有限公司) and Henan Jiadali Trading Company Limited\* (河南佳達利商貿有限責任公司) did not renew their respective business licence upon expiry because both companies ceased their respective business operations.

### Independent non-executive Directors

**Mr. Ong Kian Guan** (王建源), aged 48, is our independent non-executive Director and lead-independent Director.

Mr. Ong has been an audit partner of Baker Tilly TFW LLP since October 2005, where he provides audit services.

Mr. Ong currently holds directorships in the following listed companies:

| Name of the company                   | Listing venue              | Stock Code | Title                              | Date of commencement of service |
|---------------------------------------|----------------------------|------------|------------------------------------|---------------------------------|
| China XLX Fertiliser Ltd <sup>#</sup> | Main Board, Stock Exchange | 1866       | independent non-executive director | 11 May 2007                     |
| Serreno Limited                       | Main Board, SGX-ST         | 40R        | lead independent director          | 10 October 2014                 |
| Alliance Mineral Assets Limited       | Catalist, SGX-ST           | 40F        | independent director               | 20 June 2014                    |

<sup>#</sup> China XLX Fertiliser was listed on the main board of SGX-ST and was delisted on 12 August 2014, wherein Mr. Ong served as its lead independent director from 11 May 2007 to 12 August 2014.

## DIRECTORS AND SENIOR MANAGEMENT

In the three years immediately preceding the Latest Practicable Date, Mr. Ong held directorships in the following listed companies:

| Name of the company            | Listing venue                    | Stock Code | Title                                    | Period                                 |
|--------------------------------|----------------------------------|------------|--|--|
| China Haida Limited            | Main Board,<br>SGX-ST            | C92        | independent<br>director                  | 27 October 2006<br>to 28 April<br>2015 |
| Asia Fashion<br>Holdings Ltd.  | Main Board,<br>SGX-ST            | GH3        | independent<br>director                  | 31 July 2013 to<br>27 March 2014       |
| China Animal<br>Healthcare Ltd | Main Board,<br>Stock<br>Exchange | 940        | independent<br>non-executive<br>director | 31 December<br>2007 to 3 June<br>2014  |

Mr. Ong was admitted as a fellow of the Institute of Singapore Chartered Accountants in January 2010. He obtained a Bachelor's degree in accountancy from Nanyang Technological University in Singapore in May 1992.

**Mr. Oh Eng Bin** (胡榮明), aged 42, is our independent non-executive Director.

Mr. Oh has been a partner at Rodyk & Davidson LLP, Singapore, Corporate Practice Group, China Practice and Indonesia Practice since October 2010. He has been in the legal practice since 1999 and he has been practising mainly in the areas of corporate finance and mergers and acquisitions, with a focus on equity capital markets transactions. From December 1999 to June 2004, he was an associate in the Corporate Practice Group of Shook Lin & Bok, Singapore (converted to Shook Lin & Bok LLP from 1 July 2007), and from June 2004 to October 2010, he was a partner in the Corporate Practice Group of Shook Lin & Bok LLP, Singapore.

Mr. Oh obtained a Bachelor of Law degree (Honours) from the University of Singapore in Singapore in June 1998 and was admitted to the Singapore Bar in 1999. Mr. Oh currently holds directorships in the following listed companies:

| Name of the company | Listing venue                   | Stock Code | Title                                    | Date of<br>commencement<br>of service |
|---------------------|---------------------------------|------------|--|---------------------------------------|
| SHS Holdings Ltd.   | Main Board,<br>SGX-ST           | 566        | independent<br>director                  | 14 January 2014                       |
| KPM Holding Limited | GEM Board,<br>Stock<br>Exchange | 8027       | independent<br>non-executive<br>director | 23 June 2015                          |

**Mr. Siu Man Ho Simon** (蕭文豪), aged 42, is our independent non-executive Director.

Mr. Siu is a practicing solicitor of the High Court of Hong Kong and a China Appointed Attesting Officer appointed by the Ministry of Justice of the People's Republic of China. Mr. Siu is currently a partner in a law firm, Sit, Fung, Kwong & Shum, Solicitors, which he first joined as a solicitor in January 2000 and has been continuously serving there since then. His areas of practice include corporate finance, capital markets, securities, mergers and acquisitions, joint ventures and general commercial matters. He obtained a Bachelor of Laws degree from the University of Hong Kong in 1996.

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## DIRECTORS AND SENIOR MANAGEMENT

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He also actively participates in charitable and social services in Hong Kong. He is currently acting as the legal adviser for United Hearts Youth Foundation, VQ Foundation and Hong Kong Taekwondo Association as well as the school manager of The Association of Directors & Former Directors of Pok Oi Hospital Ltd Leung Sing Tak College.

In the three years preceding the Latest Practicable Date, Mr. Siu held directorship in the following listed company:

| Name of the company    | Listing venue                    | Stock Code | Title                                    | Period                             |
|------------------------|----------------------------------|------------|--|------------------------------------|
| Jiashili Group Limited | Main Board,<br>Stock<br>Exchange | 1285       | independent<br>non-executive<br>director | 12 June 2015 to<br>1 December 2015 |

Mr. Siu currently holds directorships in the following listed companies:

| Name of the company                                      | Listing venue                    | Stock Code | Title                                    | Date of<br>commencement<br>of service |
|--|----------------------------------|------------|--|---------------------------------------|
| Brilliant Circle<br>Holdings<br>International<br>Limited | Main Board,<br>Stock<br>Exchange | 1008       | independent<br>non-executive<br>director | 4 March 2009                          |
| Wai Yuen Tong<br>Medicine Holdings<br>Limited            | Main Board,<br>Stock<br>Exchange | 897        | independent<br>non-executive<br>director | 28 August 2001                        |

### Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of our Directors confirms with respect to him that he (i) did not hold other positions in our Company or members of our Group as of the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as of the Latest Practicable Date; (iii) did not hold any other directorships in the three years immediately preceding the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (iv) there are no other matters concerning our Directors' appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules. As of the Latest Practicable Date, save as the interests of our Directors in the Shares which are disclosed in the section headed "Appendix VI – Statutory and General Information – Further Information about Directors and Substantial Shareholders" in this listing document, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

## DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

The following table sets out the information regarding the current senior management members of our Company.

| Name                    | Age | Position                | Date of appointment to current position | Date of joining our Group | Principal duties   | Relationship with Directors or other senior management members |
|-------------------------|-----|-------------------------|---|---------------------------|--|--|
| Mr. Song Fulin<br>(宋福林) | 53  | Chief executive officer | 27 February 2014                        | 2 February 2012           | Overseeing the overall business operations and management for our Property Development Business and projects reserves and financing of our Group | –  |
| Mr. Tay Meng Heng       | 48  | Chief financial officer | 1 October 2012                          | 1 October 2012            | Overseeing the financial operations of our Group   | –  |

**Mr. Song Fulin (宋福林)**, aged 53, has been the chief executive officer of our Group since 27 February 2014 and is mainly responsible for the overall business operations and management of our Property Development Business. In addition, he is responsible for projects reserves and financing of our Group.

Mr. Song has over eight years of experience in managing business operation and the real estate industry. In February 2012, he joined Henan Weiye as president and was responsible for sales and marketing, financing, monitoring and managing the property development projects of Henan Weiye. In March 2013, he was promoted to the position of chief operating officer of our Company where he was responsible for sales and marketing, financing, monitoring and managing the property development projects of our Group.

From April 2010 to January 2012, he was a director and the vice president in Zhengzhou Xinmanguo Real Estate Group\* (鄭州新芒果房地產集團), where he was responsible for managing property development. From December 2006 to March 2010, he was the vice president and general manager in Xinyuan (China) Real Estate Co., Ltd\* (鑫苑(中國)置業有限公司) where he was responsible for managing property development.

Mr. Song graduated from Zhengzhou University (鄭州大學) in Zhengzhou City, Henan Province, the PRC, in July 1984 with a degree in history.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. Tay Meng Heng**, aged 48, joined our Group as chief financial officer in October 2012. As our Group's chief financial officer, he is responsible for the financial operations of our Group. Prior to joining our Group, Mr. Tay was the general manager responsible for corporate finance of Falcon Capital Partners Pte. Ltd. from December 2011 to May 2012 and was the general manager responsible for corporate finance of W&H Business Services Pte. Ltd. from November 2010 to 2011. He worked in Advanced Systems Automation Limited (formerly known as Advanced Systems Automation Pte Ltd), a company listed on the Catalist of the SGX-SX, from October 1994 to October 2010, where he was promoted from the position of management accountant to financial controller. He worked as an audit assistant and promoted to senior accountant in Ernst & Young in Singapore from July 1992 to 1994.

Mr. Tay obtained a Bachelor of Accountancy degree (Honours) from the Nanyang Technological University, Singapore in May 1992. He is also a member of Institute of Singapore Chartered Accountants.

Save as disclosed, each of the senior management has not been a director of any listed company in the three years immediately preceding the Latest Practicable Date.

### JOINT COMPANY SECRETARIES

Ms. Shirley Tan Sey Liy and Mr. Man Yun Wah are the joint company secretaries of our Company.

**Ms. Shirley Tan Sey Liy (陳雪莉)**, was appointed as one of our company secretaries on 24 July 2012. She is an associate director of RHT Corporate Advisory Pte. Ltd., a company providing corporate secretarial services. She has been responsible for the Company's proper compliance with all relevant statutory and regulatory requirements since her appointment. She joined RHT Corporate Advisory Pte. Ltd. in 2011 and has professional experience in the corporate secretarial practice.

Ms. Tan holds a Practicing Certificate from the Singapore Association of Institute of Chartered Secretaries and Administrators ("**SAICSA**") and is an associate of the SAICSA. Ms. Tan also holds a master of science in management from the National University of Ireland, Dublin.

Ms. Tan has not been a director of any publicly listed company in the three years immediately preceding the Latest Practicable Date.

**Mr. Man Yun Wah (文潤華)**, was appointed as one of our company secretaries on 10 March 2016. He is a director of RHT Corporate Advisory (HK) Limited, a company providing company secretarial services, and his major responsibility is to assist listed companies in professional company secretarial work. Before joining RHT Corporate Advisory (HK) Limited, he worked in Dominic K.F. Chan & Co. from August 2008 to July 2015 where he was responsible for providing company secretarial services.

Mr. Man is an associate member of The Hong Kong Institute of Chartered Secretaries. He holds a Bachelor's of Arts degree in business administration and management from the University of Huddersfield, England. He also holds a degree of Master of Corporate Governance from the Open University of Hong Kong.

Mr. Man has not been a director of any publicly listed company in the three years immediately preceding the Latest Practicable Date.

Save as disclosed, each of the companies secretaries has not been a director of any listed company in the three years immediately preceding the Latest Practicable Date.

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## DIRECTORS AND SENIOR MANAGEMENT

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### BOARD COMMITTEES

#### Audit Committee

Our Company has established an Audit Committee with written terms of reference in compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules and the Singapore's Code of Corporate Governance. The primary duties of the Audit Committee include the following:

- to assist the Board in fulfilling its responsibilities in respect of our Group's accounting policies, risk management, internal controls, financial reporting practices and business policies;
- to review and report to the Board at least annually the adequacy and effectiveness of our Group's internal controls, including financial, operational, compliance and information technology controls (carried out internally or with the assistance of any competent third parties);
- to monitor management's commitment to the establishment and maintenance of a satisfactory control environment and an effective system of internal control (including any arrangements for internal audit);
- to review our Group's financial information, by monitoring the integrity of our Group's financial statements and announcements relating to the Group's financial performance and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them;
- to maintain a channel of communication among members of our Board, the financial management team, and the internal and external audits on matters arising out of the internal and external audits and to consider the adequacy of arrangements for audit;
- to monitor and review the scope and results of external audit and its cost effectiveness and the independence and objectivity of the external auditors;
- to act as the key representative body for overseeing our Group's relation with the external auditor;
- to make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal; and
- to review arrangements our Group's employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

Our Audit Committee consists of three members, being Mr. Ong Kian Guan, Mr. Oh Eng Bin and Mr. Siu Man Ho Simon, all of whom are independent non-executive Directors. Mr. Ong Kian Guan currently serves as the chairman of our Audit Committee.



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## DIRECTORS AND SENIOR MANAGEMENT

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### Remuneration Committee

Our Company has established a Remuneration Committee with written terms of reference in compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules and the Singapore's Code of Corporate Governance. The primary duties of the remuneration committee include the following:

- to review and approve the policy for determining the remuneration of executives of our Group, including our executive Directors, chief executive officer and other key management executives;
- to make recommendations to the Board on our Group's policy and structure for all executive Directors' and key management executives' remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- to review the on-going appropriateness and relevance of our executive remuneration policy and other benefit programmes;
- to consider, review and approve and/or vary the entire specific remuneration package and service contract terms for individual executive directors and each member of key management (including salaries, allowances, bonuses, payments, options, benefits in kind, retirement rights, severance packages and service contracts) having regard to the executive remuneration policy for our Group and with reference to the Board's corporate goals and objectives;
- to review our Group's obligations arising in the event of termination of executive Directors' and key management personnel's contracts of service;
- to consider and approve termination payments, retirement payments, gratuities, ex-gratia payments, severance payments and other similar payments to each member of key management;
- to determine, review and approve the design of all option plans, stock plans and/or other equity based plans that our Group proposes to implement, to determine each year whether awards will be made under such plans, to review and approve each award as well as the total proposed awards under each plan in accordance with the rules governing each plan and to review, approve and keep under review performance hurdles and/or fulfilment of performance hurdles under such plans;
- to make recommendation to the Board and approve the remuneration framework (including Directors' fees) for non-executive Directors on the relevant boards of directors within our Group;
- to approve the appointment of key management positions and review succession plans for key positions within our Group;
- to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in our Group;
- to oversee the development of key executives and talented executives within our Group; and
- to disclose the Group's remuneration policies, level and mix of remuneration, and the procedure for setting remuneration.

Our Remuneration Committee consists of three members, being Mr. Oh Eng Bin, Mr. Ong Kian Guan and Mr. Siu Man Ho Simon, all of whom are independent non-executive Directors. Mr. Oh Eng Bin currently serves as the chairman of our remuneration committee.

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## DIRECTORS AND SENIOR MANAGEMENT

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### Nominating Committee

Our Company has established a Nominating Committee with written terms of reference in compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules and the Singapore's Code of Corporate Governance. The primary duties of the Nominating Committee include the following:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement our Group's corporate strategy;
- to review and recommend nomination for re-appointment or re-election or renewal of appointment of the Directors;
- to identify individuals suitably qualified to become members of the Board and Board committees, and review and make recommendations to the Board on the selection of individuals nominated for directorships;
- to recommend Directors who are retiring by rotation to be put forward for re-election;
- to make recommendations to the board on the appointment or reappointment of directors and succession planning for directors, in particular the chairman and the chief executive;
- to assess on the independence of the independent Directors annually;
- to review training and professional development programmes for the Board;
- to review whether a Director is adequately carrying out his duties as director of the Company including the time and effort contributed to our Group's, attendance at meeting of the Board and Board committees, participation at meetings and contribution of constructive, analytical, independent and well-considered views; and
- to decide on how the Board's performance may be evaluated and propose objective performance criteria, and evaluate the performance and effectiveness of the Board as a whole.

Our Nominating Committee consists of four members, being Mr. Siu Man Ho Simon, Mr. Ong Kian Guan and Mr. Oh Eng Bin, who are independent non-executive Directors and Mr. Dong Xincheng, who is a non-executive Director. Mr. Siu Man Ho Simon currently serves as the chairman of our Nominating Committee.

### COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors do not receive Directors' fees. The remuneration packages of our executive Directors and the senior management comprise salary and bonuses and other allowances and benefits in kind. The non-executive Director and independent non-executive Directors are paid Directors' fees taking into account factors such as the effort and time spent and the scope of responsibilities of the Directors. The chairman of each of our Board's committees is compensated for his additional responsibilities.

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## DIRECTORS AND SENIOR MANAGEMENT

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In setting remuneration packages, our Company takes into consideration the remuneration packages and employment conditions within the industry as well as our Group's performance and the performance of each individual Director and senior management. Our Board reviews the remuneration and compensation packages of our Directors and senior management and receives recommendation from the Remuneration Committee. The remuneration of our Directors are subject to the approval of our shareholders.

Our Company does not have any employee share option scheme or any long-term incentive scheme in place.

The aggregate amount of remuneration our Directors have received (including fees, salaries, discretionary bonuses, allowances and other benefits in kind, and retirement scheme contributions) for the three years ended 31 December 2013, 2014 and 2015 were approximately RMB3,438,000, RMB4,190,000 and RMB4,255,000, respectively. The aggregate amount of salaries and other emoluments (including retirement scheme contributions) to the five highest paid individuals of our Group (including our Directors) for the three years ended 31 December 2013, 2014 and 2015 were approximately RMB5,649,000, RMB6,870,000 and RMB7,251,000, respectively. For details, please refer to notes 30 and 31 to the Accountants' Report as set out in Appendix I to this listing document.

During the Track Record Period, no remuneration was paid by our Group to, or receivable by, our Directors or the five largest-paid individuals (i) as an inducement to join or upon joining our Group or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. In addition, none of our Directors has waived any emoluments. Save as disclosed above, no other payments have been paid or are payable by our Group to our Directors and the five highest paid individuals during the Track Record Period.

Under the arrangements currently in force, the aggregate emoluments (including fees, salaries, allowances and other benefits in kind, and retirement scheme contributions, but excluding discretionary bonus) payable by our Group to and other benefits receivable by our Directors for the year ended 31 December 2016 are expected to be approximately RMB3,560,000 for our executive Directors and approximately SGD185,000 for our non-executive Director and independent non-executive Directors.

### **CORPORATE GOVERNANCE CODE**

Our Company expects to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules in full upon Listing. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports after the Listing.

### **MANAGEMENT PRESENCE IN HONG KONG**

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, please refer to the section headed "Waivers from Strict Compliance with the Listing Rules – Sufficient Management Presence in Hong Kong" in this listing document.

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## DIRECTORS AND SENIOR MANAGEMENT

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### COMPLIANCE ADVISER

Our Company has engaged CLC International Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser (when consulted) will advise our Company on the following matters:

- (i) the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (iii) where our Company's business activities, developments or results deviate from any forecast, estimate, or other information in this listing document; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares of our Company the possible development of a false market in its securities, or any other matters the Stock Exchange makes an enquiry of the Company under Rule 13.10.

The term of the appointment of our compliance adviser shall commence on the Listing Date and end on the date on which our Company distributes our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Introduction, other than a Director or chief executive of our Company whose interests are disclosed under the sub-paragraph headed “1. Disclosure of Interests – (a) Interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying shares and debentures of our Company and its associated corporations” under the paragraph headed “C. Further information about Directors and Substantial Shareholders” in Appendix VI to this listing document, the following persons have interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

(a) Interests or short positions in our Company:

| Name of substantial shareholder          | Capacity/Nature of interest | Number and class of securities | Percentage of interest in our Company |
|--|-----------------------------|--------------------------------|---------------------------------------|
| Raffles Nominees (Pte) Limited<br>(Note) | Nominee for other persons   | 73,117,659 (L)#                | 37.28%                                |

*Note:* To the best knowledge of our Directors, having made all reasonable enquiries, as at 15 March 2016, being the latest information ascertainable before the Latest Practicable Date, Raffles Nominees (Pte) Limited held these 73,117,659 Shares as nominee for certain corporations and individuals. Among those Shares, 20,000,000 Shares, 833,867 Shares and 40,240,256 Shares are held for and beneficially owned by Zhang Wei, Zhang Jianwei and Chen Zhiyong, respectively. The remaining Shares are held by Raffles Nominees (Pte) Limited as nominee for other Shareholders.

# (L) denotes Long position and (S) denotes Short position

(b) Interests or short positions in other members of our Group:

| Name of substantial shareholder                               | Member of our Group | Capacity/Nature of interest | Number and class of securities | Approximate percentage of interest |
|---|---------------------|-----------------------------|--------------------------------|------------------------------------|
| Liu Gairong   | Zhengzhou Daimashi  | Interest as a trustee       | N/A                            | 27.5%                              |
| Zhengzhou Shijizhongxin Zhiye Co. Ltd.*<br>(鄭州世紀中<br>信置業有限公司) | Zhengzhou Daimashi  | Beneficial interest         | N/A                            | 27.5%                              |
| Henan Heshun Construction Co., Ltd.*<br>(河南和順建設有限公司)          | Henan Tiandao       | Beneficial interest         | N/A                            | 49%                                |
| Zhongyuan Trust Co. Ltd.*<br>(中原信託有限公司)                       | Henan Xingwei       | Beneficial interest         | N/A                            | 48.7%                              |
| Feng Chaoling   | Hanwei Zhiye        | Beneficial interest         | N/A                            | 49%                                |

Save as disclosed in this listing document, we are not aware of any other person who will, immediately following completion of the Introduction, have an interest or short position in our Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any of our subsidiaries. We are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

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## SHARE CAPITAL

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All of the issued Shares of our Company comprise fully paid ordinary shares. Our Company did not have any treasury share as at the Latest Practicable Date. Pursuant to the Singapore Companies (Amendment) Act 2005, companies incorporated in Singapore no longer have an authorised share capital and there is no concept of par value in respect of issued shares.

There will be no change in our share capital as at the Latest Practicable Date and immediately upon Listing. Details of share capital immediately after the Listing:

|   | <u>Number of Shares</u> |
|---|-------------------------|
| Issued and fully paid ordinary Shares (with no par value) | 196,133,152             |

### ASSUMPTIONS

The above figure does not take into account of any Share which may be allotted and issued by our Company pursuant to the general mandate for the allotment and issue of Shares granted to our Directors as described below.

### SHARE ISSUE MANDATE

At the annual general meeting of our Company held on 29 April 2015, our Shareholders have passed a resolution (the “**Resolution**”) granting a general mandate (the “**Share Issue Mandate**”) to our Directors to issue and allot (i) Shares, convertible securities and Shares arising from conversion of convertible securities, and (ii) Shares in pursuant of any instrument made or granted by our Company while the Resolution is in force, not exceeding 50% of the total number of issued Shares (excluding treasury shares), and if not issued on a pro-rata basis, not exceeding 20% of the total number of issued Shares (excluding treasury shares) in the capital of our Company calculated in accordance with the paragraph below.

For the purpose of determining the aggregate number of Shares that may be issued and allotted pursuant to the Share Issue Mandate, the percentage of issued Shares shall be based on the number of issued Shares (excluding treasury shares) in the capital of our Company at the time of passing the Resolution, after adjusting for:

- (a) new Shares arising from the conversion or exercise of the instruments or any convertible securities;
- (b) new Shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of the Resolution; and
- (c) any subsequent consolidation or subdivision of our Shares.

The Share Issue Mandate shall, unless revoked or varied by our Company at a general meeting, continue in force until:

- (a) the conclusion of the next annual general meeting of our Company or the date by which the next annual general meeting of our Company is required by law to be held, whichever is earlier; or
- (b) in the case of Shares to be issued in pursuance of the instruments made or granted pursuant to the Resolution, until the issuance of such Shares in accordance with the terms of the Instruments.

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## SHARE CAPITAL

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For further details of the Share Issue Mandate, please refer to the sub-paragraph headed “3. Resolutions of our Shareholders passed at the general meetings of our Company held on 29 April 2015, 27 November 2015 and 22 December 2015” under the paragraph headed “A. Further Information about our Company and the subsidiaries of our Group” in Appendix VI to this listing document.

Notwithstanding the above, the Listing Rules provide that a general mandate obtained from shareholders of a listed issuer in general meeting shall be subject to a restriction that the aggregate number of shares allotted or agreed to be allotted under the general mandate must not exceed the aggregate of (i) 20% of the number of issued shares of the listed issuer on the date of the resolution granting the general mandate and (ii) the number of securities repurchased by the listed issuer since the granting of the general mandate (up to 10% of the shares of the listed issuer in issue on the date of passing the resolution to grant the general mandate) provided that the shareholders of the listed issuer have separately granted a general mandate to the directors of the listed issuer to add the repurchased securities to the 20% limit. As such, our Company shall comply with the requirements of the Listing Rules in relation to the issue of general mandate upon Listing as the Listing Rules generally pose a more onerous requirement than the Listing Manual in this aspect.

### **RULE 9.09 OF THE LISTING RULES**

Our Company has applied for and the Stock Exchange has granted a waiver from strict compliance with Rule 9.09 of the Listing Rules. Please refer to the section headed “Waivers from strict compliance with the Listing Rules – 2. Dealing in securities by core connected persons during a listing application process (Rule 9.09)” in this listing document for details of the waiver.

### **RULES 10.07(1)(a) AND 10.08 OF THE LISTING RULES**

Our Company has applied for and the Stock Exchange has granted a waiver from strict compliance with Rules 10.07(1)(a) and 10.08 of the Listing Rules. Please refer to the paragraphs headed “3. Issue of further securities (Rule 10.08) and restriction on disposal of shares by a controlling shareholder after a new listing (Rule 10.07(1)(a)) upon issue of further securities” and “4. Restriction on disposal of shares by a controlling shareholder after a new listing (Rule 10.07(1)(a)) in respect of the bridging arrangements” in the section headed “Waivers from strict compliance with the Listing Rules” in this listing document for details of the waivers.

## SHARE CAPITAL

### HISTORICAL TRADING PRICES AND VOLUME OF OUR SHARES ON SGX-ST

The following table sets forth the reported highs, lows, month ends and monthly averages of the closing trading prices and average daily trading volume of our Shares on SGX-ST during the Track Record Period until the Latest Practicable Date. Historical Share prices may not be indicative of the prices at which the Shares will trade following completion of the Introduction. Please refer to the paragraph headed “There are different characteristics between the Singapore stock market and the Hong Kong stock market” in the sub-section headed “Risks relating to our dual primary listing” under the section headed “Risk Factors” in this listing document in relation to the relevant risks.

|           | Per Share (S\$) <sup>(1)</sup> |       |           |                 | Average daily trading volume |                          |
|-----------|--------------------------------|-------|-----------|-----------------|------------------------------|--------------------------|
|           | High                           | Low   | Month end | Monthly Average | Shares                       | % of total issued shares |
| 2012      |                                |       |           |                 |                              |                          |
| January   | 0.115                          | 0.100 | 0.103     | 0.105           | 345,462                      | 0.018%                   |
| February  | 0.123                          | 0.095 | 0.106     | 0.105           | 776,100                      | 0.040%                   |
| March     | 0.119                          | 0.101 | 0.101     | 0.106           | 185,727                      | 0.009%                   |
| April     | 0.119                          | 0.090 | 0.102     | 0.101           | 37,238                       | 0.002%                   |
| May       | 0.102                          | 0.083 | 0.083     | 0.088           | 19,739                       | 0.001%                   |
| June      | 0.098                          | 0.072 | 0.085     | 0.087           | 17,095                       | 0.001%                   |
| July      | 0.089                          | 0.063 | 0.070     | 0.074           | 46,909                       | 0.002%                   |
| August    | 0.085                          | 0.062 | 0.085     | 0.080           | 38,455                       | 0.002%                   |
| September | 0.090                          | 0.048 | 0.056     | 0.065           | 56,200                       | 0.003%                   |
| October   | 0.090                          | 0.052 | 0.074     | 0.065           | 21,217                       | 0.001%                   |
| November  | 0.074                          | 0.043 | 0.051     | 0.057           | 34,136                       | 0.002%                   |
| December  | 0.069                          | 0.042 | 0.058     | 0.054           | 70,000                       | 0.004%                   |
| 2013      |                                |       |           |                 |                              |                          |
| January   | 0.093                          | 0.051 | 0.071     | 0.069           | 223,391                      | 0.011%                   |
| February  | 0.083                          | 0.063 | 0.071     | 0.071           | 1,387,100                    | 0.071%                   |
| March     | 0.076                          | 0.040 | 0.050     | 0.053           | 10,535,048                   | 0.537%                   |
| April     | 0.052                          | 0.046 | 0.047     | 0.048           | 448,818                      | 0.023%                   |
| May       | 0.054                          | 0.044 | 0.048     | 0.048           | 401,478                      | 0.020%                   |
| June      | 0.053                          | 0.045 | 0.051     | 0.048           | 303,350                      | 0.015%                   |
| July      | 0.103                          | 0.048 | 0.072     | 0.057           | 9,547,087                    | 0.487%                   |
| August    | 0.083                          | 0.062 | 0.067     | 0.071           | 11,753,773                   | 0.599%                   |
| September | 0.098                          | 0.065 | 0.086     | 0.082           | 18,779,619                   | 0.957%                   |
| October   | 0.088                          | 0.061 | 0.062     | 0.070           | 2,984,609                    | 0.152%                   |
| November  | 0.073                          | 0.061 | 0.070     | 0.069           | 1,238,857                    | 0.063%                   |
| December  | 0.078                          | 0.067 | 0.075     | 0.071           | 1,818,136                    | 0.093%                   |



## SHARE CAPITAL

|   | Per Share (\$) <sup>(1)</sup> |       |           |                      | Average daily trading volume |                          |
|---|-------------------------------|-------|-----------|----------------------|------------------------------|--------------------------|
|   | High                          | Low   | Month end | Monthly Average      | Shares                       | % of total issued shares |
| 2014                                      |                               |       |           |                      |                              |                          |
| January                                   | 0.080                         | 0.066 | 0.068     | 0.072                | 2,251,217                    | 0.115%                   |
| February                                  | 0.076                         | 0.065 | 0.073     | 0.069                | 1,068,250                    | 0.054%                   |
| March                                     | 0.073                         | 0.067 | 0.070     | 0.069                | 593,143                      | 0.030%                   |
| April                                     | 0.073                         | 0.067 | 0.067     | 0.069                | 167,364                      | 0.009%                   |
| May                                       | 0.069                         | 0.064 | 0.064     | 0.066                | 229,909                      | 0.012%                   |
| June                                      | 0.068                         | 0.062 | 0.063     | 0.064                | 152,905                      | 0.008%                   |
| July                                      | 0.080                         | 0.061 | 0.063     | 0.065                | 9,279,000                    | 0.473%                   |
| August                                    | 0.063                         | 0.036 | 0.050     | 0.044                | 31,485,095                   | 1.605%                   |
| September                                 | 0.055                         | 0.040 | 0.040     | 0.046                | 12,758,273                   | 0.650%                   |
| October                                   | 0.043                         | 0.036 | 0.041     | 0.039                | 2,218,870                    | 0.113%                   |
| November                                  | 0.046                         | 0.040 | 0.042     | 0.043                | 10,123,500                   | 0.516%                   |
| December                                  | 0.043                         | 0.034 | 0.034     | 0.038                | 8,770,957                    | 0.447%                   |
| 2015                                      |                               |       |           |                      |                              |                          |
| January                                   | 0.038                         | 0.032 | 0.033     | 0.034                | 5,288,041                    | 0.270%                   |
| February                                  | 0.033                         | 0.027 | 0.028     | 0.030                | 1,215,105                    | 0.062%                   |
| March                                     | 0.038                         | 0.023 | 0.036     | 0.027                | 1,911,468                    | 0.097%                   |
| April                                     | 0.052                         | 0.034 | 0.050     | 0.042                | 8,702,932                    | 0.444%                   |
| May                                       | 0.051                         | 0.045 | 0.048     | 0.047                | 7,948,267                    | 0.405%                   |
| June                                      | 0.050                         | 0.043 | 0.044     | 0.045                | 5,134,273                    | 0.262%                   |
| July                                      | 0.052                         | 0.039 | 0.039     | 0.043                | 5,589,422                    | 0.285%                   |
| August                                    | 0.044                         | 0.033 | 0.040     | 0.038                | 2,549,586                    | 0.130%                   |
| September                                 | 0.052                         | 0.036 | 0.039     | 0.039                | 1,042,364                    | 0.053%                   |
| October                                   | 0.047                         | 0.036 | 0.040     | 0.039                | 4,175,636                    | 0.213%                   |
| November                                  | 0.042                         | 0.037 | 0.037     | 0.039                | 1,870,952                    | 0.095%                   |
| December (1 to 2 December)                | 0.040                         | 0.037 | 0.040     | 0.039 <sup>(2)</sup> | 612,000                      | 0.031%                   |
| December (3 to 31 December)               | 0.450                         | 0.320 | 0.425     | 0.401 <sup>(3)</sup> | 59,705                       | 0.030%                   |
| 2016                                      |                               |       |           |                      |                              |                          |
| January                                   | 0.430                         | 0.305 | 0.350     | 0.387                | 39,681                       | 0.020%                   |
| February                                  | 0.400                         | 0.330 | 0.355     | 0.383                | 3,891                        | 0.002%                   |
| March (up to the Latest Practicable Date) | 0.400                         | 0.355 | 0.400     | 0.363                | 8,140                        | 0.004%                   |

Source: Yahoo! Finance

Note 1: The Share Consolidation was completed on 8 December 2015, pursuant to which every 10 pre-consolidation Shares registered in the name of each Shareholder has been consolidated into one existing Share. However, for trading purposes, the pre-consolidation Share ceased trading at 5 p.m. on 2 December 2015 and the consolidated Share began trading from 9 a.m. on 3 December 2015 (the "Effective Trading Date"). Hence, the trading prices of our Shares before and subsequent to the Effective Trading Date are not comparable.

Note 2: Represents the average of the closing price of 1 December 2015 and 2 December 2015.

Note 3: Represents the average of the closing price of each day from 3 to 31 December 2015.

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## SHARE CAPITAL

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### **RATIO OF MARKET CAPITALISATION TO NET ASSET VALUE**

Based on the closing price of our Shares on the SGX-ST on the Latest Practicable Date of S\$0.400 and the total Shares in issue of 196,133,152 Shares, the market capitalisation of our Company was approximately RMB350.7 million on the Latest Practicable Date. As of 31 December 2015, the net asset value of our Company was approximately RMB1.3 billion. The ratio of market capitalisation (based on the closing price of our Shares on the SGX-ST on the Latest Practicable Date) to net asset value as of 31 December 2015 was approximately 0.274 times.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis of our Group's financial condition and results of operations together with our consolidated financial statements as at and for each of the years ended 31 December 2013, 2014 and 2015, including the accompanying notes, set out in the accountants' report included as Appendix I to this listing document. The accountants' report has been prepared in accordance with IFRS. Potential investors should read the whole of the accountants' report included as Appendix I to this listing document and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" in this listing document.*

### OVERVIEW

We are a property developer in the PRC which focuses on developing residential projects. Apart from our Property Development Business, we also engage in Equipment Manufacturing Business, carrying out the design, manufacture and sales of clean room equipment, HVAC products and air purifiers, and sales and installation of cooling towers, mainly in Singapore and other South-east Asian countries. We also selectively retain the ownership of certain self-developed properties with strategic value for capital appreciation and rental income. In addition, we undertake resettlement housing operation via the Built-Transfer model in order to derive revenue from an alternate source and to access potentially available land reserves for property development. Leveraging on the success we achieved in our Property Development Business in the initial trial city, Zhengzhou City, Henan Province in 1999, we expanded and quickly replicated our success in other strategically targeted cities in Henan Province, namely, Kaifeng City and Xinxiang City in 2007. In 2010, we also expanded our Property Development Business to Hainan Province, with a view to take advantage of the PRC national policy of designating Hainan Province as an "International Tourism Island". As at 31 December 2015, we had 12 property projects located in seven locations which were completed or in various stages of development. For the years ended 31 December 2013, 2014 and 2015, our revenue was approximately RMB1,377.0 million, RMB1,293.7 million and RMB1,234.7 million, respectively.

During the Track Record Period, we derived our revenue primarily from (i) sales of development properties; (ii) housing construction; and (iii) sales of goods. Sales of development properties is our mainstream of revenue, representing approximately 46.9%, 69.5% and 84.6% of our total revenue for the years ended 31 December 2013, 2014 and 2015, respectively.

### BASIS OF PRESENTATION

We have prepared our financial information on the historical cost basis, except for investment properties, and financial instruments that are measured at fair values, as disclosed in the accounting policies in the Accountants' Report as set out in Appendix I to this listing document.

The financial statements have been prepared in accordance with the IFRSs.

The Company's functional currency is the Singapore dollar. As the Group's operations are principally conducted in the People's Republic of China ("PRC"), the consolidated financial statements have been presented in the Renminbi ("RMB"). All financial information presented in RMB has been rounded to the nearest thousand (RMB'000), unless otherwise stated.

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## FINANCIAL INFORMATION

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Our financial information incorporates the financial information of the group entities controlled by our Group. The Group controls an entity when it 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests in subsidiaries are presented separately from our equity therein.

All intra-group transactions and balances have been eliminated on consolidation.

### KEY FACTORS AFFECTING OUR PERFORMANCE

Our business, results of operations and financial condition are affected by a number of factors, many of which are beyond our control. Some of the key factors include the following:

#### **Economic growth, the property market and urbanisation process in China**

Economic growth, urbanisation process and rising living standard have been the key drivers behind increasing market demand for the property in China. With the increase of purchasing power and disposable income of urban residents, the improved living standard and investment demands for both residential properties and commercial properties are unprecedentedly prosperous in China. The property industry in the PRC is significantly dependent on the PRC's overall economic growth, including the increase in the purchasing power and disposable income of the consumers in the PRC, the improved living standard and investment demands and the resulted demand for properties. As we focus on residential and commercial property development in the PRC, we believe that China's overall economic growth and the rate of urbanisation are especially important to the continued growth of our operations. The overall economic growth in the PRC and the rate of urbanisation will continue to be affected by a number of macroeconomic factors, including changes in the global economy as well as the macroeconomic, fiscal and monetary policies of the PRC Government. Any macro-economic downturn or downturn in the property market in China, will have material adverse effect on our business, results of operations and cash flows.

#### **Government policies and regulations in the property industry in China**

Policies and regulations have been, and will continue to be, the main measures of the PRC government to exert its influence on the property development and property industry, which will have a direct impact on our business and results of operation. From time to time, the PRC government adjusts its macro-economic control policies to encourage or restrict development in the property sector through regulating, among other things, land grants, pre-sales of properties, bank financing, mortgage interest rate and taxation. Macro-economic measures taken by the PRC government to control money supply, credit availability and fixed assets investment also have a material impact on property developers.

Over the past few years, the PRC government has introduced a number of policies to control the growth and curtail the overheating of, and the foreign investment in, the PRC property sector by increasing minimum down payment requirements for residential properties and controlling bank lending to non-first time home buyers or developers who hold idle land. In February 2013, the PRC Government further promulgated the "Notice on Further Regulation and Control of Real Estate Market" (《關於繼續做好房地產市場調控工作的通知》), introducing six policy measures to control the property market, such as improving the accountability system for stabilisation of property prices and strictly controlling the purchase of property for speculative purpose. On 30 March 2015, the People's Bank of China, Ministry of Housing and Urban-Rural Development and CBRC jointly promulgated the Notice on Issues concerning Individual Housing Loan Policies 《關於個人住房貸款政策有關問題的通知》. The Notice specifies that banking financial institutions are encouraged to continue with granting loans that combine commercial individual housing loans and housing provident fund loans to support residents' purchase of

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## FINANCIAL INFORMATION

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ordinary housing units for their own use. For additional information, please refer to the sections headed “Business – Real estate-related austerity measures previously implemented by the PRC government and recent policy adjustment” and “Regulation Overview” in this listing document. We expect PRC regulatory policies and measures in the property industry to exert continuous impact on our business and results of operations.

### **Ability to acquire land at commercially acceptable costs**

The continuing growth of our business will largely depend on the ability to identify and acquire quality land at commercially acceptable cost. Land acquisition costs, which consist of land premium and, where necessary, the costs of demolishing existing buildings, are one of the major components of our cost of sales for property development. In recent years, land premium has increased significantly with the prosperity of property industry in China. The statutory means of public tender, auction and listing-for-sale practice in respect of the grant of state-owned land use rights have resulted in the increased competition for quality land for development and, consequently, increased land acquisition costs. Such increased land acquisition costs will increase our cost of sales and have a negative impact on our gross profit margin. Furthermore, in November 2009, the PRC government raised the minimum down payment of land premium to 50.0% and required that land premium be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. In March 2010, the PRC Ministry of Land and Resources (中華人民共和國國土資源部) further issued the Notice on Certain Issues on Strengthening Land Supply and Supervision of Real Estate (關於加強房地產用地供應和監管有關問題的通知). According to this notice, the lowest land grant price should not be less than 70% of the benchmark land price in which the granted land is located and the property developers’ bid deposit should not be less than 20% of the lowest grant price. These and future changes of policy may have a material adverse effect on our cash flows and our ability to acquire suitable land for our growth. Please refer to the sections headed “Risk Factors – Risks relating to Our Business – We may not be able to acquire land reserves in desirable locations that are suitable for our future development at commercially acceptable prices and if that happens, our business, financial condition, results of operations as well as prospects may be materially and adversely affected” and “Regulation Overview” in this listing document.

### **Timing and length of property development**

The development of our property projects may take months, or years before any pre-sales take place, and even longer for completion and delivery. The number of property development that a developer is able to undertake during a specific accounting period is limited due to the substantial amount of capital required to fund land acquisitions and to pay construction costs, as well as the supply of land and other factors. Furthermore, delays in construction, regulatory approval and other processes can adversely affect the timetable of our projects. According to the accounting policy for revenue recognition, we recognise revenue from the sales of our properties when the risks and rewards of ownership have been transferred to the buyer either through the transfer of legal title or equitable interest in the property vests in the buyers upon signing of the property handover notice by the buyers, whichever is earlier. Thus the results of operations may vary significantly from period to period, depending on the property projects’ progress we developed. Moreover, interim results may not be indicative of our annual results. Please refer to the section headed “Risk Factors – Risks relating to Our Business – Our results of operations may vary significantly from period to period as we derive our revenue principally from the sale of property and may therefore fluctuate significantly from period to period, and such fluctuations make it difficult to predict our future performance and the price of our Shares” in this listing document and “Critical Accounting Policies – Revenue Recognition” in this section for more details.

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### **Pre-sales**

Selling properties before completion, known as the pre-sales of properties, constitutes one of the most important sources of our operating cash flows during our project development. PRC law allows us to pre-sell properties before completion upon the satisfaction of certain requirements, and requires us to use the proceeds to finance the development of properties that are pre-sold. The amount and timing of cash inflows from pre-sales are affected by a number of factors, including market demand for our properties subject to pre-sales and the number of properties available for pre-sales, timing and other restrictions on pre-sales imposed by the PRC government, availability and affordability of mortgage financings for our purchasers. Reduced cash flows from pre-sales of our properties may increase our reliance on external financing, which may increase our cost and impact our ability to finance our continuing property developments as well as profitability.

### **Access to and cost of financing**

Substantial capital investments are required in our property development for land acquisition and construction, and it may take months or years before positive cash flows generated from a project. The capital investment can be funded by internally generated cash flows and external financing. External financing, particularly bank loans, have been, and will continue to be, an important source of funding for our property developments. Our access to capital and cost of financing are affected by restrictions imposed by the PRC government, including any regulations or measures adopted by the PBOC that restrict bank lending, particularly those that restrict the ability of property developers to obtain financing. Since commercial banks in the PRC link the interest rates on their loans to benchmark lending rates published by the PBOC, we believe that any increase in the benchmark lending rates will increase our borrowing costs generally.

As at 31 December 2013, 2014 and 2015, our total outstanding bank loans and other borrowings amounted to approximately RMB912.6 million, RMB1,650.6 million and RMB2,254.9 million, respectively. The effect of increases in interest rates on our financing costs would be substantially recognised in cost of sales, once a property development project completed and delivered to customers, in our consolidated statements of profit or loss and other comprehensive income. Furthermore, any increase in interest rates will affect the costs of mortgage financing to potential purchasers of our properties, which in turn may affect demand for our properties. Please refer to the section headed “Risk Factors – Risks relating to Our Business – We may not have adequate financing to fund our property developments, and such capital resources may not be available on commercially reasonable terms, or at all, and if that happens, our business, financial condition, results of operations and prospects could be materially and adversely affected” in this listing document.

### **Land appreciation tax (“LAT”)**

We are required to pay land appreciation tax, or LAT, on our property developments with respect to the appreciated value of the related land. For the years ended 31 December 2013, 2014 and 2015, we made provisions for LAT of approximately RMB29.1 million, RMB41.2 million and RMB35.1 million for the current year, respectively. We also made reversal of over provision in respect of prior years of approximately RMB19.8 million, nil and RMB15.1 million for the years ended 31 December 2013, 2014 and 2015, respectively. As at the Latest Practicable Date, we make provisions for the full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations from time to time pending settlement of the same with the relevant tax authorities. As some of our projects are developed in several phases, deductible items for calculation of LAT, such as land costs, are apportioned among such different phases of development. We cannot assure you that the relevant tax authorities will agree with the basis on which we have calculated our LAT liabilities for provision purposes or that such provisions will be sufficient to cover all LAT obligations that tax authorities may ultimately impose on us. Our financial position may be adversely affected if our LAT liabilities as calculated by the relevant tax

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authorities are substantially higher than our LAT provisions. Please refer to the section headed “Risk Factors – Risks Relating to Our Business – The relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations which could adversely affect our financial results” in this listing document.

### **Changes in estimated fair value of our investment properties**

The fair value of our investment properties amounted to nil, approximately RMB451.0 million, and RMB386.0 million, as at 31 December 2013, 2014 and 2015, respectively. For the years ended 31 December 2013, 2014 and 2015, we had fair value gains on our investment properties of nil, approximately RMB247.7 million and RMB22.1 million, which accounted for nil, approximately 54.5% and 10.5% of our profit before tax for the corresponding periods, respectively.

Our investment properties primarily include self-developed properties and properties acquired from third party, which are held for rental. Our investment properties are stated at their fair value on our consolidated statements of financial position as non-current assets as at the end of each reporting period on the basis of valuations by an independent property valuer. Gains or losses arising from changes in the fair value of our investment properties are accounted for as other income in our consolidated statements of profit and loss and other comprehensive income, which may have a substantial effect on our profits. The property valuation involves the exercise of professional judgement and requires the use of certain bases and assumptions. The fair value of our investment properties, as so determined at a particular date, may have been higher or lower if the valuer used a different set of bases or assumptions or if the valuation was conducted by another qualified independent professional property valuer using a different set of bases and assumptions. In addition, upward revaluation adjustments reflect unrealised capital gains on our investment properties as at the relevant balance sheet dates and do not generate any cash inflow available for our operations or potential dividend distribution to our shareholders. The amounts of fair value adjustments have been, and may continue to be, significantly affected by the prevailing property market conditions in China and may increase or decrease. We cannot assure you that similar levels of fair value gains can be sustained in the future.

### **CRITICAL ACCOUNTING POLICIES**

We have identified below the accounting policies that we believe are the most critical to our consolidated financial statements. Our significant accounting policies and key assumptions concerning the future are set forth in detail in Notes 2 and 3 to the Accountants' Report included as Appendix I to this listing document.

The preparation of the financial statements in conformity with IFRSs requires management to make subjective or complex judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The assumptions and estimates we used have been based on our industry experience and various factors including our management's expectations of future events which they believe to be reasonable. Actual results may differ from these estimates and assumptions. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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### Revenue

#### ***Sale of development properties***

Revenue from sale of development properties is recognised when the risk and rewards of ownership have been transferred to the buyer either through the transfer of legal title or equitable interest in the property vests in the buyer upon signing of the property handover notice by the buyer, whichever is earlier. Payments received from buyers prior to this stage are recorded as advance receipts from sale of properties and is classified as current liabilities.

#### ***Revenue from housing construction***

Revenue from housing construction includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When the outcome of a construction contract can be estimated reliably, revenue from housing construction is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, revenue from housing construction is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

#### ***Rental income from operating leases***

Rental income receivable under operating leases is recognised in profit or loss on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the total rental income to be received. Contingent rentals are recognised as income in the accounting period in which they are earned.

#### ***Sale of goods***

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

#### ***Commission income***

Commission income is recognised upon completion of the rendering of services.



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### Development properties

Development properties are those properties which are held with the intention of development and sale in the ordinary course of business. They are stated at the lower of cost and net realisable value. Cost includes acquisition costs, development expenditure, capitalised borrowing costs and other costs directly attributable to the development activities. Cost includes an appropriate share of development overheads allocated based on normal capacity. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

Borrowing costs that are directly attributable to the acquisition and development of the development property are capitalised as part of development property during the period of development until the completion of development.

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when incurred.

The costs of development properties recognised in the profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

### Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Transfers to, or from, investment properties are made when there is a change in use, evidenced by:

- Commencement of development with a view to sell, for a transfer from investment properties to development properties;
- Commencement of an operating lease to another party, for a transfer from development properties or property, plant and equipment to investment properties; or
- Commencement of occupation by owner, for a transfer from investment properties to property, plant and equipment.

When the use of a property changes such that it is reclassified as investment properties, its fair value at the date of transfer becomes its cost for subsequent accounting.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Property that is being constructed for future use as investment property is accounted for at fair value.

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### **Assets held for sale**

Non-current assets, or disposal groups comprising assets and liabilities, that are highly probable to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution.

Immediately before reclassification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, the assets, or disposal group, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, and deferred tax assets, which continue to be measured in accordance with the Group's accounting policies. Impairment loss on initial classification as held for sale or distribution and subsequent gain or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of associates ceases once classified as held for sale or distribution.

### **Construction contracts in progress**

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

### **Government grants**

Grant income is received from the local government in the PRC at a discretionary amount as determined by the government. It is recognised initially as deferred income at fair value where there is reasonable assurance that the grant will be received and all associated conditions will be complied with. These grants are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

## **SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Our Group believes the following critical accounting policies involve significant judgements and estimates used in the preparation of the Financial Information.

### **Valuation of investment properties**

The fair values of investment properties are estimated based on valuations carried out by an external and independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuations reflect when appropriate, comparable sales of similar properties or estimated market values based on projection of income and expense streams over the period of leases, using market rates of return.

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### **Depreciation of and impairment loss on property, plant and equipment**

Property, plant and equipment are depreciated on a straight-line basis over their useful lives which are estimated to be between 2 to 50 years. The Group reviews the estimated useful lives of these assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The estimation of useful lives is based on assumptions about wear and tear, ageing, asset utilisation, anticipated use of the assets, technical standards and changes in demand as well as the Group's historical experience with similar assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase depreciation expense and decrease non-current assets.

### **Assessment of estimated total construction costs of development properties**

Costs incurred to date are generally determined based on independent experts' certification of the value of work rendered by contractors/suppliers. The estimation of total project costs is based on historical experience and contractual arrangements with contractors/suppliers. The estimated total costs for each project is reviewed on a regular basis by the Group in order to determine whether any allowance for foreseeable loss is required to be set up. Actual costs could differ from the estimates.

The Group evaluates whether there is any objective evidence that the net realisable values of development properties fall short of their carrying values. The Group estimates the level of allowances based on valuation reports obtained from reputable independent third party valuers or recent market transactions involving comparable properties and the estimated total project costs for each project.

The required level of allowances could change significantly as a result of changes in market conditions or government policies or when actual costs differ from the estimated costs.

### **Impairment loss on trade receivables**

The Group evaluates whether there is any objective evidence that trade receivables are impaired, and determine the amount of impairment loss as a result of the inability of the debtors to make the required payments. The Group bases the estimates on the ageing of the trade receivables balance, credit-worthiness of the debtors and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

### **Revenue from construction contracts**

Revenue from housing construction is recognised (i) to the extent of contract costs incurred where it is probable that those costs will be recoverable or (ii) based on the percentage of completion method depending on whether the outcome of the contract can be measured reliably. The percentage of completion is measured by reference to surveys of work performed for each contract.

Significant judgement is required in determining the stage of completion, the estimated total revenue from housing construction and estimated total contract cost, as well as the recoverability of the contract cost incurred.

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Estimation of total revenue from housing construction also includes an estimation of the variation works that are recoverable from the customers. In making the judgement, the Group relies on past experience and/or the work of relevant professionals.

The estimation of total contract costs is based on historical experience and contractual arrangements with contractors/suppliers. The estimated total costs for each project is reviewed on a regular basis by the Group in order to determine the cost to be recognised in profit or loss at each reporting date and to assess whether any allowance for foreseeable loss is required to be set up. Actual costs could differ from the estimates.

### **Income taxes**

Significant judgement is required in determining the taxability of certain income and deductibility of certain expenses during the estimation of the provision for income taxes and deferred tax liabilities/assets.

The Group exercises significant judgement to determine that the deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

### **Provision for LAT**

The Group has estimated, made and included in tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated. Significant judgment is required in determining the level of provision, as the calculation of which depends on the ultimate tax determination. Given the uncertainties of the calculation basis of LAT as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated at the end of the reporting period. Any increase or decrease in the actual outcomes/estimates will impact the income tax provision in the period in which such determination is made.

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### RESULTS OF OPERATIONS

The following table sets forth certain items derived from our consolidated statements of profit or loss for the years indicated:

|  | Year ended 31 December |              |                |              |                |              |
|--|------------------------|--------------|----------------|--------------|----------------|--------------|
|  | 2013                   |              | 2014           |              | 2015           |              |
|  | RMB'000                | %            | RMB'000        | %            | RMB'000        | %            |
| Revenue                                  | 1,376,953              | 100.0        | 1,293,739      | 100.0        | 1,234,691      | 100.0        |
| Cost of sales                            | (1,052,325)            | 76.4         | (958,641)      | 74.1         | (908,488)      | 73.6         |
| <b>Gross profit</b>                      | <b>324,628</b>         | <b>23.6</b>  | <b>335,098</b> | <b>25.9</b>  | <b>326,203</b> | <b>26.4</b>  |
| Other income                             | 84,787                 | 6.2          | 255,635        | 19.8         | 45,764         | 3.7          |
| Selling and distribution expenses        | (31,944)               | (2.3)        | (34,276)       | (2.6)        | (36,868)       | (3.0)        |
| Administrative expenses                  | (90,213)               | (6.6)        | (91,596)       | (7.1)        | (108,646)      | (8.8)        |
| Other operating expenses                 | (1,554)                | (0.1)        | (4,391)        | (0.3)        | (2,560)        | (0.2)        |
| <b>Results from operating activities</b> | <b>285,704</b>         | <b>20.7</b>  | <b>460,470</b> | <b>35.6</b>  | <b>223,893</b> | <b>18.1</b>  |
| Finance income                           | 2,943                  | 0.2          | 3,720          | 0.3          | 42,974         | 3.5          |
| Finance costs                            | (4,924)                | (0.4)        | (9,684)        | (0.7)        | (48,419)       | (3.9)        |
| <b>Net finance costs</b>                 | <b>(1,981)</b>         | <b>(0.1)</b> | <b>(5,964)</b> | <b>(0.5)</b> | <b>(5,445)</b> | <b>(0.4)</b> |
| Share of loss of a joint venture         | –                      | –            | –              | –            | (7,424)        | (0.6)        |
| <b>Profit before income tax</b>          | <b>283,723</b>         | <b>20.6</b>  | <b>454,506</b> | <b>35.1</b>  | <b>211,024</b> | <b>17.1</b>  |
| Income tax expense                       | (101,292)              | (7.4)        | (183,484)      | (14.2)       | (104,432)      | (8.5)        |
| <b>Profit for the year</b>               | <b>182,431</b>         | <b>13.2</b>  | <b>271,022</b> | <b>20.9</b>  | <b>106,592</b> | <b>8.6</b>   |
| <b>Profit attributable to:</b>           |                        |              |                |              |                |              |
| Owners of the Company                    | 184,546                |              | 258,295        |              | 94,118         |              |
| Non-controlling interests                | (2,115)                |              | 12,727         |              | 12,474         |              |
| <b>Profit for the year</b>               | <b>182,431</b>         |              | <b>271,022</b> |              | <b>106,592</b> |              |

Note:

The table below sets forth selected data relating to our adjusted net profit for the year during the Track Record Period after excluding the effect of the change in fair value of investment properties. The table below demonstrates that our Group is able to satisfy the minimum profit requirement under Rule 8.05(1) of the Listing Rules after excluding the effect of the change in fair value of investment properties.

|   | Year ended 31 December |           |          |
|---|------------------------|-----------|----------|
|   | 2013                   | 2014      | 2015     |
|   | RMB'000                | RMB'000   | RMB'000  |
| Profit for the year   | 182,431                | 271,022   | 106,592  |
| Change in fair value of investment properties (net of tax effect)           | –                      | (167,179) | (14,934) |
| Profit for the year excluding change in fair value of investment properties | 182,431                | 103,843   | 91,658   |

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### DESCRIPTION OF CERTAIN KEY ITEMS OF THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

#### Revenue

Our revenue primarily represents (i) sales of development properties; (ii) revenue from housing construction; and (iii) sales of goods. The following table sets out our revenue by operating segment for the years indicated:

|                                   | Year ended 31 December |              |                  |              |                  |              |
|-----------------------------------|------------------------|--------------|------------------|--------------|------------------|--------------|
|                                   | 2013                   |              | 2014             |              | 2015             |              |
|                                   | RMB'000                | %            | RMB'000          | %            | RMB'000          | %            |
| Sales of development properties   | 646,330                | 46.9         | 899,287          | 69.5         | 1,044,480        | 84.6         |
| Revenue from housing construction | 660,149                | 48.0         | 325,118          | 25.1         | 113,287          | 9.2          |
| Sales of goods                    | 70,474                 | 5.1          | 69,334           | 5.4          | 76,924           | 6.2          |
| <b>Total</b>                      | <u>1,376,953</u>       | <u>100.0</u> | <u>1,293,739</u> | <u>100.0</u> | <u>1,234,691</u> | <u>100.0</u> |

#### *Sales of development properties*

During the Track Record Period, we generated our revenue primarily from developing and selling properties in Henan Province and Hainan Province. Revenue from sales of development properties amounted to approximately RMB646.3 million, RMB899.3 million and RMB1,044.5 million for the years ended 31 December 2013, 2014 and 2015 respectively, representing approximately 46.9%, 69.5% and 84.6% of our total revenue respectively.

We also engage in joint development by cooperating with third party land owners. We generally approach land owners identified by us and propose to develop the land jointly with them, providing major terms of the joint development arrangement. Please refer to the section headed "Business – Business Strategies – We will continue to utilise different models in property development to increase flexibility and efficiency" in this listing document for more details. Revenue from sales of properties jointly developed with third parties amounted to approximately RMB1.1 million, nil and nil for the years ended 31 December 2013, 2014 and 2015 respectively.

Consistent with industry practice, we generally enter into sales contract with our customers while our properties are still under construction, but after satisfying the condition for pre-sales in accordance with PRC laws and regulations. Before the properties are completed and delivered, payments received from purchasers are recorded as advance receipts from sale of properties, which is included in current liabilities in our consolidated statements of financial position.

Our revenue from sales of development properties for any given period is dependent upon GFA delivered and the selling prices of the properties we deliver during such period. The GFA delivered for any given period is driven primarily by property development schedules. ASPs are primarily affected by market demand, the type, location and positioning of the properties and our costs of development properties sold, including construction costs and land acquisition costs. Market demand and conditions of the PRC property industry change from period to period and are affected by the overall economy of the PRC, including the purchasing power of consumers in the PRC and the resulting demand for properties. During the Track Record Period, our GFA delivered and ASP and therefore our revenue fluctuated from period to period depending on the types, location and size of the projects, as well as the stage of development of our property development projects.

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During the Track Record Period, we sold and delivered for three types of properties, namely, residential, commercial, as well as car parking spaces and storage units. The table below sets forth, by property type, for the years indicated, the revenue and the percentages of their revenue contributions to our total revenue generated from sales of development properties.

|                                      | Year ended 31 December |            |                |            |                  |              |
|--------------------------------------|------------------------|------------|----------------|------------|------------------|--------------|
|                                      | 2013                   |            | 2014           |            | 2015             |              |
|                                      | RMB'000                | %          | RMB'000        | %          | RMB'000          | %            |
| Residential                          | 574,015                | 88.8       | 792,641        | 88.1       | 800,286          | 76.6         |
| Commercial                           | 67,699                 | 10.5       | 42,844         | 4.8        | 129,179          | 12.4         |
| Car parking spaces and storage units | 4,616                  | 0.7        | 63,802         | 7.1        | 115,015          | 11.0         |
| <b>Total</b>                         | <u>646,330</u>         | <u>100</u> | <u>899,287</u> | <u>100</u> | <u>1,044,480</u> | <u>100.0</u> |

*(1) Residential properties*

Revenue derived from sales of residential properties increased to RMB792.6 million for the year ended 31 December 2014 from RMB574.0 million for the year ended 31 December 2013 and then further increased to RMB800.3 million for the year ended 31 December 2015. Those changes during the Track Record Period primarily reflect (i) the fluctuation of total GFA of residential properties we delivered; and (ii) the fluctuation of the average selling price per sq.m.. The total GFA of residential properties we delivered was approximately 126,780 sq.m., 156,488 sq.m. and 148,350 sq.m. for the years ended 31 December 2013, 2014 and 2015, respectively.

The fluctuation of the average selling price per sq.m. during the Track Record Period reflected the different types of residential properties as well as the different location of each project we delivered. The average selling price increased from approximately RMB4,528 per sq.m. for the year ended 31 December 2013 to approximately RMB5,065 per sq.m. and RMB5,395 per sq.m. for the years ended 31 December 2014 and 2015, primarily due to the facts that the average selling prices of the properties of Weiye Tiandao Tianheshuian and Weiye Tiandao International are higher than that of our other property development projects primarily attributable to the more favourable geographic location.

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The table below sets forth the total revenue recognised from sales of residential properties, the aggregate GFA delivered and the recognised ASP for the years and projects indicated:

| Project                                   | Year ended 31 December |               |              |                |               |                |              |                |              |                |              |                |               |              |
|---|------------------------|---------------|--------------|----------------|---------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|---------------|--------------|
|   | 2013                   |               |              |                | 2014          |                |              |                | 2015         |                |              |                |               |              |
|   | Revenue                | GFA delivered | ASP          | Revenue        | GFA delivered | ASP            | Revenue      | GFA delivered  | Revenue      | GFA delivered  | ASP          | Revenue        | GFA delivered | ASP          |
| RMB'000                                   | %                      | RMB/ sq.m.    | RMB'000      | %              | RMB/ sq.m.    | RMB'000        | %            | RMB'000        | %            | RMB/ sq.m.     | RMB'000      | %              | RMB/ sq.m.    | RMB/ sq.m.   |
| <b>Henan</b>                              |                        |               |              |                |               |                |              |                |              |                |              |                |               |              |
| Weiyue Xiangdi Bay (偉業香堤灣)                |                        |               |              |                |               |                |              |                |              |                |              |                |               |              |
| Phase I                                   | 1,716                  | 0.4           | 4,915        | 1,977          | 0.2           | 339            | 0.3          | 2,123          | 0.3          | 477            | 5,833        | 2,123          | 0.3           | 4,451        |
| Phase II                                  | 356,720                | 62.1          | 4,643        | 47,244         | 6.0           | 10,012         | 0.0          | 397            | 0.0          | 91             | 4,719        | 397            | 0.0           | 4,356        |
| Phase III                                 | -                      | -             | -            | 136,073        | 17.2          | 27,815         | 16.8         | 134,484        | 16.8         | 27,108         | 4,892        | 134,484        | 16.8          | 4,961        |
| Weiyue Central Park (偉業中央公園)              |                        |               |              |                |               |                |              |                |              |                |              |                |               |              |
| Phase I                                   | 960                    | 0.2           | 4,202        | 923            | 0.1           | 228            | -            | -              | -            | -              | 4,050        | -              | -             | -            |
| Phase II                                  | 2,971                  | 0.5           | 4,538        | 8,129          | 1.0           | 1,710          | 19.4         | 155,224        | 19.4         | 29,755         | 4,753        | 155,224        | 19.4          | 5,217        |
| Phase III                                 | 150,225                | 26.2          | 4,189        | 273,348        | 34.5          | 62,879         | 3.4          | 27,501         | 3.4          | 5,676          | 4,347        | 27,501         | 3.4           | 4,846        |
| Phase IV                                  | -                      | -             | -            | -              | -             | -              | 17.4         | 139,076        | 17.4         | 30,233         | -            | 139,076        | 17.4          | 4,600        |
| Weiyue Tiandao Tianheshuian (偉業天道天河水岸)    |                        |               |              |                |               |                |              |                |              |                |              |                |               |              |
| Weiyue Tiandao International (偉業天道國際)     |                        |               |              |                |               |                |              |                |              |                |              |                |               |              |
| Weiye Qing Qing Mei Lu (偉業青青美麓)           | 6,333                  | 1.1           | 6,330        | -              | -             | -              | -            | -              | -            | -              | -            | -              | -             | -            |
| Weiye Ru Guo Ai (偉業如果•愛)                  | 526                    | 0.1           | 7,015        | -              | -             | -              | -            | -              | -            | -              | -            | -              | -             | -            |
| Weiye Zhi Hua Shi (偉業芝華室)                 | 283                    | 0.0           | 6,431        | -              | -             | -              | -            | -              | -            | -              | -            | -              | -             | -            |
| Weiye Qi An (偉業棲岸)                        | 827                    | 0.1           | 6,408        | -              | -             | -              | -            | 247,754        | 31.3         | 36,895         | 6,715        | 119,225        | 14.9          | 7,778        |
| <b>Hainan</b>                             |                        |               |              |                |               |                |              |                |              |                |              |                |               |              |
| Weiyue Oxygen Cube A (偉業氧立方A)             |                        |               |              |                |               |                |              |                |              |                |              |                |               |              |
| Phase I                                   | 12,772                 | 2.2           | 4,290        | 11,331         | 1.4           | 2,610          | 1.8          | 14,288         | 1.8          | 3,177          | 4,341        | 14,288         | 1.8           | 4,497        |
| Phase II                                  | -                      | -             | -            | -              | -             | -              | -            | 10,976         | 1.4          | 2,403          | -            | 10,976         | 1.4           | 4,568        |
| Weiyue Oxygen Cube B (偉業氧立方B)             |                        |               |              |                |               |                |              |                |              |                |              |                |               |              |
| Weiye West International Plaza (偉業西城國際廣場) | 19,026                 | 3.3           | 3,950        | 38,218         | 4.8           | 9,548          | 7.3          | 58,432         | 7.3          | 13,662         | 4,003        | 58,432         | 7.3           | 4,277        |
| Weiye Costa Rhine (偉業萊茵半島)                | 15,037                 | 2.6           | 6,776        | 25,920         | 3.3           | 4,038          | 1.5          | 12,011         | 1.5          | 1,481          | 6,421        | 12,011         | 1.5           | 8,109        |
| <b>Total</b>                              | <b>574,015</b>         | <b>100.0</b>  | <b>4,528</b> | <b>792,641</b> | <b>100.0</b>  | <b>156,488</b> | <b>100.0</b> | <b>800,286</b> | <b>100.0</b> | <b>148,350</b> | <b>5,065</b> | <b>800,286</b> | <b>100.0</b>  | <b>5,395</b> |



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### *(2) Commercial properties*

Revenue from sales of commercial properties amounted to approximately RMB67.7 million, RMB42.8 million and RMB129.2 million, representing approximately 10.5%, 4.8% and 12.4% of our total revenue generated from sales of development properties for the years ended 31 December 2013, 2014 and 2015 respectively. Revenue derived from commercial properties for the years ended 31 December 2013, 2014 and 2015 was primarily due to the delivery of commercial properties within Weiye Xiangdi Bay, Weiye Central Park, Weiye Oxygen Cube B and Weiye Tiandao Tianheshuan during the periods.

### *(3) Car parking spaces and storage units*

Revenue derived from sales of car parking spaces and storage units increased by RMB59.2 million, or 12.8 times, for the year ended 31 December 2014 as compared to that of 2013, and then further increased significantly by RMB51.2 million, or 80.3% for the year ended 31 December 2015 as compared to that of 2014. Those fluctuation were generally in line with the change in total number of units of the car parking spaces we delivered during the Track Record Period.

### **Revenue from housing construction**

Revenue from housing construction represents revenue generated from the construction of resettlement houses. In June 2013, Henan Xingwei entered into a cooperation agreement with the management committee of Zhengzhou City Jinshuiyangjin Industry Park District for the development of certain land parcels of Xinzhuang Village, Jinshuiyangjin Industry Park District in Zhengzhou City, Henan Province. For more details of the resettlement housing operation, please refer to the section headed "Business – Resettlement Housing Operation" in this listing document.

For the years ended 31 December 2013, 2014 and 2015, our revenue from housing construction was approximately RMB660.1 million, RMB325.1 million and RMB113.3 million, respectively. Pursuant to the cooperation agreement, Henan Xingwei shall provide the funding for demolition of the existing buildings and resettlement of the existing residents of the entire land parcel, and undertake the subsequent construction of resettlement housing and ancillary public facilities, such as kindergarten and community centre in accordance with the schedule, specification and costs requirements as set forth in the cooperation agreement. It was agreed that such construction costs for the resettlement housing and ancillary public facilities and the site clearing costs shall be refunded to Henan Xingwei by the management committee upon the full settlement of the land grant premium payable by the successful bidder at the subsequent public bidding process for the Development District. In case where Henan Xingwei is not successful in securing the land grant contracts or obtaining the relevant land use rights in respect of the Development District, the management committee shall refund to Henan Xingwei the entire site clearing costs and construction costs paid by Henan Xingwei and shall pay an additional 12% of the aggregate costs as compensation. Revenue from housing construction is recognised (i) to the extent of contract costs incurred where it is probable that those costs will be recoverable or (ii) based on the percentage of completion method depending on whether the outcome of the contract can be measured reliably. The percentage of completion is measured by reference to surveys of work performed for each contract.

### **Sales of goods**

Sales of goods represent revenue generated from the sales of clean room equipment, HVAC products, air purifier, and the sales and installation of cooling towers, mainly in Singapore and other South-east Asian countries. Our clean room equipment are used to create a clean room environment which is essential in the manufacture and production processes of industries such as the electronics, semiconductors, pharmaceutical and food processing industries. Our HVAC products are essentially deflection grilles and air diffusers installed in commercial and industrial buildings which serve to channel

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and regulate airflow in the environment within a building to ensure even air distribution. In addition, we have also ventured into the consumer air purifier market. In particular, we completed the design and building of a prototype of a new line of air purifiers under the Aijiabao (愛家寶) brand name for sales in the PRC. We also sell cooling towers which are an integral and essential feature of water-chilled centralised air-conditioning system.

For the years ended 31 December 2013, 2014 and 2015, our revenue derived from the sales of goods was approximately RMB70.5 million, RMB69.3 million and RMB76.9 million, respectively.

### Cost of Sales

Cost of sales represents cost of development properties sold, cost of housing construction and cost of goods sold. The table below sets out the cost of sales breakdown by operating segment for the periods indicated:

|                                     | Year ended 31 December |              |                |              |                |              |
|-------------------------------------|------------------------|--------------|----------------|--------------|----------------|--------------|
|                                     | 2013                   |              | 2014           |              | 2015           |              |
|                                     | RMB'000                | %            | RMB'000        | %            | RMB'000        | %            |
| Cost of development properties sold | 456,853                | 43.4         | 659,779        | 68.8         | 752,099        | 82.8         |
| Cost of housing construction        | 552,320                | 52.5         | 253,622        | 26.5         | 110,009        | 12.1         |
| Cost of goods sold                  | 43,152                 | 4.1          | 45,240         | 4.7          | 46,380         | 5.1          |
| <b>Total</b>                        | <u>1,052,325</u>       | <u>100.0</u> | <u>958,641</u> | <u>100.0</u> | <u>908,488</u> | <u>100.0</u> |

### *Cost of development properties sold*

Cost of development properties sold consists of costs directly associated with revenue from sales of development properties recognised during the given period. During the Track Record Period, cost of development properties sold included construction costs, land acquisition costs, capitalised borrowing costs and business tax. We recognise the cost of development properties sold for a given period to the extent that revenue from such properties has been recognised in such period. Prior to their completion, properties under development are included in our consolidated balance sheets carried at the lower of cost and net realisable value.

The following table sets forth a breakdown of cost of development properties sold for the years indicated:

|                             | Year ended 31 December |              |                |              |                |              |
|-----------------------------|------------------------|--------------|----------------|--------------|----------------|--------------|
|                             | 2013                   |              | 2014           |              | 2015           |              |
|                             | RMB'000                | %            | RMB'000        | %            | RMB'000        | %            |
| Construction costs          | 327,046                | 71.6         | 412,671        | 62.5         | 460,167        | 61.2         |
| Land acquisition costs      | 74,431                 | 16.3         | 157,367        | 23.9         | 150,542        | 20.0         |
| Capitalised borrowing costs | 19,141                 | 4.2          | 39,023         | 5.9          | 79,681         | 10.6         |
| Business tax                | 36,235                 | 7.9          | 50,718         | 7.7          | 61,709         | 8.2          |
| <b>Total</b>                | <u>456,853</u>         | <u>100.0</u> | <u>659,779</u> | <u>100.0</u> | <u>752,099</u> | <u>100.0</u> |

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### (1) Construction Costs

Construction costs include all of the costs for the design and construction of a project, including payments to third-party contractors and design firms and cost of construction materials. Our construction costs are affected by a number of factors such as changes in construction labour costs and construction materials costs (particularly steel and concrete), type of location of properties, choice of materials to be used, landscaping and investments in ancillary facilities.

### (2) Land Acquisition Costs

Land acquisition costs represent costs relating to the acquisition of the rights to occupy, use and develop land, primarily including land premiums incurred in connection with land grants from the PRC government and corporate acquisition or otherwise. Our land acquisition costs are influenced by a number of factors, including location of the underlying property project, regional property market condition, timing of the land acquisition, the project's plot ratio and the designated use of the underlying land. Land acquisition costs are also affected by our method of acquisition and subject to changes in policies and regulations of the PRC Government. During the Track Record Period, our land acquisition costs also included demolition costs in connection with certain land use rights that we acquired.

### (3) Capitalised Borrowing Costs

We capitalise a portion of our cost of bank borrowings (including interest expenses) to the extent that such cost is directly attributable to the acquisition and development of the development property during the period of development until the completion of development. Fluctuations in the amount and timing of capitalisation from period to period may also affect our finance costs.

### (4) Business Tax

Business tax includes certain miscellaneous business and other taxes payable by us in accordance with local laws and regulations in connection with our business activities. Business tax is generally levied at 5% over the revenue from sales of development properties, while surcharges vary from city to city, usually ranging from 10% to 12% of business tax.

### **Cost of housing construction**

Cost of housing construction represents all expenditure related directly to the construction of resettlement houses and includes primarily (i) site clearing costs; (ii) construction costs; (iii) capitalised borrowing costs; and (iv) business tax.

The table below sets forth a breakdown of cost of housing construction for the periods indicated:

|                             | Year ended 31 December |              |                |              |                |              |
|-----------------------------|------------------------|--------------|----------------|--------------|----------------|--------------|
|                             | 2013                   |              | 2014           |              | 2015           |              |
|                             | RMB'000                | %            | RMB'000        | %            | RMB'000        | %            |
| Site clearing costs         | 378,000                | 68.4         | 50,000         | 19.7         | –              | –            |
| Construction costs          | 167,924                | 30.4         | 170,902        | 67.4         | 51,835         | 47.1         |
| Capitalised borrowing costs | –                      | –            | 28,479         | 11.2         | 57,968         | 52.7         |
| Business tax                | 6,396                  | 1.2          | 4,241          | 1.7          | 206            | 0.2          |
| <b>Total</b>                | <u>552,320</u>         | <u>100.0</u> | <u>253,622</u> | <u>100.0</u> | <u>110,009</u> | <u>100.0</u> |

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Site clearing costs represent the costs for the demolition of the existing buildings and resettlement of the existing residents of the entire land parcel. Construction costs include all of the costs for the design and construction of the resettlement housing and ancillary public facilities, including payments to designers, third-party contractors and costs of construction materials. Borrowing costs that are directly attributable to the construction of the resettlement houses are capitalised as part of development property during the period of development until the completion of development.

### **Cost of goods sold**

Our cost of goods sold comprises mainly cost of raw materials, direct labour expenses and other manufacturing overheads.

The table below sets forth a breakdown of cost of goods sold for the years indicated:

|                         | Year ended 31 December |                     |                      |                     |                      |                     |
|-------------------------|------------------------|---------------------|----------------------|---------------------|----------------------|---------------------|
|                         | 2013                   |                     | 2014                 |                     | 2015                 |                     |
|                         | RMB'000                | %                   | RMB'000              | %                   | RMB'000              | %                   |
| Cost of raw materials   | 29,900                 | 69.3                | 32,642               | 72.1                | 31,872               | 68.7                |
| Direct labour           | 7,245                  | 16.8                | 6,900                | 15.3                | 7,536                | 16.3                |
| Manufacturing overheads | <u>6,007</u>           | <u>13.9</u>         | <u>5,698</u>         | <u>12.6</u>         | <u>6,972</u>         | <u>15.0</u>         |
| <b>Total</b>            | <u><u>43,152</u></u>   | <u><u>100.0</u></u> | <u><u>45,240</u></u> | <u><u>100.0</u></u> | <u><u>46,380</u></u> | <u><u>100.0</u></u> |

Raw materials we purchase comprise mainly stainless steel, aluminium and blowers. Direct labour expenses comprise wages, employer's CPF contribution and bonuses paid to our manufacturing workers in our production facilities in Singapore and Malaysia. Manufacturing overheads comprise depreciation relating to our production facilities, machinery and equipment, repair and maintenance incurred on our machinery, related consumables and other related manufacturing expenses such as utility charges and land and/or factory rent.

### **Gross Profit and Gross Profit Margin**

Our gross profit for the years ended 31 December 2013, 2014 and 2015 was approximately RMB324.6 million, RMB335.1 million and RMB326.2 million, respectively. Our gross profit margin for the years ended 31 December 2013, 2014 and 2015 was approximately 23.6%, 25.9% and 26.4%, respectively.

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The table below sets forth a breakdown of the gross profit and gross profit margin (“GP Margin”) for the years indicated:

|                                  | Year ended 31 December |           |                       |           |                       |           |
|----------------------------------|------------------------|-----------|-----------------------|-----------|-----------------------|-----------|
|                                  | 2013                   |           | 2014                  |           | 2015                  |           |
|                                  | Gross profit           | GP Margin | Gross profit          | GP Margin | Gross profit          | GP Margin |
|                                  | RMB'000                | %         | RMB'000               | %         | RMB'000               | %         |
| Property development             | 189,477                | 29.3      | 239,508               | 26.6      | 292,381               | 28.0      |
| Housing construction             | 107,829                | 16.3      | 71,496                | 22.0      | 3,278                 | 2.9       |
| Equipment manufacturing business | <u>27,322</u>          | 38.8      | <u>24,094</u>         | 34.8      | <u>30,544</u>         | 39.7      |
| <b>Total</b>                     | <u><u>324,628</u></u>  | 23.6      | <u><u>335,098</u></u> | 25.9      | <u><u>326,203</u></u> | 26.4      |

### Other Income

Other income consists primarily of negative goodwill arising from acquisition of a subsidiary, gain on disposal of a subsidiary and change in fair value of investment properties. The following table sets forth a breakdown of our other income for the years indicated:

|  | Year ended 31 December |                     |                       |                     |                      |                     |
|--|------------------------|---------------------|-----------------------|---------------------|----------------------|---------------------|
|  | 2013                   |                     | 2014                  |                     | 2015                 |                     |
|  | RMB'000                | %                   | RMB'000               | %                   | RMB'000              | %                   |
| Negative goodwill arising from acquisition of a subsidiary                           | 16,677                 | 19.7                | –                     | –                   | –                    | –                   |
| Gain on disposal of a subsidiary   | 60,748                 | 71.6                | –                     | –                   | –                    | –                   |
| Gain on disposal of assets held for sale   | –                      | –                   | –                     | –                   | 5,710                | 12.5                |
| Loss/gain on disposal of fixed assets  | (11)                   | (0.0)               | 102                   | 0.1                 | 8,203                | 17.9                |
| Net gain on disposal of financial assets available-for-sale reclassified from equity | –                      | –                   | 917                   | 0.4                 | 563                  | 1.2                 |
| Change in fair value of investment properties  | –                      | –                   | 247,672               | 96.9                | 22,124               | 48.3                |
| Changes in fair value of other financial assets                                      | –                      | –                   | 614                   | 0.2                 | (756)                | (1.7)               |
| Commission income  | 147                    | 0.2                 | 296                   | 0.1                 | 176                  | 0.4                 |
| Government grants  | 3,820                  | 4.5                 | –                     | –                   | 500                  | 1.1                 |
| Rental income  | –                      | –                   | 2,383                 | 0.9                 | 2,000                | 4.4                 |
| Gain on disposal of investment property  | –                      | –                   | –                     | –                   | 2,209                | 4.8                 |
| Others   | <u>3,406</u>           | 4.0                 | <u>3,651</u>          | 1.4                 | <u>5,035</u>         | 11.1                |
|  | <u><u>84,787</u></u>   | <u><u>100.0</u></u> | <u><u>255,635</u></u> | <u><u>100.0</u></u> | <u><u>45,764</u></u> | <u><u>100.0</u></u> |

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During the year ended 31 December 2013, the Group completed the acquisition of 51% equity interest in Henan Tiandao Assets Management Co., Ltd. for a consideration of approximately RMB103.2 million. The fair value of net assets acquired on the date of acquisition was approximately RMB119.9 million, resulting to a negative goodwill arising from the acquisition amounting to approximately RMB16.7 million.

Gain on disposal of a subsidiary represents the capital gains arising from the disposal of the equity interest in Henan Jinwei Property Co. Ltd. (“Henan Jinwei”) during the year ended 31 December 2013. In December 2012, the entire equity interest in Henan Jinwei was disposed via (1) subscription of 10% equity interests in Henan Jinwei by Henan Ganglin Realty Company Limited\* (河南港林實業有限公司), an Independent Third Party, for a cash consideration of approximately RMB10 million, and (2) transfer of 90% equity interests in Henan Jinwei to Zhengzhou City Shanqing Trading Company Limited\* (鄭州市山青商貿有限責任公司), an Independent Third Party (the “Buyer”), for an aggregate consideration of RMB84.5 million. The consideration was arrived at on a willing buyer, willing seller basis. The purpose of the disposal was to realise our investment in Henan Jinwei immediately and to unlock the value thereof for its shareholders. Notwithstanding the fact that the dilution and disposal of Henan Jinwei took place in two stages, they formed part of a single linked transaction designed to sell the entire equity interests in Henan Jinwei to the Buyer. Accordingly, the gain on dilution of RMB6.6 million which formed part of the linked transaction was initially deferred in equity as at 31 December 2012. The amount was then reclassified to the consolidated statement of profit or loss for determining the overall gain on disposal of Henan Jinwei during the year ended 31 December 2013, when the Group lost control of Henan Jinwei. Consequently, the gain on disposal of Henan Jinwei recognised in the consolidated statement of profit or loss during the year ended 31 December 2013 amounted to RMB60.7 million.

Change in fair value of investment properties represents unrealised capital gains in the estimated fair value of our investment properties at the relevant reporting date. We recognised changes in the fair value of our investment properties, including investment properties under construction and completed properties, on our consolidated statements of profit or loss and other comprehensive income, unless their fair value cannot be reliably determined at that time. After our Directors’ review on our Group’s development properties in mid 2014, the intention of the following six selected development properties with total GFA of approximately 54,880 sq.m. was changed from held for sale in the ordinary course of business to held for investment purpose for capital appreciation, and accordingly, these development properties were reclassified from development properties to investment properties and would be leased so as to generate some rental income to our Group before we sell them with capital appreciation that our Directors considered to be appropriate. The valuation of our investment properties was based on the valuation conducted by a third party professional valuer. For the years ended 31 December 2013, 2014 and 2015, we have recorded a fair value gains on investment properties of nil, approximately RMB247.7 million and RMB22.1 million, respectively.

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The table below sets forth a breakdown of the change in fair value of investment properties by projects for the years indicated:

|                              | Year ended 31 December |                |               |
|------------------------------|------------------------|----------------|---------------|
|                              | 2013                   | 2014           | 2015          |
|                              | RMB'000                | RMB'000        | RMB'000       |
| Weiye Ru Guo Ai              | –                      | 29,390         | 1,000         |
| Weiye International Square   | –                      | 169,970        | 21,000        |
| Weiye Costa Rhine            | –                      | 34,510         | (11,079)      |
| Weiye Rhine Coast            | –                      | 173            | 4,976         |
| Weiye Oxygen Cube A Phase II | –                      | 10,338         | 5,221         |
| Weiye Oxygen Cube B          | –                      | 3,291          | 1,006         |
| <b>Total</b>                 | –                      | <u>247,672</u> | <u>22,124</u> |

We received grants from various government authorities, as incentives for our contribution to local economic growth. For the years ended 31 December 2013, 2014 and 2015, we have recorded government grants of approximately RMB3.8 million, nil and RMB0.5 million, respectively.

Others primarily consist of interest income from a joint venture partner, liquidated damages received from constructors, sales contract cancellation fees received from customers and unrealised foreign exchange gains.

### Selling and Distribution Expenses

Selling and distribution expenses primarily include (i) advertising and promotion expenses relating to the sales and marketing of our properties; and (ii) sales commissions paid to independent property sales agents for pre-sales and promotion of our properties. Others include office expenses, rental expenses and depreciation and amortisation. Our selling and distribution expenses in a given period are affected by a number of factors, including the number of new property development projects launched in that period and the market demand for the property development projects at the time of pre-sales.

The following table sets forth a breakdown of our selling and distribution expenses for the years indicated:

|                                    | Year ended 31 December |              |               |              |               |              |
|------------------------------------|------------------------|--------------|---------------|--------------|---------------|--------------|
|                                    | 2013                   |              | 2014          |              | 2015          |              |
|                                    | RMB'000                | %            | RMB'000       | %            | RMB'000       | %            |
| Employee benefit costs             | 1,071                  | 3.3          | 2,496         | 7.3          | 2,781         | 7.5          |
| Advertising and promotion expenses | 15,200                 | 47.6         | 18,465        | 53.9         | 21,861        | 59.3         |
| Sales commissions                  | 11,324                 | 35.4         | 10,462        | 30.5         | 7,498         | 20.3         |
| Office and travelling              | 2,287                  | 7.2          | 2,285         | 6.7          | 3,576         | 9.7          |
| Others                             | 2,062                  | 6.5          | 568           | 1.6          | 1,152         | 3.2          |
| <b>Total</b>                       | <u>31,944</u>          | <u>100.0</u> | <u>34,276</u> | <u>100.0</u> | <u>36,868</u> | <u>100.0</u> |

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### Administrative Expenses

Administrative expenses primarily include employee benefit costs relating to our administrative personnel, office and meeting expenses, travelling and vehicle expenses, entertainment expenses and professional fees. Employee benefit costs represent staff salaries, welfare, benefits and staff bonuses as incentive and reward to our employee. Others primarily include urban land use tax, stamp duty tax, recruitment expenses, offices rental expenses, property management fees and others.

The following table sets forth a breakdown of our administrative expenses for the years indicated:

|                                 | Year ended 31 December |                     |                      |                     |                       |                     |
|---------------------------------|------------------------|---------------------|----------------------|---------------------|-----------------------|---------------------|
|                                 | 2013                   |                     | 2014                 |                     | 2015                  |                     |
|                                 | RMB'000                | %                   | RMB'000              | %                   | RMB'000               | %                   |
| Employee benefit costs          | 49,926                 | 55.4                | 59,359               | 64.8                | 54,154                | 49.8                |
| Office and meeting expenses     | 7,406                  | 8.2                 | 6,252                | 6.8                 | 5,968                 | 5.5                 |
| Travelling and vehicle expenses | 5,221                  | 5.8                 | 4,189                | 4.6                 | 7,241                 | 6.7                 |
| Entertainment expenses          | 7,846                  | 8.7                 | 6,001                | 6.6                 | 5,898                 | 5.4                 |
| Listing expenses                | –                      | –                   | –                    | –                   | 15,588                | 14.3                |
| Professional fees               | 2,737                  | 3.0                 | 3,988                | 4.4                 | 10,461                | 9.6                 |
| Depreciation and amortisation   | 6,241                  | 6.9                 | 6,081                | 6.6                 | 3,968                 | 3.7                 |
| Others                          | <u>10,836</u>          | <u>12.0</u>         | <u>5,726</u>         | <u>6.2</u>          | <u>5,368</u>          | <u>5.0</u>          |
| <b>Total</b>                    | <u><u>90,213</u></u>   | <u><u>100.0</u></u> | <u><u>91,596</u></u> | <u><u>100.0</u></u> | <u><u>108,646</u></u> | <u><u>100.0</u></u> |

### Other Operating Expenses

Other operating expenses consist primarily of compensation in relation to the return of refundable deposit to our customers and loss in investment of equity share trading. Others consists primarily of donation to charities. Our other operating expenses for the years ended 31 December 2013, 2014 and 2015 were approximately RMB1.6 million, RMB4.4 million and RMB2.6 million, respectively.

The table below sets forth a breakdown of the other operating expenses for the years indicated:

|   | Year ended 31 December |                     |                     |                     |                     |                     |
|---|------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | 2013                   |                     | 2014                |                     | 2015                |                     |
|   | RMB'000                | %                   | RMB'000             | %                   | RMB'000             | %                   |
| Fair value loss in investment of equity share trading | –                      | –                   | –                   | –                   | 1,182               | 46.2                |
| Compensation for return of refundable deposit         | 669                    | 43.1                | 3,209               | 73.1                | –                   | –                   |
| Others  | <u>885</u>             | <u>56.9</u>         | <u>1,182</u>        | <u>26.9</u>         | <u>1,378</u>        | <u>53.8</u>         |
| <b>Total</b>  | <u><u>1,554</u></u>    | <u><u>100.0</u></u> | <u><u>4,391</u></u> | <u><u>100.0</u></u> | <u><u>2,560</u></u> | <u><u>100.0</u></u> |



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## FINANCIAL INFORMATION

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### Share of Loss of a Joint Venture

During the year ended 31 December 2014, a subsidiary of the Company acquired 65% equity interest in Zhengzhou Daimashi Enterprise Co., Ltd at a cash consideration of RMB140 million. Pursuant to the entity's articles of association and the collaboration agreement dated 23 October 2014 (the "Collaboration Agreement") entered between the subsidiary and a third construction contractor, Zhengzhou Shijizhongxin Zhiye Co. Ltd.\* (鄭州世紀中信置業有限公司) ("Shijizhongxin"), the decision of activities that significantly affect the investee's returns requires two-third of the voting rights from the shareholders of the entity. On this basis, the Group and Shijizhongxin have joint control over the entity which is accounted for as a joint venture.

Share of loss of a joint venture represents our share of the results of investments in the joint venture. Notwithstanding the Group's equity interest in the joint venture, the Group's share of the results in a joint venture is not in proportion to its equity interests pursuant to the Collaboration Agreement. Pursuant to the Collaboration Agreement between Shijizhongxin and us, Shijizhongxin is entitled to a pre-determined price per sq.m. payable according to the construction progress and our Group is entitled to all proceeds from the sales and pre-sales of the properties to third parties under the project. Under such contractual arrangement between Shijizhongxin and us, the profit or loss that our Group will derive from Zhengzhou Daimashi shall be the difference between (i) the entire sum of revenue derived from the sales of the properties to third parties under the project; and (ii) the fixed costs, being the pre-determined construction costs per sq.m. payable to Shijizhongxin according to the construction progress, and other relevant costs.

Our share of loss of a joint venture for the year ended 31 December 2015 was approximately RMB7.4 million. During the year ended 31 December 2015, the joint venture entity only had some marketing activities and did not recognise any revenue.

### Net Finance Costs/Income

Net finance costs/income primarily consist of (i) interest income arising from bank deposit and other loans and receivables; and (ii) interest expenses on borrowings less interest expenses capitalised relating to properties under development and construction projects to the extent that such costs are directly attributable to the acquisition and construction of a project or project phase. The capitalisation of borrowing costs relating to property under development and construction projects commences when the construction of a property starts and ceases when the construction work is completed. Since the construction period of a project is not always consistent with the bank loan borrowing period, not all the interest expense related to a project can be capitalised. As a result, the finance costs fluctuate from period to period depending on the level of outstanding indebtedness and the interest rates on such indebtedness, as well as the amount of capitalised borrowing costs, and the timing of the capitalisation of such costs, within the reporting period.

## FINANCIAL INFORMATION

The following table sets forth a breakdown of our net finance (costs)/income for the years indicated:

|   | Year ended 31 December |                       |                       |
|---|------------------------|-----------------------|-----------------------|
|   | 2013                   | 2014                  | 2015                  |
|   | RMB'000                | RMB'000               | RMB'000               |
| Interest income on                                  |                        |                       |                       |
| – bank deposits                                     | 2,943                  | 3,720                 | 21,629                |
| – other loans and receivables                       | –                      | –                     | 21,345                |
| Finance income                                      | <u>2,943</u>           | <u>3,720</u>          | <u>42,974</u>         |
| Interest expenses on                                |                        |                       |                       |
| – bank loans  | (66,441)               | (114,915)             | (152,509)             |
| – other loans and payables                          | (2,611)                | (1,861)               | (4,961)               |
| Bank charges and others                             | <u>(730)</u>           | <u>(1,041)</u>        | <u>(7,800)</u>        |
| Total interest expenses                             | (69,782)               | (117,817)             | (165,270)             |
| Finance costs capitalised in development properties | 64,858                 | 79,654                | 51,743                |
| Finance costs capitalised in construction projects  | <u>–</u>               | <u>28,479</u>         | <u>65,108</u>         |
| Finance cost  | <u>(4,924)</u>         | <u>(9,684)</u>        | <u>(48,419)</u>       |
| Net finance costs recognised in profit or loss      | <u><u>(1,981)</u></u>  | <u><u>(5,964)</u></u> | <u><u>(5,445)</u></u> |

### Income Tax Expense

Our income tax expense primarily consists of PRC corporate income tax expense and LAT arising from our PRC subsidiaries. For the years ended 31 December 2013, 2014 and 2015, our effective tax rate (calculated as income tax expense divided by profit before tax) was approximately 35.7%, 40.4% and 49.5%, respectively. As at the Latest Practicable Date, we had paid or made provisions for paying all relevant taxes and did not have any disputes or unresolved issues with the relevant tax authorities.

In accordance with the relevant PRC tax laws and regulations, for each project that has pre-sales in a year, our Group needs to prepay Land Appreciation Tax (“LAT”) at a percentage of approximately 1.5% to 4.5% of the pre-sales amount during the year. On the other hand, based on management’s best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations, the provision for LAT is calculated at LAT rates applicable to the appreciation value of each project, which is the difference between the amount of revenue recognised and allowable deductions during the year. The average LAT rate applicable to our Group’s project is 30%. As such, the provision for LAT is accumulated in the income tax payable balance for each of the financial years ended until the actual settlement, which are usually required by the relevant tax authorities upon delivery of 85% or above of the total units in the project. The actual settlement of LAT may take years after the launch of pre-sales of the project depending on the project size. In view of the above, the amount of income tax payable as at each of the financial years ended is different from the actual income tax paid for the subsequent year.

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The following table sets forth a breakdown of our income tax expense for the years indicated:

|  | Year ended 31 December |                |                |
|--|------------------------|----------------|----------------|
|  | 2013                   | 2014           | 2015           |
|  | RMB'000                | RMB'000        | RMB'000        |
| <b>Current tax expense</b>                                     |                        |                |                |
| Current year income tax  | 41,945                 | 41,878         | 61,423         |
| (Over)/under provision in respect of prior years               | 111                    | –              | (1,887)        |
|  | <u>42,056</u>          | <u>41,878</u>  | <u>59,536</u>  |
| <b>Deferred tax expense</b>                                    |                        |                |                |
| Origination and reversal of temporary differences              | 26,181                 | 76,396         | 11,871         |
| Withholding tax on the profits of the Group's PRC subsidiaries | 23,779                 | 24,102         | 13,010         |
| Over provision in respect of prior years                       | –                      | (49)           | –              |
|  | <u>49,960</u>          | <u>100,449</u> | <u>24,881</u>  |
| <b>Land appreciation tax expense</b>                           |                        |                |                |
| Land appreciation tax  | 29,074                 | 41,157         | 35,149         |
| Over provision in respect of prior years                       | (19,798)               | –              | (15,134)       |
|  | <u>9,276</u>           | <u>41,157</u>  | <u>20,015</u>  |
| <b>Income tax expense</b>                                      | <u>101,292</u>         | <u>183,484</u> | <u>104,432</u> |

### ***PRC Corporate Income Tax***

The provision for China current Corporate Income Tax is based on the statutory rate of 25% of the assessable profit of the PRC subsidiaries of our Group.

According to the relevant PRC tax regulations, entities in property development business may be requested by the local tax authority to pay corporate income tax on a deemed profit basis. Taxable income under the deemed profit basis is calculated based on revenue from sales of development properties at a deemed profit rate determined by the tax authority. Our Group's entities are not requested to use deemed profit basis for the year ended 31 December 2014 and the years thereafter.

### ***Land Appreciation Tax ("LAT")***

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned leasehold interest on land, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the difference realises. During the three years ended 31 December 2013, 2014 and 2015, we incurred LAT expense of approximately RMB9.3 million, RMB41.2 million and RMB20.0 million, respectively.

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### ***PRC Withholding Tax***

According to the Implementation Rules of the Corporate Income tax Law of PRC, the Company's subsidiaries in the PRC are levied a 10% withholding tax on dividends declared to their foreign investment holding companies arising from profit earned subsequent to 1 January 2008. In respect of dividends that are subject to the withholding tax, provision for withholding tax is recognised for the dividends that have been declared, and deferred tax liability is recognised for those to be declared in the foreseeable future.

### ***BVI Tax***

Pursuant to the rules and regulations of BVI, our Group is not subject to any income tax in BVI.

### ***Hong Kong, Singapore, Malaysia and Thailand Profits Tax***

We are subject to the profits tax of Hong Kong, Singapore, Malaysia and Thailand, for which the applicable statutory tax rates during the Track Record Period are 16.5%, 17.0%, 25.0% and 20.0%, respectively.

## **PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS**

### **Year Ended 31 December 2015 Compared to Year Ended 31 December 2014**

#### ***Revenue***

Our revenue decreased by approximately 4.6% to approximately RMB1,234.7 million for the year ended 31 December 2015 from approximately RMB1,293.7 million for the year ended 31 December 2014. This decrease was primarily due to a decrease in our revenue from housing construction.

#### ***Sale of development properties***

Revenue generated from sale of development properties increased by approximately 16.1% from approximately RMB899.3 million for the year ended 31 December 2014 to approximately RMB1,044.5 million for the year ended 31 December 2015 which is mainly due to the increase in revenue from sales of commercial properties and car parking spaces and storage units.

Revenue from sales of residential properties increased by approximately 1.0% to RMB800.3 million for the year ended 31 December 2015 from approximately RMB792.6 million for the year ended 31 December 2014, primarily due to an increase in ASP, partially offset by the decrease in total GFA we delivered. ASP of residential properties increased by approximately 6.5% from approximately RMB5,065 per sq.m. for the year ended 31 December 2014 to approximately RMB5,395 per sq.m. for the year ended 31 December 2015, primarily due to (i) the increase in GFA delivered for Weiye Tiandao International, the ASP of which was relatively higher than our other properties; and (ii) a significant decrease in revenue attributable to Phase III of Weiye Central Park as a percentage of our revenue for the year ended 31 December 2015 as compared with the year ended 31 December 2014, the ASP of which is relatively lower than our other projects. The total GFA delivered decreased by approximately 5.2% from approximately 156,488 sq.m. for the year ended 31 December 2014 to approximately 148,350 sq.m. for the year ended 31 December 2015, primarily due to the fact that substantial portion of Phase III of Weiye Central Park was completed and delivered for the year ended 31 December 2014, while only a few portion of such properties was delivered for the year ended 31 December 2015.

Revenue from sales of commercial properties increased by approximately 201.5% to RMB129.2 million for the year ended 31 December 2015 from approximately RMB42.8 million for the year ended 31 December 2014, primarily due to the delivery of commercial units of Weiye Tiandao International and Phase IV of Weiye Central Park. Construction works of Weiye Tiandao International and portion of Phase IV of Weiye Central Park were completed during the year ended 31 December 2015, contributed a revenue from sales of commercial properties of approximately RMB33.2 million and RMB39.1 million to our Group, respectively.

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Revenue from sales of car parking spaces and storage units increased to approximately RMB115.0 million for the year ended 31 December 2015 from approximately RMB63.8 million for the year ended 31 December 2014, primarily due to the completion and delivery of a portion of car parking spaces and storage units within Phase IV of Weiye Central Park and Weiye Tiandao International.

### *Revenue from housing construction*

Revenue from housing construction decreased by approximately 65.2% from approximately RMB325.1 million for the year ended 31 December 2014 to approximately RMB113.3 million for the year ended 31 December 2015. During the year ended 31 December 2014, the construction of the phase I of resettlement houses has been completed in accordance with the cooperation agreement. Revenue from housing construction recognised for the year ended 31 December 2015 of approximately RMB113.3 million was mainly due to construction of additional ancillary facilities as requested by the local government.

### *Sales of Goods*

Sales of goods increased by approximately 10.9% to RMB76.9 million for the year ended 31 December 2015 from approximately RMB69.3 million for the year ended 31 December 2014, which was mainly due to an increase in sales of clean room products and sales of our new product, AiJiaBao (愛家寶).

### **Cost of Sales**

Cost of sales decreased by approximately 5.2% to approximately RMB908.5 million for the year ended 31 December 2015 from approximately RMB958.6 million for the year ended 31 December 2014. This decrease was primarily due to a decrease in our cost of housing construction.

### *Cost of development properties sold*

Cost of development properties sold increased by approximately 14.0% from approximately RMB659.8 million for the year ended 31 December 2014 to approximately RMB752.1 million for the year ended 31 December 2015, primarily attributable to the increases in average cost of development properties sold per sq.m. delivered as a result of the increase in construction costs and capitalised borrowing costs incurred for the year ended 31 December 2015.

### *Cost of housing construction*

Cost of housing construction decreased by approximately 56.6% from approximately RMB253.6 million for the year ended 31 December 2014 to approximately RMB110.0 million for the year ended 31 December 2015, primarily due to the decrease in construction costs incurred for the year ended 31 December 2015 as a result of the fact that the construction of the phase I of resettlement houses has been completed during the year ended 31 December 2014.

### *Cost of goods sold*

Cost of goods sold was recorded at approximately RMB46.4 million for the year ended 31 December 2015, which was relatively stable with the amount of approximately RMB45.2 million for the year ended 31 December 2014.

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### ***Gross Profit and Gross Profit Margin***

As a result of the foregoing, our gross profit decreased by approximately 2.7% to approximately RMB326.2 million for the year ended 31 December 2015 from approximately RMB335.1 million for the year ended 31 December 2014. Our gross profit margin remained relatively stable to approximately 26.4% for the year ended 31 December 2015 from approximately 25.9% for the year ended 31 December 2014. In particular, our gross profit margin for housing construction decreased to approximately 2.9% for the year ended 31 December 2015 from approximately 22.0% for the year ended 31 December 2014. Pursuant to the cooperation agreement entered with the local government, borrowing interest costs incurred by our Group could be recovered from the local government at a pre-determined interest rate. The lower gross profit margin for housing construction for the year ended 31 December 2015 was mainly due to the fact that the actual borrowing interest costs incurred for the year ended 31 December 2015 of approximately RMB58.0 million exceeded the allowed borrowing interest cost of approximately RMB50.3 million to be recovered from the local government at a pre-determined interest rate and such excess could not be recovered from the local government. Such exceeded borrowing interest costs was mainly attributable to the trust financing arrangement with Zhongyuan Trust Company Limited, entered into to finance the operation of Henan Xingwei, of which the effective interest rate of 17% per annum was relatively higher as compared to our other borrowings and the aforementioned pre-determined interest rate.

### ***Other Income***

Other income decreased by approximately 82.1% to approximately RMB45.8 million for the year ended 31 December 2015 from approximately RMB255.6 million for the year ended 31 December 2014, primarily due to the decrease in change in fair value of investment properties of approximately RMB225.5 million for the year ended 31 December 2015, and partially offset by the recognition of gain on disposal of assets held for sale of approximately RMB5.7 million for the year ended 31 December 2015. No such incomes were recognised for the year ended 31 December 2014.

### ***Selling and Distribution Expenses***

Selling and distribution expenses increased by approximately 7.6% to approximately RMB36.9 million for the year ended 31 December 2015 from approximately RMB34.3 million for the year ended 31 December 2014, primarily due to an increase in advertising and promotion expenses of approximately RMB3.4 million, which was attributable to an increase in advertising and publicity expenses of Weiye Tiandao International and Weiye Paris Impression in connection with the launch of pre-sales for these projects.

### ***Administrative Expenses***

Administrative expenses increased by approximately 18.6% to approximately RMB108.6 million for the year ended 31 December 2015 from approximately RMB91.6 million for the year ended 31 December 2014, primarily attributable the recognition of listing expenses of approximately RMB15.6 million for the year ended 31 December 2015, partially offset by the decrease in depreciation and amortisation and other administrative expenses during the year.

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### ***Share of loss of a joint venture***

Our share of loss of a joint venture was approximately RMB7.4 million for the year ended 31 December 2015. During the year ended 31 December 2015, the joint venture entity only had some marketing activities and did not recognise any revenue. No such amount was recognised for the year ended 31 December 2014.

### ***Other Operating Expenses***

Other operating expenses decreased to approximately RMB2.6 million for the year ended 31 December 2015 from approximately RMB4.4 million for the year ended 31 December 2014, primarily due to the decrease in compensation for return of refundable deposit, partially offset by the recognition of fair value loss in investment of equity share trading of approximately RMB1.2 million for the year ended 31 December 2015.

### ***Net finance Costs/Income***

Net finance costs decreased by approximately 8.7% to approximately RMB5.4 million for the year ended 31 December 2015 from approximately RMB6.0 million for the year ended 31 December 2014, primarily due to (i) an increase of approximately RMB39.3 million in interest income on bank deposits and other loans and receivables; and (ii) an increase of approximately RMB36.6 million in finance costs capitalised in construction projects, partially offset by an increase of approximately RMB47.5 million in interest expenses on bank loans, other loans and payables and bank charges for the year ended 31 December 2015 as a result of the increase in our bank and other borrowing from 31 December 2014 to 31 December 2015 primarily due to the increasing needs to finance the development of our projects under development.

### ***Income Tax Expense***

Income tax expense decreased by approximately 43.1% to approximately RMB104.4 million for the year ended 31 December 2015 from approximately RMB183.5 million for the year ended 31 December 2014, primarily due to (i) a decrease in deferred tax expense of approximately RMB75.6 million; and (ii) a decrease in LAT expense of approximately RMB21.1 million, partially offset by an increase in income tax charge of approximately RMB17.7 million for the year ended 31 December 2015.

Our effective tax rate increased from approximately 40.4% for the year ended 31 December 2014 to approximately 49.5% for the year ended 31 December 2015, primarily due to the increase in (i) tax effect of application of different tax basis; and (ii) expenses not deductible for tax purposes for the year ended 31 December 2015.

### ***Profit for the Year***

As a result of the foregoing, profit for the year decreased by approximately 60.7% to approximately RMB106.6 million for the year ended 31 December 2015 from approximately RMB271.0 million for the year ended 31 December 2014.

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### Year Ended 31 December 2014 Compared to Year Ended 31 December 2013

#### **Revenue**

Our revenue decreased by approximately 6.0% to approximately RMB1,293.7 million for the year ended 31 December 2014 from approximately RMB1,377.0 million for the year ended 31 December 2013. This decrease was primarily due to a decrease in our revenue from housing construction.

#### *Sale of development properties*

Revenue generated from sale of development properties increased by approximately 39.1% from approximately RMB646.3 million for the year ended 31 December 2013 to approximately RMB899.3 million for the year ended 31 December 2014 which is mainly due to the increase in revenue from sales of residential properties and car parking spaces and storage units.

Revenue from sales of residential properties increased by approximately 38.1% to RMB792.6 million for the year ended 31 December 2014 from approximately RMB574.0 million for the year ended 31 December 2013, primarily due to an increase in ASP and total GFA we delivered. ASP of residential properties increased by approximately 11.9% from approximately RMB4,528 per sq.m. for the year ended 31 December 2013 to approximately RMB5,065 per sq.m. for the year ended 31 December 2014, primarily due to the increase in GFA delivered for Weiye Tiandao Tianheshuian, the ASP of which was relatively higher than our other properties. The total GFA delivered increased by approximately 23.4% from 126,780 sq.m. for the year ended 31 December 2013 to 156,488 sq.m. for the year ended 31 December 2014, primarily due to the completion and delivery of a portion of Phase III of Weiye Xiangdi Bay, a portion of Phase III of Weiye Central Park and a portion of Weiye Tiandao Tianheshuian for the year ended 31 December 2014.

Revenue from sales of car parking spaces and storage units increased to approximately RMB63.8 million for the year ended 31 December 2014 from approximately RMB4.6 million for the year ended 31 December 2013, primarily due to the completion and delivery of a portion of car parking spaces and storage units within Phase III of Weiye Xiangdi Bay, Phase III of Weiye Central Park and Weiye Tiandao Tianheshuian.

#### *Revenue from housing construction*

Revenue from housing construction decreased by approximately 50.8% from approximately RMB660.1 million for the year ended 31 December 2013 to approximately RMB325.1 million for the year ended 31 December 2014, primarily due to the fact that substantial of the construction work of Phase I of the resettlement houses was completed in the year 2013 and the construction was reaching completion during the year 2014.

#### *Sales of Goods*

Sales of goods was recorded at approximately RMB69.3 million for the year ended 31 December 2014, which was relatively stable with the amount of approximately RMB70.5 million for the year ended 31 December 2013.

#### **Cost of Sales**

Cost of sales decreased by approximately 8.9% to approximately RMB958.6 million for the year ended 31 December 2014 from approximately RMB1,052.3 million for the year ended 31 December 2013. This decrease was primarily due to a decrease in our cost of housing construction.



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### *Cost of development properties sold*

Cost of development properties sold increased by approximately 44.4% from approximately RMB456.9 million for the year ended 31 December 2013 to approximately RMB659.8 million for the year ended 31 December 2014, primarily attributable to (i) the increases in average cost of development properties sold per sq.m. delivered primarily due to the higher land acquisition costs in relation to Weiye Tiandao Tianheshui and the general increase in labour costs and project financing cost; and (ii) the increase in total GFA delivered for the year ended 31 December 2014 as mentioned above.

### *Cost of housing construction*

Cost of housing construction decreased by approximately 54.1% from approximately RMB552.3 million for the year ended 31 December 2013 to approximately RMB253.6 million for the year ended 31 December 2014, which was generally in line with the decrease in revenue from housing construction and the actual construction progress of the resettlement houses.

### *Cost of goods sold*

Cost of goods sold was recorded at approximately RMB45.2 million for the year ended 31 December 2014, which was relatively stable with the amount of approximately RMB43.2 million for the year ended 31 December 2013.

### **Gross Profit and Gross Profit Margin**

As a result of the foregoing, our gross profit increased by approximately 3.2% to approximately RMB335.1 million for the year ended 31 December 2014 from approximately RMB324.6 million for the year ended 31 December 2013. Our gross profit margin increased to approximately 25.9% for the year ended 31 December 2014 from approximately 23.6% for the year ended 31 December 2013, primarily due to the increase in sales of development properties, which contributed to a significant percentage of our gross profit for the year ended 31 December 2014 and generated relatively higher gross profit margins as compared to housing construction.

### **Other Income**

Other income increased by approximately 201.5% to approximately RMB255.6 million for the year ended 31 December 2014 from approximately RMB84.8 million for the year ended 31 December 2013, primarily due to the change in fair value of investment properties of approximately RMB247.7 million during the year ended 31 December 2014, partially offset by the recognition of gain on disposal of a subsidiary of approximately RMB60.7 million for the year ended 31 December 2013 and no such income were recognised for the year ended 31 December 2014.

### **Selling and Distribution Expenses**

Selling and distribution expenses increased by approximately 7.3% to approximately RMB34.3 million for the year ended 31 December 2014 from approximately RMB31.9 million for the year ended 31 December 2013, primarily due to (i) an increase in advertising and promotion expenses, which was attributable to an increase in advertising and publicity expenses of Phase III of Weiye Xiangdi Bay and Phase IV of Weiye Central Park in connection with the launch of pre-sales for these projects.

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### ***Administrative Expenses***

Administrative expenses increased by approximately 1.5% to approximately RMB91.6 million for the year ended 31 December 2014 from approximately RMB90.2 million for the year ended 31 December 2013, primarily attributable to an increase in employee benefit costs primarily due to increased administrative staff headcount for the continued expansion of our operations in property development and the commencement of the construction of resettlement houses, which was partially offset by (i) a decrease in entertainment expenses due to our tightened expense control measures; and (ii) a decrease in urban land use tax which was included in other administrative expenses.

### ***Other Operating Expenses***

Other operating expenses increased to approximately RMB4.4 million for the year ended 31 December 2014 from approximately RMB1.6 million for the year ended 31 December 2013, primarily due to an increase in compensation resulting from the return of refundable deposit to our customers for the year ended 31 December 2014.

### ***Net finance Costs***

Net finance costs increased by approximately 201.1% to approximately RMB6.0 million for the year ended 31 December 2014 from approximately RMB2.0 million for the year ended 31 December 2013, due to an increase of approximately RMB48.5 million in interest on bank loans, primarily due to an increase in average bank borrowings outstanding as at 31 December 2014, partially offset by an increase of approximately RMB43.3 million in interest capitalised in development properties and construction projects.

### ***Income Tax Expense***

Income tax expense increased by approximately 81.1% to approximately RMB183.5 million for the year ended 31 December 2014 from approximately RMB101.3 million for the year ended 31 December 2013, primarily due to (i) an increase in income tax charge which reflected our increased profit before tax; (ii) an increase in deferred tax expense of approximately RMB50.5 million; (iii) an increase in LAT of approximately RMB12.1 million as a result of more GFA delivered in 2014 as compared to 2013; and (iv) reversal of over provision of LAT in prior years of approximately RMB19.8 million for the year ended 31 December 2013 and no such reversal was recognised for the year ended 31 December 2014.

Our effective tax rate increased from 35.7% for the year ended 31 December 2013 to approximately 40.4% for the year ended 31 December 2014, primarily due to the reversal of LAT expense of approximately RMB19.8 million for the year ended 31 December 2013 as a result of the over provision of LAT in respect of prior years, which we did not incur any reversal in LAT expense for the year ended 31 December 2014.

### ***Profit for the Year***

As a result of the foregoing, profit for the year increased by approximately 48.6% to approximately RMB271.0 million for the year ended 31 December 2014 from approximately RMB182.4 million for the year ended 31 December 2013.

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### SUMMARY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

|   | As at 31 December |                  |                  |
|---|-------------------|------------------|------------------|
|   | 2013              | 2014             | 2015             |
|   | RMB'000           | RMB'000          | RMB'000          |
| <b>Assets</b>                                       |                   |                  |                  |
| <b>Non-current assets</b>                           |                   |                  |                  |
| Property, plant and equipment                       | 80,875            | 54,148           | 43,850           |
| Intangible assets                                   | 402               | 1,322            | 2,725            |
| Investment properties                               | –                 | 451,000          | 386,000          |
| Investment in a joint venture                       | –                 | 140,000          | 132,576          |
| Trade, other receivables and prepayments            | 99,160            | 189,160          | 239,600          |
| Other financial assets                              | 2,185             | 71               | –                |
| Club membership                                     | 421               | 408              | 400              |
| Deferred tax assets                                 | 13,457            | 19,655           | 17,654           |
|   | <u>196,500</u>    | <u>855,764</u>   | <u>822,805</u>   |
| <b>Current assets</b>                               |                   |                  |                  |
| Inventories   | 16,795            | 12,542           | 10,997           |
| Development properties                              | 1,470,301         | 1,271,240        | 1,082,606        |
| Trade, other receivables and prepayments            | 1,031,675         | 1,585,424        | 2,173,943        |
| Other financial assets                              | 838               | 8,452            | –                |
| Income tax recoverable                              | 8,108             | 6,726            | 5,901            |
| Cash at banks and on hand                           | 553,269           | 593,230          | 883,610          |
| Assets held for sale                                | –                 | 130,827          | 150,000          |
|   | <u>3,080,986</u>  | <u>3,608,441</u> | <u>4,307,057</u> |
| <b>Liabilities</b>                                  |                   |                  |                  |
| <b>Current liabilities</b>                          |                   |                  |                  |
| Loans and borrowings                                | 343,974           | 715,150          | 755,402          |
| Trade and other payables                            | 1,196,029         | 1,226,312        | 1,139,541        |
| Income tax payable                                  | 163,522           | 212,457          | 235,223          |
| Liabilities held for sale                           | –                 | 2,762            | –                |
|   | <u>1,703,525</u>  | <u>2,156,681</u> | <u>2,130,166</u> |
| <b>Net current assets</b>                           | <u>1,377,461</u>  | <u>1,451,760</u> | <u>2,176,891</u> |
| <b>Total assets less current liabilities</b>        | <u>1,573,961</u>  | <u>2,307,524</u> | <u>2,999,696</u> |
| <b>Non-current liabilities</b>                      |                   |                  |                  |
| Loans and borrowings                                | 568,590           | 935,428          | 1,499,515        |
| Deferred tax liabilities                            | 95,124            | 199,009          | 221,889          |
|   | <u>663,714</u>    | <u>1,134,437</u> | <u>1,721,404</u> |
| <b>Net assets</b>                                   | <u>910,247</u>    | <u>1,173,087</u> | <u>1,278,292</u> |
| <b>Equity attributable to owners of the Company</b> |                   |                  |                  |
| Share capital                                       | 359,700           | 359,700          | 359,700          |
| Reserves  | 437,479           | 687,592          | 780,323          |
|   | <u>797,179</u>    | <u>1,047,292</u> | <u>1,140,023</u> |
| <b>Non-controlling interests</b>                    | <u>113,068</u>    | <u>125,795</u>   | <u>138,269</u>   |
| <b>Total equity</b>                                 | <u>910,247</u>    | <u>1,173,087</u> | <u>1,278,292</u> |

## FINANCIAL INFORMATION

### SELECTED STATEMENTS OF FINANCIAL POSITION ITEMS

#### Investment properties

Our investment properties include (i) completed properties held to earn rental income and/or for capital appreciation, but not for our own occupation or sale in the ordinary course of business; and (ii) investment properties under development. As at 31 December 2013, 2014 and 2015, the fair value of our investment properties was nil, approximately RMB451.0 million and RMB386.0 million, respectively. The tables below sets forth the fair value of our investment properties by project as at the dates indicated:

|                              | As at 31 December |            |        |            |        |            |
|------------------------------|-------------------|------------|--------|------------|--------|------------|
|                              | 2013              |            | 2014   |            | 2015   |            |
|                              | GFA               | Fair Value | GFA    | Fair Value | GFA    | Fair Value |
|                              | Sq.m.             | RMB'000    | Sq.m.  | RMB'000    | Sq.m.  | RMB'000    |
| Weiye Ru Guo Ai              | –                 | –          | 2,384  | 35,000     | 2,384  | 36,000     |
| Weiye International Square   | –                 | –          | 12,591 | 215,000    | 12,591 | 236,000    |
| Weiye Costa Rhine            | –                 | –          | 10,339 | 99,000     | 4,997  | 48,000     |
| Weiye Rhine Coast            | –                 | –          | 10,322 | 48,000     | 10,322 | 55,000     |
| Weiye Oxygen Cube A Phase II | –                 | –          | 14,004 | 44,000     | –      | –          |
| Weiye Oxygen Cube B          | –                 | –          | 2,078  | 10,000     | 2,078  | 11,000     |
|                              | –                 | –          | 51,717 | 451,000    | 32,371 | 386,000    |
|                              | =                 | =          | =      | =          | =      | =          |

The table below sets forth the movements in the fair value of our investment properties for the years indicated:

|   | Year ended 31 December |         |          |
|---|------------------------|---------|----------|
|   | 2013                   | 2014    | 2015     |
|   | RMB'000                | RMB'000 | RMB'000  |
| At 1 January                            | –                      | –       | 451,000  |
| Acquisitions                            | –                      | 45,030  | –        |
| Transfer from development properties    | –                      | 158,298 | –        |
| Additions                               | –                      | –       | 29,876   |
| Change in fair value during the year    | –                      | 247,672 | 22,124   |
| Disposals                               | –                      | –       | (77,000) |
| Transfer to assets held for sale        | –                      | –       | (40,000) |
| At 31 December                          | –                      | 451,000 | 386,000  |
|   | =                      | =       | =        |
| Analysed between:                       |                        |         |          |
| Completed investment properties         | –                      | 144,000 | 331,000  |
| Investment properties under development | –                      | 307,000 | 55,000   |
|   | –                      | 451,000 | 386,000  |
|   | =                      | =       | =        |

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After our Directors' review on our Group's development properties in mid 2014, the intention of the six selected development properties with total GFA of approximately 54,880 sq.m. was changed from held for sale in the ordinary course of business to held for investment purpose for capital appreciation, and accordingly, these development properties were reclassified from development properties to investment properties and would be leased so as to generate some rental income to our Group before we sell them with capital appreciation that our Directors considered to be appropriate.

In August 2015, the Group entered into sales contracts with the existing tenants to sell two of its investment properties, Building No.6 of Weiye Costa Rhine ("Costa Rhine No. 6") and Building No.2 of Phase II of Weiye Oxygen Cube A ("Oxygen Cube A No. 2"). Oxygen Cube A No. 2 was delivered in December 2015 while Costa Rhine No. 6 has been reclassified from investment properties to asset held for sale and it is expected to be delivered no later than July 2016.

As at 31 December 2014 and 2015, completed investment properties with a total carrying value of approximately RMB109.0 million and RMB11.0 million, respectively, and investment properties under development with a total carrying value of RMB92.0 million and nil, respectively, have been mortgaged as security for the loan facilities granted by financial institutions to the Group.

### Development Properties

Our development properties include (i) properties under development; and (ii) completed properties held for sale. As at 31 December 2013, 2014 and 2015, we had development properties of approximately RMB1,470.3 million, RMB1,271.2 million and RMB1,082.6 million, respectively. The table below sets forth a breakdown of the value of properties under development and completed properties held for sale by project or project phase as at the dates indicated:

|                                      | As at 31 December |                |                |
|--------------------------------------|-------------------|----------------|----------------|
|                                      | 2013              | 2014           | 2015           |
|                                      | RMB'000           | RMB'000        | RMB'000        |
| <b>Properties under development:</b> |                   |                |                |
| <b><i>Henan</i></b>                  |                   |                |                |
| Weiye Central Park                   |                   |                |                |
| Phase II                             | 65,914            | 125,016        | –              |
| Phase IV                             | 121,915           | 224,036        | 181,940        |
| Phase V                              | –                 | 12,991         | 41,681         |
| Weiye Xiangdi Bay                    |                   |                |                |
| Phase III                            | 120,754           | –              | –              |
| Weiye Tiandao Tianheshuian           | 337,438           | 282,285        | –              |
| Weiye Tiandao International          | 56,231            | 113,429        | –              |
| <b><i>Hainan</i></b>                 |                   |                |                |
| Weiye Oxygen Cube A                  |                   |                |                |
| Phase II                             | 87,216            | 70,925         | –              |
| Phase III                            | –                 | 15,855         | 24,845         |
| Weiye Costa Rhine                    | –                 | 266            | 313            |
| Weiye Rhine Coast                    | 46,518            | –              | –              |
| Weiye West International Plaza       | 14,979            | 9,974          | –              |
|                                      | <u>850,965</u>    | <u>854,777</u> | <u>248,779</u> |

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|  | As at 31 December |           |           |
|--|-------------------|-----------|-----------|
|  | 2013              | 2014      | 2015      |
|  | RMB'000           | RMB'000   | RMB'000   |
| <b>Completed properties held for sale:</b> |                   |           |           |
| <b><i>Henan</i></b>                        |                   |           |           |
| Weiye Central Park                         |                   |           |           |
| Phase I                                    | 589               | –         | –         |
| Phase II                                   | 6,237             | 1,876     | 94,859    |
| Phase III                                  | 227,879           | 39,019    | 13,207    |
| Phase IV                                   | –                 | –         | 22,701    |
| Weiye Xiangdi Bay                          |                   |           |           |
| Phase I                                    | 6,861             | 1,056     | 240       |
| Phase II                                   | 31,143            | 2,046     | 1,818     |
| Phase III                                  | –                 | 141,529   | 30,451    |
| Weiye Ru Guo Ai                            | 6,911             | 1,302     | 1,302     |
| Weiye Qing Qing Mei Lu                     | 497               | 497       | 497       |
| Weiye Caizhi Plaza                         | 700               | 700       | 700       |
| Weiye Tiandao Tianheshuian                 | –                 | –         | 10,375    |
| Weiye Tiandao International                | –                 | –         | 362,198   |
| Weiye Zhi Hua Shi                          | 5,254             | –         | –         |
| Weiye Qi An                                | 90                | –         | –         |
| <b><i>Hainan</i></b>                       |                   |           |           |
| Weiye Oxygen Cube A                        |                   |           |           |
| Phase I                                    | 124,997           | 116,930   | 111,087   |
| Phase II                                   | –                 | –         | 101,021   |
| Weiye Oxygen Cube B                        | 27,065            | 24,403    | 24,217    |
| Weiye Costa Rhine                          | 106,918           | 37,161    | 40,775    |
| Weiye West International Plaza             | 74,195            | 49,944    | 18,379    |
|  | 619,336           | 416,463   | 833,827   |
| <b>Total</b>                               | 1,470,301         | 1,271,240 | 1,082,606 |

Our properties under development generally reflect the value of properties we intend to be held for sale but have not been completed at the given balance sheet date and therefore are significantly affected by project development schedules. Completed and undelivered properties are transferred from properties under development to completed properties held for sale or investment properties. Completed properties held for sale were completed development properties that had not been contracted for sales or completed development properties that had been contracted for sales but had not been delivered to purchasers.

The value of our properties under development increased by approximately 0.4% from approximately RMB851.0 million as at 31 December 2013 to approximately RMB854.8 million as at 31 December 2014, primarily due to the increase in the properties under development of Weiye Central Park as the construction of Phase IV of Weiye Central Park continued, partially offset by the completion and transfer of Phase III of Weiye Xiangdi Bay and the reclassification of Weiye Rhine Coast to investment properties under development. The value of our properties under development decreased by approximately 70.9% from approximately RMB854.8 million as at 31 December 2014 to approximately RMB248.8 million as at 31 December 2015, primarily due to the completion of the construction of Weiye Tiandao Tianheshuian and Phase II of Weiye Central Park in 2015.

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The value of our completed properties held for sale decreased by approximately 32.8% from approximately RMB619.3 million as at 31 December 2013 to approximately RMB416.5 million as at 31 December 2014, primarily due to the sales and delivery of completed properties in Phase III of Weiye Central Park and the reclassification of Weiye Costa Rhine to investment properties during the year ended 31 December 2014. The value of our completed properties held for sale increased by approximately 100.2% from approximately RMB416.5 million as at 31 December 2014 to approximately RMB833.8 million as at 31 December 2015, primarily due to the increase in the completed but not delivered GFA of Weiye Tiandao International and Phase II of Weiye Oxygen Cube A during the year ended 31 December 2015.

As at 31 December 2013, 2014 and 31 December 2015, certain development properties with carrying amounts of approximately RMB274.5 million, RMB373.1 million and RMB884.5 million respectively, have been mortgaged to the banks as securities for borrowings granted to our Group.

### Trade, other receivables and prepayments

Trade, other receivables and prepayments primarily represent (i) trade receivables; (ii) accrued trade receivables; (iii) prepayments; and (iv) other receivables and deposits. The table below sets out a breakdown of our trade, other receivables and prepayments as at the dates indicated:

|   | As at 31 December |                  |                  |
|---|-------------------|------------------|------------------|
|   | 2013              | 2014             | 2015             |
|   | RMB'000           | RMB'000          | RMB'000          |
| <b>Non-current</b>                                  |                   |                  |                  |
| Amount due from non-controlling interest            | 99,160            | 99,160           | 99,160           |
| Amount due from a joint venture partner (non-trade) | –                 | 90,000           | 105,440          |
| Advance deposits                                    | –                 | –                | 35,000           |
|   | <u>99,160</u>     | <u>189,160</u>   | <u>239,600</u>   |
| <b>Current</b>                                      |                   |                  |                  |
| Trade receivables                                   | 65,469            | 147,017          | 141,795          |
| Accrued trade receivables                           | 660,149           | 985,267          | 1,098,554        |
| Prepayments   | 22,986            | 244,452          | 664,353          |
| Other receivables and deposits                      | 280,710           | 192,975          | 221,871          |
| Amounts due from staff                              | 2,123             | 688              | 1,609            |
| Amount due from a joint venture partner (non-trade) | –                 | 14,499           | 18,498           |
| Amount due from a joint venture (non-trade)         | –                 | –                | 27,263           |
| Others  | 238               | 526              | –                |
|   | <u>1,031,675</u>  | <u>1,585,424</u> | <u>2,173,943</u> |

## FINANCIAL INFORMATION

### **Trade Receivables**

Trade receivables represent (i) sales proceeds due to us from our sales of development properties by certain customers who have initially deposited a down payment or partial instalment payments but have not yet remitted the balance due under the sales agreements; and (ii) balance due from our customers of Equipment Manufacturing Business in relation to our sales of clean room equipment, HVAC products, air purifiers and cooling towers. Trade receivables will be recorded in the period from the time the properties or products are delivered to the customers to the time of receipt of the balance of the sales price from the customers. Trade receivables of the Group are non-interest bearing and are normally settled within 30 to 180 days terms for the development properties segment and within 30 to 60 days terms for the equipment manufacturing segment. They are recognised at their original invoiced amounts which represent their fair values on initial recognition. We seek to maintain strict control over our outstanding trade receivables. Overdue balances are reviewed regularly by the senior management. There is no significant concentration of credit risk.

The table below sets forth the impairment analysis of our trade receivables as at the dates indicated:

|                   | As at 31 December |                |                |
|-------------------|-------------------|----------------|----------------|
|                   | 2013              | 2014           | 2015           |
|                   | RMB'000           | RMB'000        | RMB'000        |
| Trade Receivables | 65,603            | 147,017        | 141,795        |
| Less: Impairment  | (134)             | —              | —              |
| <b>Total</b>      | <b>65,469</b>     | <b>147,017</b> | <b>141,795</b> |

As at 31 December 2013, 2014 and 2015, we had trade receivables with a total carrying value net of impairment of approximately RMB65.5 million, RMB147.0 million and RMB141.8 million, respectively. Trade receivables that are individually determined to be impaired at the end of the reporting period relate to customers that are in financial difficulties and have defaulted in payments. These receivables are not secured by any collateral or credit enhancements.

The table below sets forth the aging analysis of our trade receivables as at the dates indicated, based on invoice dates:

|                               | As at 31 December |                |                |
|-------------------------------|-------------------|----------------|----------------|
|                               | 2013              | 2014           | 2015           |
|                               | RMB'000           | RMB'000        | RMB'000        |
| Neither past due nor impaired | 55,201            | 133,161        | 125,680        |
| Past due 1 – 30 days          | 5,055             | 9,120          | 9,549          |
| Past due 31 – 60 days         | 1,977             | 1,418          | 1,658          |
| Past due 61 – 90 days         | 312               | 482            | 736            |
| Past due more than 90 days    | 2,924             | 2,836          | 4,172          |
| <b>Total</b>                  | <b>65,469</b>     | <b>147,017</b> | <b>141,795</b> |



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Trade receivables turnover days were approximately 33 days, 55 days and 46 days, respectively, for the years ended 31 December 2013 and 2014 and 2015. We calculate the trade receivables turnover days based on the ending balance of trade receivables divided by revenue derived from sales of development properties and sales of goods for the relevant period, multiplied by the number of days in the relevant period. Our trade receivables turnover days remained relatively stable during the Track Record Period with the exception for the year ended 31 December 2013. Trade receivables turnover days for the year ended 31 December 2013 were lower because relatively more instalment sales of development properties were settled by our customers near the respective year end.

As at 31 December 2013, 2014 and 2015, we had trade receivables amounting to approximately RMB10.3 million, RMB13.9 million and RMB16.1 million, respectively, that were past due but not impaired. Our Group's historical experience in the collection of trade receivables falls within the recorded allowances. Our management believes that no additional allowance beyond the amount provided for is required in respect of the trade receivables. As at 31 January 2016, approximately RMB5.5 million, representing approximately 3.9% of our trade receivables as at 31 December 2015 had been subsequently settled.

### ***Accrued trade receivables***

Accrued trade receivables represent the balance of contract sum to be billed in respect of the progress of the construction work of resettlement housing and ancillary public facilities. As disclosed in "Business – Resettlement Housing Operation" in this listing document, pursuant to the cooperation agreement entered into between Henan Xingwei and the management committee of Zhengzhou City Jinshuiyangjin Industry Park District (the "**Management Committee**") in June 2013, it was agreed that the construction costs for the resettlement housing and ancillary public facilities shall be refunded to Henan Xingwei by the Management Committee upon the full settlement of the land grant premium payable by the successful bidder at the subsequent public bidding process for the Development District. During the Track Record Period, we did not receive any refund from the Management Committee. The balance of accrued trade receivables equals to the accumulated revenue generated from the aforementioned resettlement housing operation as of the respective year.

The table below sets out the details in relation to our accrued trade receivables as at the dates indicated:

|  | As at 31 December |                  |                    |
|--|-------------------|------------------|--------------------|
|  | 2013              | 2014             | 2015               |
|  | RMB'000           | RMB'000          | RMB'000            |
| Accumulated cost incurred and attributable profits | 660,149           | 985,267          | 1,098,554          |
| Accrued trade receivables                          | <u>(660,149)</u>  | <u>(985,267)</u> | <u>(1,098,554)</u> |
| <b>Total</b>                                       | <u>—</u>          | <u>—</u>         | <u>—</u>           |

During the years ended 31 December 2013, 2014 and 2015, borrowing costs of nil, approximately RMB28.5 million and RMB65.1 million respectively, arising from borrowings obtained specifically to finance the cost of construction were capitalised in the costs incurred for the construction contract. Borrowing costs have been capitalised at rates ranging from 6.8% to 17.0% and from 5.8% to 17.0% per annum during the years ended 31 December 2014 and 2015.

## FINANCIAL INFORMATION

### **Prepayments**

Prepayments mainly represent prepaid construction material costs and pre-development land costs.

The table below sets out a breakdown of our prepayments as at the dates indicated:

|                                     | As at 31 December |                |                |
|-------------------------------------|-------------------|----------------|----------------|
|                                     | 2013              | 2014           | 2015           |
|                                     | RMB'000           | RMB'000        | RMB'000        |
| Prepaid construction material costs | 20,159            | 82,848         | 85,932         |
| Interior design costs               | –                 | 16,330         | –              |
| Pre-development land costs          | –                 | 138,619        | 565,009        |
| Others                              | 2,827             | 6,655          | 13,412         |
| <b>Total</b>                        | <u>22,986</u>     | <u>244,452</u> | <u>664,353</u> |

Prepaid construction material costs mainly represent the prepayments to suppliers for construction materials. In order to procure such construction materials at a competitive price, our Group procures certain construction materials such as the components parts of the lifts, windows, doors and insulation materials, in bulk for use in property development projects.

Pre-development land costs represent the prepaid costs for a plot of land that the land use rights will be granted to our Group by the local government in Zhengzhou City, the PRC. During the years ended 31 December 2014 and 2015, our Group incurred pre-development land costs amounting to approximately RMB138.6 million and RMB64.9 million respectively. These pre-development land costs are costs incurred for all the necessary works undertaken by our Group in relation to the relocation of existing buildings constructed on the plot of land and resettlement of the residents. These pre-development land costs will be transferred to “development property” upon receipt of the respective land use rights.

In December 2015, our Group has been granted the land use right and prepaid the transfer price of RMB361.5 million. As at 31 December 2015, the land use rights certificate has not been obtained.

### **Other Receivables and Deposits**

Other receivables and deposits mainly consist of advances to contractors, deposits paid for acquisition of a subsidiary, deposits paid for acquisition of property developments projects, other deposits and others.

The table below sets out a breakdown of our other receivables and deposits as at the dates indicated:

|  | As at 31 December |                |                |
|--|-------------------|----------------|----------------|
|  | 2013              | 2014           | 2015           |
|  | RMB'000           | RMB'000        | RMB'000        |
| Advances to contractors  | 113,915           | 46,662         | 1,242          |
| Deposits paid for acquisition of property development projects | 48,700            | 29,895         | 20,674         |
| Other deposits   | 92,430            | 80,637         | 77,717         |
| Other receivables  | 11,070            | 19,367         | 102,813        |
| Others   | 14,595            | 16,414         | 19,425         |
| <b>Total</b>   | <u>280,710</u>    | <u>192,975</u> | <u>221,871</u> |

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## FINANCIAL INFORMATION

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Advances to contractors mainly consist of prepaid construction fees to contractors. The change in balance of our advances to contractors during the Track Record Period was mainly due to and in line with our project development progress.

The deposits of approximately RMB48.7 million as at 31 December 2013 was paid to Henan Jinwei Property Co., Ltd. (“Henan Jinwei”) (a former subsidiary of the Company) for the purchase of completed units in an office building to be developed by Henan Jinwei. Such transaction was completed during the year ended 31 December 2014. The balance as at 31 December 2014 and 2015 amounted to approximately RMB29.9 million and RMB20.7 million respectively, which are related to deposits paid to a third party to acquire land use rights in Danzhou City, Hainan Province, the PRC.

Other deposits represent deposit paid for public tenders, auctions or listing-for-bidding of land use rights in the PRC. Other deposits as at 31 December 2013, 2014 and 2015 mainly represent a deposit paid to the relevant authority for the successful tender of a plot of land in Xing Long, the PRC, at a tender price of approximately RMB180.0 million in the past. The deposit paid of approximately RMB60.0 million is refundable and the remaining balance of the tender price of approximately RMB120.0 million will be due immediately upon signing of the official land agreement with the relevant government authority. The official land agreement will be signed when the plot of land is ready for handover to our Group.

Other receivables as at 31 December 2015 mainly represent the interest bearing loan to a third party amounting to approximately RMB56.5 million carrying interest at 20.0% per annum, and an advance to a third party of approximately RMB11.7 million. The interest bearing loan to a third party of approximately RMB56.5 million represents a loan to a third party, which holds the land that our Group intends to bid after the local government repurchases such land for public bidding, for its preparation work of such land. The advance to a third party of approximately RMB11.7 million represents advance to a third party for purchasing construction materials on behalf of our Group, which was subsequently repaid by such third party in January 2016 due to our cancellation of purchase order. The remaining balance of other receivables mainly represent the freight charges paid on behalf of customers in relation to our equipment manufacturing segment, payment on behalf of sub-contractor and interest accrued for the advance payment of good purchase. Having considered that (i) the aforementioned advance amounting to approximately RMB11.7 million were subsequently repaid by the respective third parties in January 2016; (ii) the aforementioned loan amounting to approximately RMB56.5 million is secured by the borrower’s equity interest in the entity which holds the land that our Group intends to bid after the local government repurchases such land for public bidding; and (iii) the continuous business relationships between our Group and the third parties, our Directors are of the view that no allowance for doubtful debts is necessary in respect of the other receivables.

As advised by our PRC Legal Adviser, the interest bearing loan to a third party amounting to approximately RMB56.5 million (the “**Interest Bearing Loan to a Third Party**”) abovementioned does not constitute non-compliance of the PRC laws and administrative regulations. Pursuant to the recently promulgated Provisions of the Supreme People’s Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the “**Provisions**”) (promulgated on 6 August 2015 and implemented on 1 September 2015) which set out the applicable laws in relation to private lending cases, agreements of interest bearing loans provided by corporations to other corporations or individuals due to operational need are legal and valid in the PRC unless the loans constitute any situations provided in article 52 of the PRC Contract Law or article 14 of the Provisions. As advised by our PRC Legal Adviser, all the agreements of the Interest Bearing Loan to a Third Party are legal and valid and the Interest Bearing Loan to a Third Party does not constitute any situations provided in article 52 of the PRC Contract Law or article 14 of the Provisions and does not constitute non-compliance of PRC laws and administrative regulations. In relation to the General Lending Provision in the PRC (貸款通則), the departmental rules issued and regulated by the PBOC, our PRC Legal Adviser had conducted an interview with the relevant official of the Zhengzhou

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## FINANCIAL INFORMATION

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Central sub-branch of PBOC, which is the local office of PBOC for Henan Province having the regulatory and enforcement authority of the General Lending Provision in the PRC (貸款通則) in Henan Province, and was informed that considering (i) the Provisions provide that agreements of interest bearing loans provided by corporations to other corporations or individuals due to operational need are in principle legal and valid in the PRC; and (ii) the Non-Depositing Lending Organisation Rules (Consultation Paper) (《非存款類放貸組織條例(徵求意見稿)》) issued by PBOC on 12 August 2015 states that occasional loans provided by corporations or individuals or among members of a group company with main business scope not including the loans provision shall not be deemed as conducting the lending business which requires relevant approvals, Zhengzhou Central sub-branch of PBOC would not enforce or penalise the provision of the interest bearing loans provided by corporations to other corporations or individuals due to operational need.

Others mainly represent (i) advances to third parties and maintenance funds paid to relevant authorities when the construction of a property is completed, which will be received from the customers of our properties; and (ii) prepaid urban land use tax and other tax.

### ***Amount due from a joint venture partner***

As at 31 December 2014 and 2015, an amount of RMB10.0 million due from a joint venture partner in current assets, Hanfang Yaoye is unsecured and carries interest at 17% per annum, and is repayable on demand.

In addition, as of 31 December 2014 and 2015, the amount due from a joint venture partner in non-current assets also include an interest-bearing loan amounting to RMB90.0 million extended to Feng Chaoling, a substantial shareholder of Hanfang Yaoye. Provision of such loan was a pre-condition for Feng Chaoling to enter into a collaboration agreement in connection with the development of a land parcel held by Hanfang Yaoye. Please refer to the section headed “History – Our Property Development Business in Henan Province – (vii) Collaboration regarding Hanfang Yaoye and establishment of Hanwei Zhiye” in this listing document for further details of the collaboration agreement. The amount due from the joint venture partner is secured by the joint venture partner’s equity interest in Hanwei Zhiye and carries interest at rates ranging from 10% to 17% per annum. The amount is due on 20 July 2016 and further extended to 23 July 2018. Having considered that (i) our relationships between our Group and the joint venture partners under the aforementioned collaboration; and (ii) the amount is secured by the joint venture partner’s equity interest in Hanwei Zhiye, our Directors are of the view that no allowance for doubtful debts is necessary in respect of the amount due from joint venture partners.

### ***Amount due from non-controlling interests***

As at 31 December 2013, 2014 and 2015, we had amount due from non-controlling interests of approximately RMB99.2 million. The amount due from non-controlling interests represents purchase consideration paid by our Group on behalf of a non-controlling shareholder of a subsidiary, Henan Tiandao Assets Management Co., Ltd. (“Henan Tiandao”), in connection with the non-controlling shareholder’s acquisition of 49% equity interest in the subsidiary.

The amount due from non-controlling interests is in non-trade nature, unsecured and interest free. The amount is expected to be repaid by set off against future dividends to be declared by Henan Tiandao. Having considered that the expected dividend to be declared by Henan Tiandao, as a result of the profit generated from Weiye Tiandao International project, would off-set such balance, our Directors are of the view that no allowance for doubtful debts is necessary in respect of the amount due from non-controlling interests.

## FINANCIAL INFORMATION

### Trade Payables

Our trade payables primarily comprise construction costs payable to third parties. We recorded trade payables of approximately RMB353.7 million, RMB442.9 million and RMB434.6 million as at 31 December 2013, 2014 and 2015, respectively. The change in balance of our trade payables during the Track Record Period was mainly due to and in line with our project development progress.

The table below sets forth an ageing analysis of the trade payables as at the dates indicated:

|                            | As at 31 December |                |                |
|----------------------------|-------------------|----------------|----------------|
|                            | 2013              | 2014           | 2015           |
|                            | RMB'000           | RMB'000        | RMB'000        |
| Not past due               | 224,368           | 399,175        | 390,182        |
| Past due 1 – 30 days       | 74,455            | 23,545         | 18,034         |
| Past due 31 – 60 days      | 49,920            | 6,788          | 963            |
| Past due 61 – 90 days      | 101               | 13,229         | 15,625         |
| Past due more than 90 days | 4,857             | 207            | 9,822          |
| <b>Total</b>               | <b>353,701</b>    | <b>442,944</b> | <b>434,626</b> |

Our trade payables turnover days for the development properties and housing construction segments were approximately 258 days, 273 days and 303 days for the years ended 31 December 2013, 2014 and 2015, respectively. We calculate the trade payables turnover days for the development properties and housing construction segments based on the ending balance of trade payables attributed from the development properties and housing construction segments (which is affected by the scale of and construction cost incurred for our property development activities conducted during the relevant period), divided by the construction cost for development properties and housing construction for the relevant period (which is affected by our properties completed and delivered during the period), and multiplied by the number of days in the relevant period. Most of our trade payables during the Track Record Period were payables due to construction contractors.

In general, there is a time difference between our cost incurred and cost charged to profit or loss. We do not recognise any construction costs until such properties are completed and the possession of such properties has been delivered to the customers. Construction costs incurred for development properties are recorded as “development properties” before relevant costs are charged to profit or loss. The timing of such delivery may affect the amount of our cost of properties sold, which would cause the fluctuation in our trade payables turnover days from period to period. Our trade payables turnover days fluctuated during the Track Record Period in line with the construction periods of our different projects.

Our trade payables turnover days for the equipment manufacturing segment were approximately 36 days, 49 days and 79 days for the years ended 31 December 2013, 2014 and 2015, respectively. Our trade payables turnover days for the equipment manufacturing segment remained relatively stable during the Track Record Period with the exception for the year ended 31 December 2015. Trade payables turnover days increased from 49 days for the year ended 31 December 2014 to 79 days for the year ended 31 December 2015 because relatively less cost of goods sold was incurred during the year ended 31 December 2015 as compared to the year ended 31 December 2014.

As at 31 January 2016, approximately RMB36.2 million, representing approximately 8.3% of our trade payables as at 31 December 2015 had been subsequently settled. Our Directors confirm that during the Track Record Period and as at the Latest Practicable Date, there was no material default in payment of trade payables.

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### Other Payables

Other payables mainly represent (i) advance receipts from sale of properties; (ii) deposit received for the disposal of a subsidiary; (iii) refundable deposits received from prospective buyers of development properties; (iv) retention deposits payable to contractors; and (v) loans from third parties.

The table below sets forth a breakdown of our other payables as at the dates indicated:

|  | As at 31 December |                |                |
|--|-------------------|----------------|----------------|
|  | 2013              | 2014           | 2015           |
|  | RMB'000           | RMB'000        | RMB'000        |
| Amounts due to:  |                   |                |                |
| – Directors (non-trade)  | 10,000            | 40,000         | –              |
| Advance receipts from sale of properties                                       | 336,448           | 409,366        | 343,786        |
| Advance receipts from customers of equipment                                   | 808               | 980            | –              |
| Accrued operating expenses   | 8,282             | 10,992         | 15,033         |
| Refundable deposits received from prospective buyers of development properties | 422,443           | 278,690        | –              |
| Interest payables  | 3,233             | 2,233          | 6,158          |
| Retention deposits payable to contractors                                      | 30,984            | 23,830         | 32,610         |
| Loans from third parties   | –                 | –              | 285,650        |
| Other payables   | 30,130            | 17,277         | 21,678         |
| <b>Total</b>   | <u>842,328</u>    | <u>783,368</u> | <u>704,915</u> |

The non-trade amounts due to directors are unsecured and are repayable on demand. As at 31 December 2014, the non-trade amounts due to directors of RMB30.0 million bear interest at 18% per annum, which had been fully settled before the end of July 2015. The remaining balances of RMB10.0 million as at 31 December 2013 and 2014 are interest-free and had been fully settled on 7 August 2015.

Advance receipts from sale of properties are amounts received from buyers of completed properties and will be recognised as revenue when the property units are handed over by the Group to the buyers. They are unsecured and interest-free. As at 31 December 2013, 2014 and 2015, advance receipts from sale of properties were approximately RMB336.4 million, RMB409.4 million and RMB343.8 million, respectively.

The refundable deposits received from prospective buyers of development properties relate to amounts received from prospective buyers with an aim to secure the purchase of completed units of residential projects to be developed by our Group. As at 31 December 2013, 2014 and 2015, the refundable deposits received were approximately RMB422.4 million, RMB278.7 million and nil, respectively.

Retention deposits payable to contractors represent the 5% amount of the construction value retained by the Group for one or two years after the completion of the respective project to guarantee the project quality.

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## FINANCIAL INFORMATION

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On 7 September 2015, the Group drawn down a loan from a third party amounting to RMB20 million, which is unsecured and is repayable within three months from the date of the loan agreement. Interest is charged at the rate of 15% per annum. On 19 October 2015, 30 October 2015 and 30 November 2015, the Group drawn down loans from an independent third party (the “Independent Lender”) amounting to RMB100 million, RMB150 million and RMB15.7 million respectively, which are unsecured, interest free and are repayable within one year from the date of loan agreements. The Independent Lender is a supplier of construction materials in Henan Province. In order to foster good business relationship with our Group and in view of potential business opportunities with our Group, the Independent Lender made the relevant loans interest free and favorable to our Group.

### LIQUIDITY AND CAPITAL RESOURCES

#### Sources of Liquidity

Property developments require substantial capital investment for land acquisition and construction and it may take a number of months or years before positive cash flows can be generated. Till now, we have funded our growth principally through proceeds generated from pre-sales and sales of our properties and bank borrowings and, to a lesser extent, trust financing. Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies. We expect to continue to fund our operations and debt service requirements with net cash flows generated from our operations and, if required, additional debt or equity financing. However, our ability to obtain additional funding required for increased capital expenditures in the future beyond our anticipated cash needs for the next 12 months following the date of this listing document is subject to a variety of uncertainties, including the future results of our operations, our financial condition and cash flows and economic, political and other conditions in China and elsewhere. The issue of additional equity or equity-linked securities may result in additional dilution to our Shareholders.

#### Treasury and Investment Management

We prepare our annual budget to forecast our cash flows and cash balances and to estimate our working capital needs for business expansion and other investments. We have also established cash and treasury management measures to ensure (i) to have sufficient liquidity to meet our liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation; and (ii) compliance with the covenants and conditions stipulated in the loan agreements which we entered into.

In order to ensure the proper application of funds available to our Group for investment, we have established policies and procedures on our investment management. Generally, our investment manager is responsible for managing and monitoring our investment portfolio on a daily basis. Any fund transfer for trading purpose, acquisition and disposal of any investment shall be reviewed by our senior management and approved by our executive Chairman before execution. Our investment manager will prepare monthly trading summary report comprised of the detail balance of our investment portfolio, balance of our available fund and trading gain or loss as of the month end and report to our senior management and executive Chairman.

## FINANCIAL INFORMATION

### Sufficiency of Working Capital

During the Track Record Period, we primarily engaged in pre-sales of our property development projects before completion of construction of the relevant projects. Cash received in such pre-sales was a notable source of our cash inflow during the Track Record Period. We expect to continue to fund our future development and debt servicing costs from existing financial resources and cash generated from operations as well as external borrowings. Our Directors believe that we have the ability to generate sufficient operating cash flow going forward.

We recorded negative net cash flow from operating activities of approximately RMB17.9 million RMB224.9 million and RMB131.7 million for the years ended 31 December 2013, 2014 and 2015, respectively. For the years ended 31 December 2013 and 2014, our negative net cash flow from operating activities was primarily attributable to the capital investment in relation to the construction work of resettlement houses, which shall be refunded to the Group by the relevant local district government authority after the subsequent public bidding process for the district for the development of residential properties. For the year ended 31 December 2015, our negative net cash flow from operating activities was primarily attributable to the land premium paid in December 2015 in relation to a parcel of land. Taking into account of (i) our available unutilised loan facility of RMB804.6 million as at 31 January 2016; and (ii) the expected future cash inflows from operations, our Company's management considers that we will have adequate resources to meet our liabilities and commitments as and when they fall due and to continue in operational existence for the foreseeable future.

Taking into account the financial resources available to our Group, including the internally generated funds and our available credit facilities, our Directors confirms, and the Sole Sponsor concurs, that our working capital is sufficient for our present requirements, that is for at least the next 12 months from the date of this listing document. After due consideration and discussions with our Group's management and based on the above, the Sole Sponsor has no reason to believe that our Group cannot meet the working capital requirements for the 12 months period from the date of this listing document.

### Cash Flows

The following table sets out selected cash flow data from our consolidated statements of cash flows for the years indicated.

|  | Year ended 31 December |                |                |
|--|------------------------|----------------|----------------|
|  | 2013                   | 2014           | 2015           |
|  | RMB'000                | RMB'000        | RMB'000        |
| Net cash used in operating activities                  | (17,915)               | (224,915)      | (131,692)      |
| Net cash (used in)/generated from investing activities | (205,689)              | (357,400)      | 72,467         |
| Net cash generated from/(used in) financing activities | <u>496,834</u>         | <u>423,974</u> | <u>(9,968)</u> |
| Net increase/(decrease) in cash and cash equivalents   | 273,230                | (158,341)      | (69,193)       |
| Cash and cash equivalents at beginning of the year     | 263,092                | 534,208        | 375,186        |
| Effect of exchange rate fluctuations on cash held      | (2,114)                | (681)          | (398)          |
| Cash and cash equivalents at end of the year           | <u>534,208</u>         | <u>375,186</u> | <u>305,595</u> |



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## FINANCIAL INFORMATION

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### ***Cash Flows Used in Operating Activities***

Our cash used in operating activities principally comprises payments made in relation to our property development activities and land acquisitions. Our cash generated from operating activities is principally proceeds received from the sales of our properties and income from sales of goods.

For the year ended 31 December 2015, we had net cash used in operating activities of approximately RMB131.7 million, which primarily comprised (i) an increase in trade and other receivables of approximately RMB482.2 million; and (ii) income taxes paid of approximately RMB56.0 million, partially offset by (i) a profit for the year of approximately RMB106.6 million primarily adjusted by taxation of approximately RMB104.4 million and change in fair value of investment properties of approximately RMB22.1 million; and (ii) a decrease in development properties of approximately RMB230.3 million. Our net cash used in operating activities for the year ended 31 December 2015 was primarily due to cash outflows associated with construction costs paid to our constructors and suppliers in connection with Weiye Tiandao International, partially offset by receipts from customers in relation to sale of Phase IV of Weiye Central Park and Weiye Tiandao International.

For the year ended 31 December 2014, we had net cash used in operating activities of approximately RMB224.9 million, which primarily comprised (i) an increase in trade and other receivables of approximately RMB541.7 million; and (ii) income taxes paid of approximately RMB33.2 million, partially offset by (i) a profit for the year of approximately RMB271.0 million primarily adjusted by change in fair value of investment properties of approximately RMB247.7 million and taxation of approximately RMB183.5 million; and (ii) a decrease in development properties of approximately RMB115.1 million. Our net cash used in operating activities in 2014 was primarily due to cash outflows associated with land acquisitions and construction costs in relation to Phase III of Weiye Xiangdi Bay and Phase IV of Weiye Central Park, partially offset by receipts from customers in relation to the sale of these two projects.

For the year ended 31 December 2013, we had net cash used in operating activities of approximately RMB17.9 million, which primarily comprised (i) an increase in trade and other receivables of approximately RMB624.6 million; (ii) an increase in development properties of approximately RMB72.5 million; and (iii) income taxes paid of approximately RMB40.3 million, partially offset by (i) a profit for the year of approximately RMB182.4 million primarily adjusted by taxation of approximately RMB101.3 million and gain on disposal of a subsidiary of approximately RMB60.7 million; and (ii) an increase in trade and other payables of approximately RMB507.0 million. Our net cash used in operating activities in 2013 was primarily due to cash outflows associated with land acquisitions and construction costs in relation to Weiye Tiandao Tianheshuan and Phase III of Weiye Xiangdi Bay, partially offset by receipts from customers in relation to the sale of these two projects.

### ***Cash Flows (Used in)/Generated from Investing Activities***

Our cash used in investing activities primarily reflect cash outflow in connection with investment in a joint venture, acquisition of asset classified as held for sale and acquisition of a subsidiary. Our cash inflows generated from investing activities primarily reflect deposits received for the disposal of subsidiary.

For the year ended 31 December 2015, we had net cash generated from investing activities of approximately RMB72.5 million, which primarily comprised (i) proceeds from disposal of assets classified as held for sale of approximately RMB23.8 million; (ii) interest received of approximately RMB38.1 million; and (iii) proceeds from disposal of other financial assets of approximately RMB13.0 million, partially offset by (i) deposit to third party of approximately RMB35.0 million; and (ii) cash paid for purchase of other financial assets of approximately RMB5.2 million.

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For the year ended 31 December 2014, we had net cash used in investing activities of approximately RMB357.4 million, which primarily comprised (i) cash paid for investment in joint venture of approximately RMB140.0 million; (ii) cash paid for acquisition of asset classified as held for sale of approximately RMB110.0 million; and (iii) increase in amount due from joint venture partner of approximately RMB104.5 million, partially offset by interest received of approximately RMB3.7 million.

For the year ended 31 December 2013, we had net cash used in investing activities of approximately RMB205.7 million, which primarily comprised (i) cash outflow arising from acquisition of a subsidiary of approximately RMB103.2 million; and (ii) increase in amount due from non-controlling interest of approximately RMB99.2 million, partially offset by interest received of approximately RMB2.9 million.

### ***Cash Flows Generated from/(Used in) Financing Activities***

Our cash inflows from financing activities primarily reflect proceeds from bank and other borrowings. Our cash outflows from financing activities primarily reflect repayment of bank and other borrowings as well as interest paid and increase in restricted cash.

For the year ended 31 December 2015, we had net cash used in financing activities of approximately RMB10.0 million, which primarily comprised (i) repayment of loans and borrowings of approximately RMB854.8 million; (ii) increase in restricted cash of approximately RMB357.0 million; and (iii) interest paid of approximately RMB198.8 million, partially offset by proceeds from loans and borrowings of approximately RMB1,458.9 million.

For the year ended 31 December 2014, we had net cash generated from financing activities of RMB424.0 million, which primarily comprised proceeds from loans and borrowings of RMB1,389.3 million, partially offset by (i) repayment of loans and borrowings of RMB627.4 million; (ii) increase in restricted cash of RMB199.0 million; and (iii) interest paid of RMB154.3 million.

For the year ended 31 December 2013, we had net cash generated from financing activities of approximately RMB496.8 million, which primarily comprised proceeds from loans and borrowings of approximately RMB800.0 million, partially offset by (i) repayment of loans and borrowings of approximately RMB244.5 million; (ii) interest paid of approximately RMB69.4 million; and (iii) increase in restricted cash of approximately RMB4.8 million.

## FINANCIAL INFORMATION

### Net Current Assets

Our current assets consist primarily of development properties, trade, other receivables and prepayments and cash at banks and on hand. Our current liabilities consist primarily of trade and other payables, loans and borrowings and income tax payable. Our net current assets have been significantly affected by our properties development and their delivery schedules during the Track Record Period. As at 31 December 2013, 2014 and 2015 and 31 January 2016, our net current assets were approximately RMB1,377.5 million, RMB1,451.8, RMB2,176.9 million and RMB2,364.8 million, respectively.

The following table sets out a breakdown of our net current assets as at the dates indicated:

|  | As at 31 December |                  |                  | As at<br>31 January    |
|--|-------------------|------------------|------------------|------------------------|
|  | 2013              | 2014             | 2015             | 2016                   |
|  | RMB'000           | RMB'000          | RMB'000          | RMB'000<br>(unaudited) |
| <b>Current Assets</b>                    |                   |                  |                  |                        |
| Inventories                              | 16,795            | 12,542           | 10,997           | 11,951                 |
| Development properties                   | 1,470,301         | 1,271,240        | 1,082,606        | 1,159,401              |
| Trade, other receivables and prepayments | 1,031,675         | 1,585,424        | 2,173,943        | 2,175,703              |
| Other financial assets                   | 838               | 8,452            | –                | 5,757                  |
| Income tax recoverable                   | 8,108             | 6,726            | 5,901            | 13,356                 |
| Cash at banks and on hand                | 553,269           | 593,230          | 883,610          | 835,889                |
| Assets held for sale                     | –                 | 130,827          | 150,000          | 150,000                |
|  | <u>3,080,986</u>  | <u>3,608,441</u> | <u>4,307,057</u> | <u>4,352,057</u>       |
| <b>Current Liabilities</b>               |                   |                  |                  |                        |
| Loans and borrowings                     | 343,974           | 715,150          | 755,402          | 821,907                |
| Trade and other payables                 | 1,196,029         | 1,226,312        | 1,139,541        | 949,079                |
| Income tax payable                       | 163,522           | 212,457          | 235,223          | 226,252                |
| Liability held for sale                  | –                 | 2,762            | –                | –                      |
|  | <u>1,703,525</u>  | <u>2,156,681</u> | <u>2,130,166</u> | <u>1,997,238</u>       |
| <b>Net current assets</b>                | <u>1,377,461</u>  | <u>1,451,760</u> | <u>2,176,891</u> | <u>2,354,819</u>       |

As at 31 December 2013, we had net current assets of approximately RMB1,377.5 million. This primarily represented development properties of approximately RMB1,470.3 million and trade, other receivables and prepayments of approximately RMB1,031.7 million as at 31 December 2013.

Our net working capital improved during the year ended 31 December 2014. We recorded a net current assets of approximately RMB1,451.8 million as at 31 December 2014 compared to approximately RMB1,377.5 million as at 31 December 2013. This was primarily attributable to the increase in trade, other receivables and prepayments to approximately RMB1,585.4 million as at 31 December 2014 compared to approximately RMB1,031.7 million as at 31 December 2013 as a result of the increase in our accrued trade receivables incurred for the construction contract. The amount was partially offset by the decrease in development properties to approximately RMB1,271.2 million as at 31 December 2014 compared to approximately RMB1,470.3 million as at 31 December 2013 as a result of the sales of completed properties held for sale during 2014.

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Our Group's net current assets further increased from approximately RMB1,451.8 million as at 31 December 2014 to approximately RMB2,176.9 million as at 31 December 2015. The increase was primarily attributable to the increase in trade, other receivables and prepayments of approximately RMB588.5 million and cash at banks and on hand of approximately RMB290.4 million as a result of the inflow of cash generated from our operation.

Our Group's net current assets further increased from approximately RMB2,176.9 million as at 31 December 2015 to approximately RMB2,354.8 million as at 31 January 2016. The increase was primarily attributable to (i) the increase in development properties of approximately RMB76.8 million as a result of the construction of Phase V of Weiye Central Park; and (ii) the decrease in trade and other payables of approximately RMB190.5 million as a result of the inflow of cash generated from our operation.

### INDEBTEDNESS AND CONTINGENT LIABILITIES

#### Loans and Borrowings

The following table sets forth a breakdown of our outstanding loans and borrowings as at the dates indicated:

|                                | As at 31 December |                  |                  | As at<br>31 January    |
|--------------------------------|-------------------|------------------|------------------|------------------------|
|                                | 2013              | 2014             | 2015             | 2016                   |
|                                | RMB'000           | RMB'000          | RMB'000          | RMB'000<br>(unaudited) |
| <b>Current liabilities</b>     |                   |                  |                  |                        |
| Secured bank loans             | 343,931           | 715,150          | 607,338          | 674,329                |
| Bank overdrafts                | –                 | –                | 2,954            | 2,481                  |
| Other secured loans            | –                 | –                | 145,000          | 145,000                |
| Finance lease liabilities      | 43                | –                | 110              | 97                     |
|                                | <u>343,974</u>    | <u>715,150</u>   | <u>755,402</u>   | <u>821,907</u>         |
| <b>Non-current liabilities</b> |                   |                  |                  |                        |
| Secured bank loans             | 568,590           | 849,296          | 1,127,440        | 1,098,665              |
| Other secured loans            | –                 | 110,000          | 395,000          | 595,000                |
| Finance lease liabilities      | –                 | –                | 115              | 130                    |
| Unamortized transaction costs  | –                 | (23,868)         | (23,040)         | (23,040)               |
|                                | <u>568,590</u>    | <u>935,428</u>   | <u>1,499,515</u> | <u>1,670,755</u>       |
| <b>Total</b>                   | <u>912,564</u>    | <u>1,650,578</u> | <u>2,254,917</u> | <u>2,492,662</u>       |

Our bank and other borrowings are denominated in Renminbi, Singapore dollar and Malaysian Ringgit. As at 31 December 2013, 2014 and 2015, our total outstanding loans and borrowings amounted to approximately RMB912.6 million, RMB1,650.6 million and RMB2,254.9 million, respectively. The increase in our bank and other borrowings from 31 December 2013 to 31 December 2014 was primarily due to the increasing needs to finance our construction of resettlement houses and development of Hanwei Project. The increase in our bank and other borrowings from 31 December 2014 to 31 December 2015 was primarily due to the increasing needs to finance the development of our projects under development including Weiye Paris Impression.

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Other secured loans represent capital contributed in cash by a third party trust to subsidiaries of the Group. As at 31 December 2013, 2014 and 2015, we had a total principal amount of nil, RMB110 million and RMB540 million, respectively, of trust financing outstanding, accounting for nil, 6.7% and 23.9% of our total bank loans and other borrowings as at the same dates, respectively. In accordance with the respective agreements with one of our subsidiary, Henan Xingwei, the trust does not have any entitlement to the profit or loss of Henan Xingwei, other than a prescribed annual return at an effective rate of 17% per annum. The loan is secured by the Group's equity interest in Henan Xingwei. The loan is repayable at its nominal value within 2 years after the capital contribution. The total annual prescribed returns of RMB15 million for the year ended 31 December 2014 and RMB14 million for the year ended 31 December 2015 are capitalised in the development properties, respectively. Pursuant to the arrangement, Henan Xingwei agreed to give up all voting rights at the shareholders' meetings of Henan Xingwei during the subsistence of arrangement.

As at 31 January 2016, bank and other borrowings of approximately RMB2,513.0 million are secured by pledge of property, plant and equipment, investment properties and development properties of certain subsidiaries. The table below sets forth assets pledged to secure certain bank and other borrowings granted to us as at the dates indicated:

|                               | As at 31 December |                |                | As at<br>31 January |
|-------------------------------|-------------------|----------------|----------------|---------------------|
|                               | 2013              | 2014           | 2015           | 2016                |
|                               | RMB'000           | RMB'000        | RMB'000        | RMB'000             |
| Development properties        | 274,479           | 373,069        | 884,521        | 976,128             |
| Property, plant and equipment | 56,844            | 22,945         | 19,233         | 19,471              |
| Investment properties         | –                 | 201,000        | 11,000         | 11,000              |
| <b>Total</b>                  | <u>331,323</u>    | <u>597,014</u> | <u>914,754</u> | <u>1,006,599</u>    |

The following table sets out the maturity profiles of our borrowings as at the dates indicated:

|   | As at 31 December |                  |                  | As at<br>31 January |
|---|-------------------|------------------|------------------|---------------------|
|   | 2013              | 2014             | 2015             | 2016                |
|   | RMB'000           | RMB'000          | RMB'000          | RMB'000             |
| Amounts of borrowings that are repayable: |                   |                  |                  |                     |
| Within one year                           | 343,974           | 715,150          | 755,402          | 821,907             |
| Between 1 and 2 years                     | 386,251           | 38,037           | 1,433,900        | 1,605,255           |
| Between 2 and 3 years                     | 181,037           | 404,310          | 65,615           | 65,500              |
| Between 3 and 4 years                     | 1,302             | 493,081          | –                | –                   |
| Between 4 and 5 years                     | –                 | –                | –                | –                   |
|   | <u>912,564</u>    | <u>1,650,578</u> | <u>2,254,917</u> | <u>2,492,662</u>    |

Our bank borrowings during the Track Record Period are arranged at variable rates ranging from approximately 2.98% to 17.00%. The weighted average effective interest rates on our bank borrowings, which represent annualised actual borrowing cost incurred during the year or period divided by weighted average bank and other borrowings that are outstanding during the year or period, as at 31 December 2013, 2014 and 2015 and 31 January 2016 were approximately 10.5%, 8.9%, 6.3% and 7.1%, respectively.

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## FINANCIAL INFORMATION

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### **Indebtedness**

As at 31 January 2016, being the latest date for the purpose of liquidity disclosure in this listing document, we had outstanding indebtedness of approximately RMB2,492.7 million, which primarily included bank borrowings of approximately RMB1,773.0 million and other secured loans of approximately RMB740.0 million. As at 31 January 2016, bank and other borrowings of approximately RMB2,513.0 million are secured by pledge of property, plant and equipment, investment properties and development properties of certain subsidiaries. The remaining balance mainly included unamortized transaction costs which are unsecured in nature. We did not have any outstanding bank and other borrowings which are guaranteed by our Controlling Shareholders and other related parties as at 31 January 2016.

During the Track Record Period, we entered into separate loan agreements with various PRC commercial banks pursuant to which we were granted separate loan facilities, which carried variable interest rates with references to PBOC benchmark interest rates. As at 31 January 2016, the unused loan facilities were approximately RMB804.6 million.

Our banking facilities and trust financing arrangements are generally subject to a number of restrictive, customary affirmative and/or negative covenants, which include, among other things, limitations on our ability to incur additional indebtedness or create new mortgages or charges, restrictions on the use of proceeds and requirements to provide notice or obtain consent for certain significant corporate events. Please see “Risk Factors – Risks Relating to Our Business – We may not have adequate financing to fund our property developments, and such capital resources may not be available on commercially reasonable terms, or at all, and if that happens, our business, financial condition, results of operations and prospects could be materially and adversely affected.” However, our Directors do not expect that such covenants would materially restrict our overall ability to undertake additional debt or equity financing necessary to carry out our current business plans.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that they are not aware of any material defaults in payment of trade and non-trade payables and bank and other borrowings, any breach of any of the covenants contained in our banking facilities constituting any event of default nor aware of any restrictions that will limit our ability to drawdown on unutilised facilities. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulties in obtaining banking facilities nor had we been rejected for any loan application.

As at 31 January 2016, save as discloses in this listing document, we did not have any other outstanding mortgages, charges, debt securities or other similar indebtedness, loan capital, bank borrowings, overdrafts, financial leases or purchase hire commitments, liabilities under acceptances or acceptance credits, contingent liabilities or guarantees.

We intend to continue to finance portions of our property development projects with bank borrowings and proceeds from trust financing arrangements, as we deem appropriate. Except for such bank borrowings and trust financing arrangements, we currently do not have plans for other material external debt financing. We do not anticipate any changes to the availability of bank financing to finance our operations in the future, although we cannot assure you that we will be able to access bank financing on favourable terms or at all.

### **Contingent Liabilities**

#### ***Mortgage Guarantees***

Our Group arranges with various domestic banks in the PRC to provide loan and mortgage facilities to our customers of the development properties prior to the transfer of land title deeds. In line with the consumer banking practices in the PRC, these banks require our Group to provide guarantees in respect of these loans including the principal, interest and other incidental costs. Our Group is required to maintain certain amounts of cash in designated bank accounts which are pledged to the banks. If a purchaser defaults on a loan, the relevant mortgagee bank is entitled to deduct from the restricted cash account which is set aside when such loan is initially paid out.

## FINANCIAL INFORMATION

These guarantees provided by our Group to the banks would be released by the banks upon receipt of the building ownership certificate of the respective properties from the customers when it is issued by the relevant authorities.

The following table shows our total mortgage guarantees as at the dates indicated:

|  | As at 31 December |         |         | As at<br>31 January |
|--|-------------------|---------|---------|---------------------|
|  | 2013              | 2014    | 2015    | 2016                |
|  | RMB'000           | RMB'000 | RMB'000 | RMB'000             |
| Guarantees given to banks in connection with banking facilities granted to third parties | 576,113           | 189,835 | 840,869 | 850,689             |

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any default on mortgage guarantees by purchasers that had a material adverse effect on our financial condition and results of operations. The Directors considered that in case of default on payments, the net realisable value of the relevant properties will be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

### ***Off-Balance Sheet Commitments and Arrangements***

Except for the contingent liabilities disclosed above, as at 31 January 2016, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities. Save as disclosed in this listing document, we have not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any unconsolidated entity or special purpose vehicles that provide financing, liquidity, market risk or credit support to us or engages in leasing or hedging services with us.

## **CAPITAL EXPENDITURES AND COMMITMENTS**

### **Capital expenditures**

For the years ended 31 December 2013, 2014 and 2015, we incurred capital expenditures of approximately RMB6.7 million, RMB2.3 million and RMB5.1 million, respectively, comprising primarily expenditures for motor vehicles, furniture and offices equipment.

### **Capital commitments**

The following table sets forth the total capital commitments for expenditure which have not been provided for in the financial statements:

|  | As at 31 December |         |         |
|--|-------------------|---------|---------|
|  | 2013              | 2014    | 2015    |
|  | RMB'000           | RMB'000 | RMB'000 |
| Development expenditures authorised and contracted for | 594,608           | 218,695 | 688,733 |

### **Operating lease commitments**

Our Group has entered into various lease agreements for office premises and employees' accommodation. These leases have remaining non-cancellable lease terms of between 1 to 21 years.

## FINANCIAL INFORMATION

Minimum lease payments recognised as an expense in profit or loss for the years ended 31 December 2013, 2014 and 2015 amounted to approximately RMB3.7 million, RMB3.0 million and RMB2.9 million, respectively.

As at 31 December 2013, 2014 and 2015, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

|   | As at 31 December |              |              |
|---|-------------------|--------------|--------------|
|   | 2013              | 2014         | 2015         |
|   | RMB'000           | RMB'000      | RMB'000      |
| Not later than one year                           | 1,386             | 2,044        | 2,630        |
| Later than one year but not later than five years | 3,069             | 2,465        | 1,385        |
| After five years                                  | 6,148             | –            | –            |
| <b>Total</b>                                      | <b>10,603</b>     | <b>4,509</b> | <b>4,015</b> |

### KEY FINANCIAL RATIOS

The following table sets out a summary of certain financial ratios for the years or as at the dates indicated:

|                                | Year ended 31 December |       |       |
|--------------------------------|------------------------|-------|-------|
|                                | 2013                   | 2014  | 2015  |
| <b>Profitability ratios</b>    |                        |       |       |
| Gross profit margin (%)        | 23.6                   | 25.9  | 26.4  |
| Net profit margin (%)          | 13.2                   | 20.9  | 8.6   |
| Return on equity (%)           | 20.0                   | 23.1  | 8.3   |
|                                |                        |       |       |
|                                | As at 31 December      |       |       |
|                                | 2013                   | 2014  | 2015  |
| <b>Liquidity ratio</b>         |                        |       |       |
| Current ratio                  | 1.8                    | 1.7   | 2.0   |
| <b>Capital adequacy ratios</b> |                        |       |       |
| Gearing ratio (%)              | 100.3                  | 140.7 | 198.7 |
| Net debt to equity ratio (%)   | 39.5                   | 90.1  | 129.6 |

Please see the paragraph headed “– Period to Period Comparison of Results of Operations” for a discussion of the factors affecting gross and net profit margins during the respective periods.



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## FINANCIAL INFORMATION

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### Return on Equity

Return on equity is our net profit divided by total equity for each financial period.

The fluctuations in our return on equity ratio during the Track Record Period were largely in line with the fluctuations in our net profit during the Track Record Period.

### Current Ratio

Current ratio is our current assets divided by our current liabilities at the end of each financial period.

As at 31 December 2013, 2014 and 2015, our current ratio remained relatively stable at approximately 1.8, 1.7 and 2.0 respectively. This was primarily due to our prudent financial strategy maintained during the Track Record Period.

### Gearing Ratio

Gearing ratio is our total debt divided by total equity. Total debt includes interest-bearing bank and other borrowings.

The increasing trend of our gearing ratio from approximately 100.3% as at 31 December 2013 to approximately 198.7% as at 31 December 2015 was mainly due to the new loans from bank borrowed during the Track Record Period to support the expansion of our business.

### Net Debt-to-Equity Ratio

Net debt-to-equity ratio is our total interest-bearing bank borrowings and other borrowings less cash at banks and on hand as a percentage of total equity at the end of each financial period.

The fluctuations in our net debt-to-equity ratio in 2013, and 2014 and 2015 were largely in line with the fluctuations in our gearing ratio.

## QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISKS

We are, in the ordinary course of our business, exposed to various market risks, including interest rate risk, credit risk, liquidity risk and foreign currency risk. Our capital risk management strategy aims to safeguard our ability to continue as a going concern in order to provide returns for our shareholders and to maintain an optimal capital structure to reduce the cost of capital.

### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of our Group's financial instruments will fluctuate because of changes in market interest rates. Our Group's exposure to interest rate risk arises primarily from its floating rate loans and borrowings. Our Group's policy is to obtain the most favourable interest rates available.

For the years ended 31 December 2013, 2014 and 2015, we estimated that a change of 100 basis points in interest rates for floating rate borrowings, with all other variables held constant, would decrease/increase our profit or loss by approximately RMB6.8 million, RMB11.6 million and RMB12.8 million, respectively. Please refer to Note 38 of the Accountants' Report included as Appendix I to this listing document for further details regarding our interest rate risk.

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## FINANCIAL INFORMATION

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### **Credit Risk**

Credit risk is the risk of financial loss to our Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Our Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. Our Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is kept to the minimal.

Our Group's trade and other receivables as at 31 December 2014 and 2015 include an amount due from its most significant customer, a PRC construction company, of approximately RMB11.3 million and RMB8.1 million respectively.

As at 31 December 2013, 2014 and 2015, our Group held an amount due from its non-controlling equity interest holder of approximately RMB99.2 million, RMB99.2 million and RMB99.2 million and an amount due from a joint venture partner of nil, approximately RMB99.0 million and RMB99.0 million, respectively.

Except for these amounts, there were no other concentration of credit risk at our Group.

### **Liquidity Risk**

Liquidity risk is the risk that our Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Our Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to our reputation.

Our Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. Approximately 37.7%, 43.3% and 33.5% of our loans and borrowings will mature in less than one year based on the carrying amounts reflected in the consolidated statement of financial position as at 31 December 2013, 2014 and 2015, respectively. Please refer to Note 38 of the Accountants' Report included as Appendix I to this listing document for further details regarding our liquidity risk.

### **Foreign Currency Risk**

Our Group's property development, housing construction, and clean room equipment and air diffusion businesses are principally conducted in RMB and Singapore Dollars (SGD), which are the functional currencies of the respective subsidiaries of our Group. Most of our Group's monetary assets and liabilities are denominated in RMB and SGD. Accordingly, our Directors consider our Group's exposure to foreign currency risk is not significant. Our Group does not employ any financial instruments for hedging purposes.

RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent our Group from satisfying sufficient foreign currency demand and our Group may not be able to pay dividends in foreign currencies to our shareholders.

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## FINANCIAL INFORMATION

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### DIVIDENDS

During the year ended 31 December 2014, our Group declared a dividend of RMB14.6 million, which has been fully settled in cash from internal resources of our Group.

We currently do not have any plans to distribute regular dividends immediately after the Listing, although this is subject to change. Our Board may declare dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. In addition, certain financing arrangements of our Group are restricted to distribute dividend under the relevant loan agreements. Pursuant to the loan agreements for certain bank loans obtained by Xinxiang Weiye, Henan Xingwei and Henan Tiandao with the aggregate outstanding principle of RMB315.4 million as of 31 December 2015, Xinxiang Weiye, Henan Xingwei and Henan Tiandao, as the case may be, shall not distribute dividend before the full repayment of all sums due under the respective loan agreements. Further, pursuant to the trust financing arrangement Henan Xingwei entered into with Zhongyuan Trust Company Limited\* (中原信託有限公司) in 2014 with the outstanding principal of RMB500.0 million as of the Latest Practicable Date, Henan Xingwei shall not distribute dividend before the full settlement of capital injection by Henan Weiye, full repayment of the principal and interests by Henan Xingwei, obtaining the written consent from Zhongyuan Trust and Henan Xingwei's shareholders' approval. Please refer to the section headed "Business – Project Financing" in this listing document for further details of such trust financing arrangement with Zhongyuan Trust.

Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Act, including the approval of our Shareholders. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board. We currently do not have any specific dividend policy.

### DISTRIBUTABLE RESERVES

As at 31 December 2015, our Group's distributable reserves were RMB772.2 million and our Company's distributable reserve was nil.

### OUR LATEST DEVELOPMENT SUBSEQUENT TO THE TRACK RECORD PERIOD

Our financial results were and will continue to subject to fluctuations due to the different development cycle of our properties and property mix such as the proportion of properties for sale and rental income from investment properties. Other factors such as the timing of pre-sales, project completion, actual delivery of properties, changes in fair value gain upon transfer to investment properties and changes in fair value of investment properties may also affect our financial results from time to time. For details, please see the sections headed "Risk Factors – Risks Relating to Our Business – Our results of operations may vary significantly from period to period as we derive our revenue principally from the sale of property and may therefore fluctuate significantly from period to period, and such fluctuations make it difficult to predict our future performance and the price of our Shares" and "Financial Information – Key Factors Affecting Our Performance" in this listing document.

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## FINANCIAL INFORMATION

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On 29 January 2016, Henan Xingwei entered into an arrangement with various Independent Third Parties, including a management committee (管委會) in Jinshui District, Zhengzhou City (鄭州市金水區), pursuant to which Henan Xingwei obtained a loan in the principal amount of RMB700 million at an annual interest rate of 9.5% for a term of two years. Henan Xingwei had subsequently drawdown the entire principal in February 2016. As specified under such arrangement, the source of repayment shall be the costs for demolition of existing buildings and resettlement of the existing residents of the land parcel of Xinzhuang Village (新莊村), Jinshuiyangjin Industry Park District in Zhengzhou City, Henan Province and the construction costs for the resettlement housing and ancillary public facilities to be refunded to Henan Xingwei upon the full settlement of the land premium of the relevant development areas. For further details, please refer to the section headed “Business – Resettlement Housing Operation” of the listing document.

In December 2015, Henan Xingwei entered into a land grant contract for a parcel of land of site area of approximately 55,351 sq.m. and for a land premium of RMB361.5 million which we had subsequently paid in full. In March 2016, Henan Xingwei obtained the relevant land use right certificate of the relevant parcel. Such parcel of land forms part of the development district of our resettlement housing operation under the “Merging Villages into Community (合村併城)” scheme in Zhengzhou City. For further details, please refer to the section headed “Business – Resettlement Housing Operation” in the listing document. As of the Latest Practicable Date, such parcel of land was still in planning stage.

On 29 September 2015, the Ministry of Housing & Urban-Rural Development, Ministry of Finance and People’s Bank of China jointly issued the Circular on Practically Improving the Efficiency in the Use of the Housing Provident Fund (關於切實提高住房公積金使用效率的通知), which became effective from 8 October 2015, setting forth the measures to effectively improve the utilisation efficiency of housing provident fund and implement cross-regional loan business. Pursuant to such Circular, if the utilisation ratio of housing provident fund in cities is lower than 85 as of the end of August 2015, the relevant authorities of such cities may consider to increase the actual maximum amount of housing provident fund loan to be granted to individual for purchase of personal residence after taking into full account the factors such as local house price, borrowing need and the borrower’s repayment capacity. The implementation of the Circular improve the lending environment for individual purchasing residence, which the management of our Company considers that may improve the sales of our Group’s residential properties. For details, please refer to the section headed “Regulatory Overview – Real Estate Financing – Individual Housing Loan” of the listing document.

### **NO MATERIAL ADVERSE CHANGE**

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, save for the listing expenses to be incurred as stated in the paragraphs headed “Listing expenses” in this section, (i) there were no material adverse changes in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position since 31 December 2015 and up to the date of this listing document; (ii) there was no material adverse change in the trading and financial position or prospects of our Group since 31 December 2015 and up to the date of this listing document; and (iii) no event had occurred since 31 December 2015 and up to the Latest Practicable Date that would materially and adversely affect the information shown in the Accountants’ Report set out in Appendix I to this listing document.

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## FINANCIAL INFORMATION

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### RELATED PARTY TRANSACTIONS

In respect of the related-party transactions and balances set out Note 24 in the Accountants' Report in Appendix I to this listing document, our Directors confirm that all related party transactions during the Track Record Period were conducted on normal commercial terms and/or on an arm's-length basis, and that their terms were fair, reasonable and in the interest of our Shareholders as a whole.

### LISTING EXPENSES

The estimated listing expenses, which are non-recurring in nature, are approximately RMB26.0 million which will be charged to our Group's profit and loss account prior to or upon completion of the Listing. For the years ended 31 December 2013, 2014 and 2015, listing expenses of nil, nil and RMB15.6 million was charged to our consolidated statement of profit or loss and other comprehensive income, respectively. The remaining listing expenses of approximately RMB10.4 million is expected to be charged to our Group's profit or loss and other comprehensive income for the year ending 31 December 2016. Our Directors would like to emphasise that the listing expenses above are the current estimate for reference only and the actual amount to be recognised is subject to adjustment based on audit and the then changes in variables and assumptions. Our Directors consider that such listing expenses would, to certain extent, adversely affect our results of operations for the year ending 31 December 2016.

### UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please see the section headed "Unaudited Pro Forma Financial Information" included as Appendix II to this listing document for details.

### DISCLOSURE REQUIRED UNDER THE LISTING RULES

Except as otherwise disclosed in this listing document, we confirm that, as at the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

Since our Company is listed on the Main Board of SGX, our Company's annual financial statements are prepared in accordance with Singapore Financial Reporting Standards (the "SFRS") and audited by KPMG LLP, Singapore since the financial year ended 31 December 2012.

For the proposed Listing, the Company has prepared a set of financial statements for each of the years ended 31 December 2013, 2014 and 2015 in accordance with International Financial Reporting Standards (the "IFRS") and engaged KPMG Huazhen LLP to audit these IFRS financial statements in accordance with International Standards of Auditing. The financial information are prepared by the Company for inclusion in the listing document based on these IFRS financial statements and the Listing Rules. The Company has engaged KPMG, Hong Kong to act as the Company's reporting accountants in connection with the proposed listing.

Our Company's subsequent financial statements after the Listing will be audited by KPMG LLP, Singapore and such audit will be conducted in accordance with SFRS. The Company would include in its subsequent annual reports a disclosure that the consolidated financial statements in effect comply with the requirements of the IFRS; or if, in the future, there are material differences between the IFRS and the SFRS, the Company would, according to the requirements of the SFRS, provide a reconciliation of its financial statements with the IFRS.

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## FINANCIAL INFORMATION

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Our Company believes that KPMG LLP, Singapore is a firm of accountants acceptable to the Stock Exchange in accordance with the requirements of Rule 19.20(2) of the Listing Rules on the grounds that:

- KPMG LLP, Singapore is an internationally recognised accounting firm, being a limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Cap 163A) of the laws of the Republic of Singapore and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity;
- KPMG LLP, Singapore is subject to the independent oversight and regulation of the Accounting and Corporate Regulatory Authority (“**ACRA**”), which is a statutory board of the government of Singapore and the national regulator of business entities and public accountants in Singapore. ACRA is also a founding member of the International Forum of Independent Audit Regulators (“**IFIAR**”) and has representation on the IFIAR’s Advisory Council;
- the Monetary Authority of Singapore (“**MAS**”), the statutory securities regulator in Singapore, is a full signatory of the International Organisation of Securities Commission’s Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (“**IOSCO MMOU**”). In addition, in 1997, the MAS signed a Memorandum of Understanding with the SFC to promote mutual assistance by the exchange of information with respect to listed or traded securities on the respective exchanges;
- All the audit partners in KPMG LLP, Singapore are registered public accountants with ACRA and are also practicing members of the Institute of Singapore Chartered Accountants (“**ISCA**”), which is a member of the International Federation of Accountants (“**IFA**”); and
- KPMG LLP, Singapore, being a member firm of KPMG International Cooperative, adopts a consistent global audit approach which is designed to support consistency of service quality and adherence to the framework of audit methodology set out in the KPMG Audit Manual (“**KAM**”). Reviews are performed on member firms on an annual basis to ensure that adherence to the framework of audit methodology set out in the KAM is upheld by all member firms. KPMG LLP, Singapore also adopts and observes the independence requirements set out under the Code of Ethics for Professional Accountants issued by the IFA and is independent from both the Company and any other company concerned in accordance with the statements on independence issued by the IFA.

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## LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

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### LISTINGS

Our Company currently has a primary listing of the Shares on the main board of the SGX-ST, which we intend to maintain alongside our proposed dual primary listing of the Shares on the Main Board of the Stock Exchange. Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares in issue.

### REGISTRATION

The principal share register of members (the “**Singapore Principal Share Register**”) is maintained in Singapore by RHT Corporate Advisory Pte. Ltd. at its registered address at Six Battery Road, #10-01, Singapore 049909. Our Company has established a branch register of members in Hong Kong (the “**Hong Kong Branch Share Register**”) which is maintained by Tricor Investor Services Limited (the “**Hong Kong Branch Share Registrar**”) whose address is at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

Certificates in respect of our Shares registered on the Hong Kong Branch Share Register will, as far as practicable, and unless otherwise requested, be issued in board lots of 1,000 Shares. The Singapore Principal Share Registrar will keep in Singapore duplicates of the Hong Kong Branch Share Register, which will be updated from time to time.

### CERTIFICATES

Only certificates for Shares issued by the Hong Kong Branch Share Registrar will be valid for delivery in respect of dealings effected on the Stock Exchange. Certificates for Shares issued by the Singapore Principal Share Registrar will be valid for delivery in respect of dealings effected on the SGX-ST. For ease of identification, the certificates for Shares issued by the Hong Kong Branch Share Registrar will be green in color and the certificates for Shares currently issued by the Singapore Principal Share Registrar is gold in color.

### DEALINGS

Dealings in our Shares on the Stock Exchange and the SGX-ST will be conducted in Hong Kong dollars and Singapore dollars, respectively. Our Shares are traded on the main board of the SGX-ST in board lots of 100 Shares and will be traded on the Stock Exchange in board lots of 1,000 Shares. The stock code of our Shares on the Stock Exchange will be 1570.

The transaction costs of dealings in our Shares on the Stock Exchange include a Stock Exchange trading fee of 0.005%, a SFC transaction levy of 0.0027%, a transfer instrument stamp duty of HK\$5 on the seller per transfer instrument and ad valorem stamp duty on both the buyer and the seller charged at the rate of 0.1% each of the consideration or, if higher, the fair value of our Shares transferred. The brokerage commission in respect of trades of Shares on the Stock Exchange is freely negotiable.

The brokerage commission in respect of trades of Shares on the SGX-ST is freely negotiable. A clearing fee in Singapore is payable at the rate of 0.0325% of the transaction value. The clearing fee is subject to goods and services tax in Singapore (currently at 7.0%).

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## LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

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### SETTLEMENT

#### Settlement of Dealings in Singapore

Shares listed and traded on the main board of the SGX-ST are trading under the book-entry settlement system of CDP and all dealings in and transactions of Shares through the SGX-ST are effected in accordance with the terms and conditions for the operation of securities accounts with CDP, as amended from time to time.

CDP, a wholly owned subsidiary of the SGX-ST, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its account holders and facilitates the clearance and settlement of securities transactions between account holders through electronic book-entry changes in the securities accounts maintained by such account holders with CDP.

Shares will be registered in the name of CDP or its nominees and held by CDP for and on behalf of persons who maintain, either directly or through depository agents, securities accounts with CDP. The Companies Act and the Articles of our Company only recognise the registered owners or holders of our Shares as members. Depositors and depository agents on whose behalf CDP holds Shares, may not be accorded the full rights of membership, such as voting rights, the right to appoint proxies, or the right to receive Shareholders' circulars, proxy forms, annual reports, prospectuses and takeover documents. Depositors and depository agents will be accorded only such rights as CDP may make available to them pursuant to CDP's terms and conditions to act as depository for foreign securities.

Persons holding Shares in a securities account with CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will not, however, be valid for delivery pursuant to trades transacted on the SGX-ST, although they will be prima facie evidence of title and may be transferred in accordance with the Articles of our Company. A fee of S\$10 for each withdrawal of 1,000 Shares or less and a fee of S\$25 for each withdrawal of more than 1,000 Shares will be payable upon withdrawing of our Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of S\$2 (or such other amounts as our Directors may decide) will be payable to the Singapore Principal Share Registrar for each share certificate issued, and stamp duty of S\$0.20 per S\$100 or part thereof of the last-transacted price is payable where Shares are withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on the SGX-ST must deposit with CDP their share certificates together with the duly executed instruments of transfer in favour of CDP, and have their respective securities accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of S\$10 is payable upon the deposit of each instrument of transfer with CDP.

Transactions in Shares under the book-entry settlement system will be reflected by the seller's securities account being debited with the number of Shares sold and the buyer's securities account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for the transfer of our Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in Shares on the SGX-ST is payable at the rate of 0.0325% of the transaction value. The clearing fee, instrument of transfer deposit fees and share withdrawal fee are subject to Singapore goods and services tax of 7.0%.

Dealings in our Shares will be carried out in Singapore dollars and will be effected for settlement in CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third market day following the transaction date, and payment for the securities is generally settled on the following day. CDP holds securities on behalf of investors in securities accounts. An investor may open a direct securities account with CDP or a securities sub-account with a depository agent. A depository agent may be a member company of the SGX-ST, bank, merchant bank or trust company.



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## LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

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### Settlement of Dealings in Hong Kong

Investors in Hong Kong must settle their trades executed on the Stock Exchange through their brokers directly or through custodians. For an investor in Hong Kong who has deposited his Shares in his stock account or in his designated CCASS Participant's stock account maintained with CCASS, settlement will be effected in CCASS in accordance with the CCASS Rules in effect from time to time. For an investor who holds the physical certificates, settlement certificates and the duly executed instruments of transfer must be delivered to his broker or custodian by the settlement date.

An investor may arrange with his broker as custodian on a settlement date in respect of his trades executed on the Stock Exchange. Under the Listing Rules and the CCASS Rules, the date of settlement must be the second Business Day following the trade date on which the settlement services of CCASS are open for use by CCASS Participants (T+2). For trades settled under CCASS, the CCASS Rules provide that the defaulting broker may be compelled to compulsorily buy-in by HKSCC the day after the date of settlement (T+3), or if it is not practicable to do so on T+3, at any time thereafter. HKSCC may also impose fines from T+2 onwards.

The CCASS stock settlement fee payable by each counterparty in respect of a Stock Exchange trade is currently 0.002% of the gross transaction value subject to a minimum fee of HK\$2 and a maximum fee of HK\$100 per trade.

### Dividends

Dividends are declared in Singapore dollars and will be converted to Hong Kong dollars before being paid to the Shareholders (where the Shareholders' Shares are traded on the Stock Exchange).

### Foreign Exchange Risk

Investors in Singapore who trade in our Shares on the SGX-ST should note that their trades will be effected in Singapore dollars. Investors in Hong Kong who trade in our Shares on the Stock Exchange should note that their trades will be effected in Hong Kong dollars. Accordingly, investors should be aware of the foreign exchange risks associated with such trading. Please refer to the section headed "Risk Factors" in this Listing Document for a discussion on foreign exchange risks.

## REMOVAL OF SHARES

### Transfer of Shares

All duties, fees and expenses specified herein are subject to changes from time to time. Special arrangements will be made to facilitate transfers of Shares, and to incentivise existing shareholders to transfer their Shares to Hong Kong prior to the Introduction by enabling them to do so at a reduced cost.

Currently, all of our Shares are registered on the Singapore Principal Share Register. For the purpose of trading on the Stock Exchange following the Listing, our Shares must be registered on the Hong Kong Branch Share Register. Shares may be transferred between the Singapore Principal Share Register and the Hong Kong Branch Share Register. An investor who wishes to trade on the SGX-ST must deposit the share certificates in respect of such Shares with CDP. An investor who wishes to trade on the Stock Exchange must have his Shares registered on the Hong Kong Branch Share Register by submitting the request for withdrawal of securities form to CDP and a removal request form to the Singapore Principal Share Registrar. Withdrawal fees payable to CDP will be borne by the relevant Shareholders and CDP's existing charges will still apply, together with any other costs to be levied by such Shareholders' own brokers, nominees or custodians (where relevant). A resolution has been passed by our Directors authorising the removal of Shares between the Singapore Principal Share Register and the Hong Kong Branch Share Register as may from time to time be requested by the members of the Company.

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## LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

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### From the SGX-ST to the Stock Exchange

Following the Listing, if an investor whose Shares are traded on the SGX-ST wishes to trade his Shares on the Stock Exchange, he must effect a removal of Shares from the Singapore Principal Share Register to the Hong Kong Branch Share Register.

A removal of the Shares from the Singapore Principal Share Register to the Hong Kong Branch Share Register involves the following procedures:

- (1) If the investor's Shares have been deposited with CDP, the investor must first withdraw his Shares from CDP by completing a Request for Withdrawal of Securities Form and a transfer form, available from CDP and submitting the same to CDP together with a bank draft for the amount as prescribed by CDP from time to time.
- (2) The investor shall complete a removal request and delivery instruction form ("**SG Removal Request Form**") (in duplicate) obtained from the Singapore Principal Share Registrar and submit the SG Removal Request Form to the Singapore Principal Share Registrar, together with bank drafts for the amount as prescribed by the Singapore Principal Share Registrar and the Hong Kong Branch Share Registrar from time to time.
- (3) CDP will then send the duly completed transfer form together with the relevant share certificate(s) registered under the name of CDP to the Singapore Principal Share Registrar directly.
- (4) Upon receipt of the duly completed transfer form and the share certificate(s) from CDP and the SG Removal Request Form together with bank drafts for the amount as prescribed by the Singapore Principal Share Registrar and Hong Kong Branch Share Registrar from time to time from the investor, the Singapore Principal Share Registrar shall take all actions necessary to effect the transfer and removal of shares on the Singapore Principal Share Register. On completion, the Singapore Principal Share Registrar shall then notify the Hong Kong Branch Share Registrar of the removal.
- (5) The Hong Kong Branch Share Registrar shall update the Hong Kong Branch Share Register and issue share certificate(s) in the name of the investor and send such share certificate(s) to the address specified by the investor. Despatch of share certificate(s) will be made at the risk and expense of the investor as specified in the SG Removal Request Form.
- (6) If the investor's Shares upon being registered in Hong Kong are to be deposited with CCASS, the investor must deposit the Shares into CCASS for credit to his CCASS Investor Participant stock account or his designated CCASS Participant's stock account. For deposit of Shares to CCASS or to effect sale of Shares in Hong Kong, the investor should execute a transfer form which is in use in Hong Kong and which can be obtained from the office of the Hong Kong Branch Share Registrar and deliver it together with his Share certificate(s) issued by the Hong Kong Branch Share Registrar to HKSCC directly if he intends to deposit the Shares into CCASS for credit to his CCASS Investor Participant stock account or via a CCASS Participant if he wants the Shares to be credited to his designated CCASS Participant's stock account.

*Note:* Under normal circumstances, steps (1) to (5) generally require 15 Business Days to complete.

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## LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

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### From the Stock Exchange to the SGX-ST

If an investor whose Shares are traded on the Stock Exchange wishes to trade his Shares on the SGX-ST, he must effect a removal of the Shares from the Hong Kong Branch Share Register to the Singapore Principal Share Register. Such removal and deposit of the Shares with CDP would involve the following procedures:–

- (1) If the investor's Shares are registered in the investor's own name, the investor shall complete the Combined Share Removal and Transfer and Delivery Instruction Form ("**HK Removal Request Form**") available from the Hong Kong Branch Share Registrar and submit the same together with the share certificate(s) in his name and bank drafts for the amount as prescribed by the Singapore Principal Share Registrar and the Hong Kong Branch Share Registrar from time to time to the Hong Kong Branch Share Registrar. If the investor's Shares have been deposited with CCASS, the investor must first withdraw such Shares from his CCASS Investor Participant stock account with CCASS or from the stock account of his designated CCASS Participant and submit the relevant Share transfer form(s) executed by HKSCC Nominees Limited and the investor, the relevant share certificate(s) and a duly completed HK Removal Request Form to the Hong Kong Branch Share Registrar.
- (2) If the investor would like to have the Shares credited directly into his securities account or sub-account with a CDP depository agent, he must indicate it on the HK Removal Request Form. He should submit the HK Removal Request Form with a bank draft for the amount as prescribed by CDP from time to time at the same time he submits the relevant documents to the Hong Kong Branch Share Registrar (as contemplated in paragraph (1) above). The investor should ensure that he has a securities account or sub-account with a CDP depository agent before he can complete and sign off on delivery instruction set out in the HK Removal Request Form.
- (3) Upon receipt of the HK Removal Request Form, the relevant share certificate(s) and bank drafts for the amounts as prescribed by the Singapore Principal Share Registrar and Hong Kong Branch Share Registrar and CDP, if applicable and where appropriate, the completed share transfer form(s) executed by HKSCC Nominees Limited and the investor, the Hong Kong Branch Share Registrar shall take all actions necessary to effect the transfer and the removal of the Shares from the Hong Kong Branch Share Register to the Singapore Principal Share Register.
- (4) The Hong Kong Branch Share Registrar shall then notify the Singapore Principal Share Registrar of the removal whereupon the Singapore Principal Share Registrar shall update the Singapore Principal Share Register. Upon completion, the Singapore Principal Share Registrar shall issue the relevant share certificate(s) in the name of the investor or CDP, where the case may be, and deliver the share certificate(s) to the investor or CDP.
- (5) Upon receipt of the relevant documents and prescribed payment from the Singapore Principal Share Registrar CDP shall credit the specified number of Shares into the investor's securities account or sub-account with a CDP depository agent. The investor should ensure that the shares are credited to his securities account or sub-account with a CDP depository agent before dealing in the Shares.

Under normal circumstances, steps (1) to (4) generally require 15 business days to complete.

**For those Shares which are registered on the Hong Kong Branch Share Register, any transfer thereof or dealings therein will be subject to Hong Kong stamp duty. For those Shares which are registered on the Singapore Principal Share Register, any transfer thereof or dealings therein will be subject to Singapore stamp duty.**

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## LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

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All costs attributable to the removal of Shares from the Hong Kong Branch Share Register to the Singapore Principal Share Register and any removal from the Singapore Principal Share Register to the Hong Kong Branch Share Register shall be borne by the Shareholder requesting the removal. In particular, Shareholders should note that the Hong Kong Branch Share Registrar will charge HK\$300 for each removal of Shares and a fee of HK\$2.50 (or such higher fee as may from time to time be permitted under the Listing Rules) for each Share certificate cancelled or issued by it and any applicable fee as stated in the removal request forms used in Hong Kong or Singapore. In addition, the Singapore Principal Share Registrar will charge S\$30 (or such other amount as may be prescribed from time to time) for each removal of Shares, a fee of S\$2 (plus applicable stamp duties) for each transfer form in respect of transfer of Shares and a fee of S\$2 for each share certificate cancelled or issued by it and any applicable fee as stated in the removal request forms used in Hong Kong or Singapore. The fees charged by the Singapore Principal Share Registrar are subject to Singapore goods and services tax of 7.0%.

### SPECIAL ARRANGEMENTS TO FACILITATE TRANSFERS PRIOR TO THE LISTING

Special arrangements have been made to facilitate transfers of Shares prior to the Listing. In connection with the Listing, the Singapore Principal Share Registrar and the Hong Kong Branch Share Registrar will provide three batch-transfers of the Singapore-listed Shares for Shareholders seeking to transfer their Shares to the Hong Kong Branch Share Register prior to the Listing.

The key dates in relation to such batch-transfers exercises (the “**Batch-Transfers**”) are set out below:

| <b>Events</b>  | <b>First<br/>Batch-Transfer</b> | <b>Second<br/>Batch-Transfer</b> | <b>Third<br/>Batch-Transfer</b> |
|--|---------------------------------|----------------------------------|---------------------------------|
| Final date to submit a request for withdrawal of securities form to CDP and a SG Removal Request Form to the Singapore Principal Share Registrar | Monday,<br>7 March 2016         | Monday,<br>14 March 2016         | Monday,<br>21 March 2016        |
| Share certificates available for collection from the Hong Kong Branch Share Registrar’s office   | Monday,<br>21 March 2016        | Wednesday,<br>30 March 2016      | Thursday,<br>7 April 2016       |

Shareholders who hold their Shares directly in CDP can complete and submit the request for withdrawal of securities form to CDP and the SG Removal Request Form to the Singapore Principal Share Registrar before the relevant dates stipulated above in order to participate in the Batch-Transfers.

Our Company will bear the costs, fees and duties payable for the Batch-Transfers. Withdrawal fees payable to CDP will be borne by the relevant Shareholders and CDP’s existing charges will still apply, together with any other costs to be levied by such Shareholders’ own brokers, nominees or custodians (where relevant). Shareholders should note that all costs, fees and duties payable for any subsequent transfer of their Shares, including but not limited to fees chargeable by the share registrars and the CDP will be borne by Shareholders themselves.

Our Company has made arrangements to inform our Shareholders and the Singapore investing public of details of the Listing and the Batch-Transfers procedures by way of announcements on the respective websites of our Company at [www.weiyeholdings.com](http://www.weiyeholdings.com) and the SGX-ST at [www.sgx.com](http://www.sgx.com).

### BRIDGING ARRANGEMENTS

#### Intended Arbitrage Activities during the Bridging Period

It is expected that, upon the Listing and during the Bridging Period, the Bridging Dealer (and/or its affiliates authorised to carry out arbitrage activities), on its own account will seek to undertake, or request the Alternate Bridging Dealer to undertake arbitrage activities in the circumstances described below. The Alternate Bridging Dealer will only undertake arbitrage activities at the request of the Bridging Dealer.

Certain trades envisaged to be carried out by the Bridging Dealer and the Alternate Bridging Dealer during the Bridging Period may constitute covered short selling (or be deemed to constitute short selling) under applicable Hong Kong laws and regulations. The Rules of the Exchange prohibit short selling save for short selling of Designated Securities (as defined in the Rules of the Exchange) during the Continuous Trading Period (as defined in the Rules of the Exchange). In this regard, our Sole Sponsor, on behalf of the Bridging Dealer and the Alternate Bridging Dealer, applied to the Stock Exchange for, and the Stock Exchange has granted an exemption, to permit the Bridging Dealer and the Alternate Bridging Dealer to conduct the proposed trading activities described below which may constitute (or may be deemed to constitute) short selling of securities during the pre-opening session (defined in the Rules of the Exchange as being from 9:00 a.m. Hong Kong time to the commencement of the morning trading session at 9:30 a.m. Hong Kong time) (the “**Pre-Opening Session**”) and the Continuous Trading Session (as defined in the Rules of the Exchange) in circumstances where our Shares are not Designated Securities (as defined in the Rules of the Exchange).

In addition, the Sole Sponsor, on behalf of the Bridging Dealer and the Alternate Bridging Dealer, applied to the Stock Exchange for, and the Stock Exchange has granted an exemption (i) to permit short selling of the Shares during the Pre-Opening Session to allow the Bridging Dealer and the Alternate Bridging Dealer to conduct such short selling transactions of the Shares during the Pre-Opening Session within the Bridging Period; and (ii) from the provision of the Rules of the Exchange that a short sale shall not be made on the Stock Exchange below the best current ask price except where the Designated Security is a Market Making Security (as defined in the Rules of the Exchange) approved by the SFC to be excluded from the application of this provision.

No person other than the Bridging Dealer and the Alternate Bridging Dealer (including their affiliates authorised to carry out arbitrage activities) will be permitted to enter into a short sale of the Shares on the Stock Exchange during the Bridging Period or thereafter unless the Shares are designated for short selling by the Stock Exchange. Upon the expiry of the Bridging Period, the Bridging Dealer and the Alternate Bridging Dealer will not be able to engage in further arbitrage activities in respect of the Shares on the Stock Exchange which constitutes short selling in reliance on the above said exemption.

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Such arbitrage activities are expected to contribute to the liquidity of trading in the Shares in the Hong Kong market upon the Listing as well as to reduce potential material divergence between Share prices in the Hong Kong and Singapore markets:

1. The Bridging Dealer (and/or its affiliates authorised to carry out arbitrage activities) will seek to carry out or request the Alternate Bridging Dealer to carry out arbitrage trades in line with market practice in the context of dual listed stocks. The arbitrage trades are envisaged to be carried out where there exists a meaningful price differential between prices of Shares quoted on the Stock Exchange and those quoted on the SGX-ST (as determined by the Bridging Dealer). In relation to the Listing, it is envisaged that a typical arbitrage trade would be executed if and when prices of Shares quoted on the Stock Exchange are meaningfully higher than those on the SGX-ST, in which case the Bridging Dealer or the Alternate Bridging Dealer will seek to purchase Shares at the lower price in Singapore and sell Shares at the higher price in Hong Kong. The typical cost of executing an arbitrage trade is minimal and should constitute a small percentage of our Share price. In the Hong Kong context, the typical cost comprises stamp duty (0.1%), trading fee (0.005%) and transaction levy (0.0027%) while in the Singapore context, there is a clearing fee (0.0325%) and trading fee (0.0075%). Nonetheless, as the Bridging Dealer and the Alternate Bridging Dealer envisages, for arbitrage trades to occur, our Share price differential would need to exceed such transaction costs and the risk premium as perceived by the Bridging Dealer or the Alternate Bridging Dealer (as appropriate) (including but not limited to factors such as price volatility and market liquidity on both markets). The Bridging Dealer or the Alternate Bridging Dealer intends to carry out arbitrage trades where (a) there exists a meaningful Share price differential between the Hong Kong and Singapore markets (as determined by the Bridging Dealer), and (b) the Bridging Dealer or the Alternate Bridging Dealer is able to purchase sufficient quantities of Shares to address such price differentials when they arise and to contribute towards trading liquidity to a meaningful extent. The bridging arrangements and the roles of the Bridging Dealer and the Alternate Bridging Dealer will terminate and cease at the expiry of the Bridging Period.
2. For the Bridging Dealer and the Alternate Bridging Dealer to contribute meaningfully towards the liquidity of trading in our Shares on the Hong Kong market, there should be no trading or exchange disruption in, or early closure (other than due to different trading hours) of, one or both stock exchanges. There should be concurrent availability of Shares on both stock exchanges. Each of the Bridging Dealer and the Alternate Bridging Dealer has also entered into the Stock Borrowing and Lending Agreements with Mr. Zhang Wei, one of the Controlling Shareholders, to ensure that they will have ready access to appropriate quantities of Shares for settlement purposes upon the Listing and during the Bridging Period.
3. Stock Borrowing and Lending Agreements were entered into between Mr. Zhang Wei (the “**Lender**”) and each of the Bridging Dealer and the Alternate Bridging Dealer on 23 March 2016 which will come into effect from the first day of the Bridging Period. Pursuant to the stock borrowing arrangements under such agreements, the Lender will make available to the Bridging Dealer and the Alternate Bridging Dealer stock lending of 48,000,000 Shares representing approximately 24.5% of the Shares in issue on one or more occasions, subject to applicable laws, rules and regulations in Singapore and Hong Kong, including without limitation that the lending and the subsequent acceptance of redelivery of any Shares by the Lender, and the borrowing and the subsequent redelivery of any Shares by the Bridging Dealer and the Alternate Bridging Dealer, will not lead to any of the Lender, the Bridging Dealer and the Alternate Bridging Dealer being obliged to make a mandatory general offer under the Takeovers Code and/or the Singapore Code. In this regard, in compliance with the Singapore Code, the Stock Borrowing and Lending Agreements provide, inter alia, the right for the Lender to recall the borrowed Shares by giving advance notice of seven days.

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## LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

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Pursuant to the stock borrowing arrangements under such agreements, the borrowed Shares of 48,000,000 Shares will be allocated as to 43,000,000 Shares to the Bridging Dealer and 5,000,000 Shares to the Alternate Bridging Dealer. Such borrowed Shares will be used for settlement in connection with the arbitrage trades carried out by the Bridging Dealer and the Alternate Bridging Dealer in Hong Kong. These Shares will have been registered on the Hong Kong Branch Share Register prior to the Listing. The total number of Shares subject to such stock borrowing arrangement is significantly in excess of the aggregate of the daily trading volumes of our Shares on the SGX-ST for the 15 trading days immediately before and up to the Latest Practicable Date.

The Stock Borrowing and Lending Agreements provide, inter alia, that all of our Shares borrowed shall be returned to the Lender not later than 25 Business Days after the expiry of the Bridging Period. To close out the borrowed positions, the Bridging Dealer and the Alternate Bridging Dealer may purchase Shares on the SGX-ST or use any unutilised Shares registered on the Hong Kong Branch Share Register and transfer such Shares to the Lender. If necessary, the Bridging Dealer and the Alternate Bridging Dealer may repeat the process or alternatively may purchase Shares from the SGX-ST or the Stock Exchange, in order to provide additional liquidity to meet demand for the Shares in the Hong Kong market during the Bridging Period.

4. Additionally, to facilitate the role of the Bridging Dealer commencing from the pre-opening period (9:00 a.m. to 9:30 a.m.) on the first day of the Listing, the Bridging Dealer will make arrangement to build up a small inventory of Shares prior to the commencement of trading. A sale and repurchase agreement was entered into on 23 March 2016 (the “**Sale and Repurchase Agreement**”) between Mr. Zhang Wei (the “**Vendor**”) and the Bridging Dealer for the sale of 1,960,000 Shares by the Vendor as vendor to the Bridging Dealer, at a sale price based on the closing price of the Shares quoted on the SGX-ST on the date immediately before the day of the sale and repurchase agreement (the “**Sale**”). Conditional upon the Bridging Dealer acquiring the Shares under the Sale, the Bridging Dealer must sell, and the Vendor must repurchase, the equivalent number of Shares the Vendor sold under the Sale, at the same price as such Shares were sold, shortly after the expiry of the Bridging Period (the “**Repurchase**”). The Sale and Repurchase Agreement provides that the Repurchase must take place not later than 25 Business Days after the expiry of the Bridging Period and upon prior written notice given at least three Business Days in advance by the Bridging Dealer to the Vendor.
5. The purpose of the Sale and Repurchase Agreement is to facilitate the Bridging Dealer in contributing towards the trading liquidity in the Shares on the Hong Kong market, by making available a quantity of Shares to facilitate arbitrage trades during the Bridging Period. Under the arrangement described in paragraph 4 above, the Vendor will maintain a neutral position in respect of its shareholdings in the Company.
6. The Bridging Dealer and the Alternate Bridging Dealer will continue to replenish its respective Share inventory while carrying out the arbitrage trades. When a buy order has been executed on the Singapore market and a sale order has been executed on the Hong Kong market, the Bridging Dealer and the Alternate Bridging Dealer (as appropriate) will instruct the Singapore Principal Share Registrar to transfer Shares purchased on the Singapore market to Hong Kong to replenish its Share inventory for further trading. While such transfer of Shares takes place, the Bridging Dealer and the Alternate Bridging Dealer will utilise Shares borrowed under the Stock Borrowing and Lending Agreements for settlement of the sale made in Hong Kong.

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7. The Bridging Dealer and the Alternate Bridging Dealer have each set up a designated dealer identity number solely for the purposes of carrying out arbitrage trades under this exercise in Hong Kong, in order to ensure identification and thereby enhance transparency of such trades on the Hong Kong market. Such designated dealer identity numbers will be disclosed as soon as practicable by way of an announcement on both the Stock Exchange and the SGX-ST, and on the website of our Company on or before the first day of the Bridging Period. The Bridging Dealer has also set up another designated dealer identity number which will only be used in emergencies and unforeseen situations if the aforesaid identity number for arbitrage trades cannot be used.
8. The Bridging Dealer and the Alternate Bridging Dealer will enter into such bridging arrangements (including the arbitrage activities) on a voluntary basis with a view to contributing towards the liquidity of our Shares on the Hong Kong market, and intend for such bridging arrangements to constitute proprietary transactions.

It is emphasised that other than the Bridging Dealer and the Alternate Bridging Dealer, arbitrage activities and bridging arrangements may be carried out by market participants who have access to our Shares. Also, other existing Shareholders who might have transferred part or all of their shareholdings from Singapore to Hong Kong upon the commencement of trading (or thereafter) can also carry out arbitrage trades in our Shares. Such activities will depend on the extent of price differentials between the two stock exchanges, and the number of market participants (other than the Bridging Dealer and the Alternate Bridging Dealer) who elect to enter into such arbitrage activities and bridging arrangements.

The arbitrage activities of the Bridging Dealer and the Alternate Bridging Dealer and any persons acting for it will be entered into in accordance with all applicable laws, rules and regulations. The bridging arrangements being implemented in connection with the Listing are not equivalent to the price stabilisation activities that may be undertaken in connection with an initial public offering. In addition, the Bridging Dealer and the Alternate Bridging Dealer are not acting as markets makers and do not undertake to create or make a market in Shares on the Hong Kong market.

It should be noted that each of the Bridging Dealer and the Alternate Bridging Dealer and any persons acting for it may, in connection with the proposed liquidity activities, maintain a long position in the Shares. There is no certainty regarding the extent, time or the period for which each of the Bridging Dealer and the Alternate Bridging Dealer and any persons acting for it may maintain such a long position in the Shares. The liquidation of any such long position by the Bridging Dealer and the Alternate Bridging Dealer or any persons acting for it may have an adverse impact on the market price of the Shares.



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## LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

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### Spread of Shareholdings

It is expected that the following measures and factors will assist in creating and/or improving the spread of holdings of our Shares available for trading on the Stock Exchange following the Listing:

- As our Shares are of one and the same class, Shareholders may at their discretion transfer Shares from Singapore to Hong Kong upon or after the Listing, as described in the paragraph headed “Removal of Shares” in this section above. Special arrangements have been made to facilitate transfers of Shares, and to incentivise existing Shareholders to transfer their Shares to Hong Kong prior to the Listing by enabling them to do so at a reduced cost. Details of such arrangements are set out in the paragraph headed “Special Arrangements to Facilitate Transfers Prior to the Listing” in this section. To the extent that existing Shareholders elect to transfer Shares to Hong Kong before or shortly after the Listing, such Shares may help contribute to the general liquidity of our Shares on the Hong Kong market.
- Mr. Zhang Wei, one of the Controlling Shareholders, has confirmed to our Company that he intends to transfer, and/or procure the transfer of not less than 68,000,000 Shares which he directly or indirectly holds, representing not less than approximately 34.7% of our Shares in issue to the Hong Kong Branch Share Register prior to the Listing. As indicated in the paragraph headed “Intended arbitrage activities during the Bridging Period” in this section, the Lender (i.e. Mr. Zhang Wei) had made available 48,000,000 Shares to the Bridging Dealer and the Alternate Bridging Dealer that will be used solely for settlement in connection with the arbitrage trades carried out by the Bridging Dealer and the Alternate Bridging Dealer in Hong Kong.
- In conducting arbitrage activities in circumstances as described in the paragraph headed “Intended arbitrage activities during the Bridging Period” in this section, the Bridging Dealer and the Alternate Bridging Dealer are effectively acting as conduits to transfer some of the trading liquidity of our Shares in the Singapore market to the Hong Kong market.

Our Directors and our Company consider that having regard to the special arrangements described in the paragraphs headed “Special Arrangements to Facilitate Transfers Prior to the Listing”, “Intended arbitrage activities during the Bridging Period” and “Investor Education” in this section, all reasonable efforts have been made to facilitate the migration of Shares to the Hong Kong Branch Share Register to provide the basis for an open market at the time of the Listing.

### Benefits of the Bridging Arrangements

We believe that the bridging arrangements will benefit the Listing in the following ways:

- as arbitrage trades are intended to be carried out by the Bridging Dealer and the Alternate Bridging Dealer during the Bridging Period where there exists a meaningful price differential in our Share prices, the bridging arrangements are expected to contribute to the liquidity of our Shares on the Hong Kong market upon the Listing;
- arbitrage trades, by their nature, would typically contribute to reducing potential material divergence between Share prices on the Hong Kong and Singapore markets; and
- the bridging arrangements are perceived to be a mechanism that is fair to all market participants who have access to our Shares, as it is open to all of our Shareholders and other market participants who have such access to carry out arbitrage trades similar to those to be carried out by the Bridging Dealer and the Alternate Bridging Dealer.

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### Disclosure of the Bridging Arrangements

In order to enhance transparency of the arbitrage activities carried out under the bridging arrangements, various measures to provide information to the market and potential investors will be undertaken as described in the paragraph headed “Investor Education” in this section below.

Further, our Company will, as soon as practicable and in any event before the opening of trading hours on the Business Day immediately before the first day of the Listing, release an announcement on the Stock Exchange and the SGX-ST to inform the investing public of the following information as of the latest practicable date prior to such announcement:

- the number of Shares in respect of which the Singapore Principal Share Registrar has received instructions from Shareholders for the transfer of such Shares to the Hong Kong Branch Share Register (whether under the Batch-Transfers or otherwise); and
- the total number of Shares that have been registered on the Hong Kong Branch Share Register.

In respect of the arbitrage trades to be carried out by the Bridging Dealer and the Alternate Bridging Dealer, each of the Bridging Dealer and the Alternate Bridging Dealer has set up a designated dealer identity number solely for the purposes of carrying out such trades in Hong Kong, in order to ensure identification and thereby enhance transparency of the trades in the Hong Kong market. The Bridging Dealer has also set up another designated dealer identity number which will only be used in emergencies and unforeseen situations if the aforesaid identity number for arbitrage trades cannot be used.

In addition, where applicable, the arbitrage trades carried out by the Bridging Dealer and the Alternate Bridging Dealer, and the transactions under the Stock Borrowing and Lending Agreements will also be disclosed in accordance with the disclosure of interests regime under the relevant provisions of Part XV of the SFO and any applicable laws and regulations in Singapore.

### INVESTOR EDUCATION

#### Arrangements involving our Company and our Sole Sponsor

Prior to the Listing, our Company and our Sole Sponsor will cooperate to inform the investor community in Hong Kong of general information about our Company, as well as the developments and/or changes to the bridging arrangements as disclosed in this listing document. After the Listing has taken place, our Company and our Sole Sponsor may continue to take measures to educate the public. The following measures will be taken to enhance transparency of our Company and the bridging arrangements:

- there will be media briefings and press interviews to inform investors of the arrangements;
- analyst briefings will be conducted to research houses that cover listed companies in industries similar to the industry of our Company;
- briefings in relation to the bridging arrangements will be conducted for, amongst others, private bank divisions, a syndicate of brokerage houses and other institutional investors;
- information fact sheet on our Company generally, and on the Share transfer procedures as summarised in the paragraph headed “Removal of Shares” in this section will be posted on the website of our Company;

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- information, including our Company's previous day closing price (in both Singapore dollars and Hong Kong dollars for reference) on the SGX-ST, trading volume and other relevant historical data, will be posted on the website of our Company. Furthermore, during a period of three trading days of the SGX-ST prior to the Listing Date and no later than 8:30 a.m. on the Listing Date before the commencement of dealings in our Shares on the Stock Exchange, a daily announcement will be released by our Company on the Stock Exchange and the SGX-ST, disclosing our Company's previous day closing price (in both Singapore dollars and Hong Kong dollars for reference) on the SGX-ST, as well as any relevant developments and updates with regard to the bridging arrangements if applicable; and
- electronic copies of this listing document will be disseminated through the respective websites of our Company at [www.weiye Holdings.com](http://www.weiye Holdings.com), the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the SGX-ST at [www.sgx.com](http://www.sgx.com). In addition, physical copies of this listing document will be made available for collection at the following locations:

|                             |   |
|-----------------------------|---|
| Office of our Company:      | Rooms 2105-06, 21/F<br>Office Tower Langham Place<br>8 Argyle Street<br>Mongkok, Kowloon<br>Hong Kong |
| Office of our Sole Sponsor: | 13/F, Nan Fung Tower<br>88 Connaught Road Central<br>Central<br>Hong Kong                             |

### Other Sources of Information

Real-time trading information in respect of our Shares can be obtained from the following sources:

- the website of the SGX-ST at [www.sgx.com](http://www.sgx.com) at no cost; or
- through service providers that provide such facilities at the investors' own expense. Such service will be provided on and subject to the terms and conditions of the relevant service provider.

### Historical Trading Information in respect of Our Shares on the SGX-ST

Please refer to the section headed "Share Capital" in this listing document for the historical trading information of our Shares on the SGX-ST.

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## **FUTURE PLANS AND PROSPECTS**

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Please refer to the section headed “Business – Business Strategies” in this listing document for further details.

### **REASONS FOR THE DUAL PRIMARY LISTING**

Our Directors consider that it is desirable and beneficial for our Company to have dual primary listing status in both Singapore and Hong Kong as our Directors believe that the stock markets in Hong Kong and Singapore attract different investors. Please refer to the section headed “Information about this Listing Document and the Introduction – Reasons for the Dual Primary Listing and the Introduction” in this listing document for further details. The Listing does not involve any offering of new Shares or a public offering of any other securities and no new proceeds will be raised pursuant to the Listing. The key purpose of the Listing is to add liquidity to our Shares and provide our Company with greater access to international capital through its listing platform in Hong Kong, thereby increasing the financing capacity of our Company.

*The following is the text of a report, prepared for the purpose of incorporation in this listing document, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.*



8th Floor  
Prince's Building  
10 Chater Road  
Central  
Hong Kong

29 March 2016

The Directors  
Weiye Holdings Limited  
CLC International Limited

Dear Sirs,

## **INTRODUCTION**

We set out below our report on the financial information relating to Weiye Holdings Limited (the "Company") and its subsidiaries (together the "Group") which comprise the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2013, 2014 and 2015 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2013, 2014 and 2015 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (the "Financial Information"), for inclusion in the listing document of the Company dated 29 March 2016 (the "Listing Document").

The Company is a public limited liability company, under the Companies Act, Chapter 50 of Singapore, incorporated on 2 August 1984 and domiciled in the Republic of Singapore (Registered number: No. 198402850E) with its registered office at 8 Pandan Crescent #01-06, Singapore 128464. In 2002, the Company was listed on the Stock Exchange of Singapore Dealing and Automated Quotation System ("SGX-Sesdaq"), and was subsequently transferred to the main board of the Singapore Exchange Securities Trading Limited ("SGX-ST") in 2004. The principal activities of the Company are investment holding and manufacturing and trading of clean room equipment, heating, ventilation and air-conditioning ("HVAC") products and air purifier.

Upon the completion of a reverse acquisition on 15 August 2011 as detailed in the section headed "History" in the Listing Document, the Company became the holding company of the companies now comprising the Group, details of which are set out in Note 7 of section B below.

All companies comprising the Group have adopted 31 December as their financial year end date. As at the date of this report, no audited financial statements have been prepared for the Company's subsidiaries, Great Spirit Management Limited, Eindec Corporation Limited, Eindec Holdings Pte. Ltd., Eindec Singapore Pte. Ltd., and Hongji Weiye (Shenzhen) Trading Company Limited, as they are either not subject to statutory audit requirements in the British Virgin Islands, or had no operation from their date of incorporation. Details of the other companies comprising the Group that are subject to audit during the Relevant Periods and the name of the respective auditors are set out in Note 40 in Section B. The statutory financial statements of these companies were prepared in accordance with either Singapore Financial Reporting Standards ("FRSs") for those companies incorporated in Singapore, the

Hong Kong Financial Reporting Standards (“HKFRSs”) for those companies incorporated in Hong Kong, and the Accounting Standards for Business Enterprises or the Accounting Regulations for Business Enterprises and related accounting standards issued by the Ministry of Finance of the PRC for those companies incorporated in the PRC.

The directors of the Company have prepared the consolidated financial statements of the Group and the statements of financial position of the Company for the Relevant Periods (the “Underlying Financial Statements”) in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”). The Underlying Financial Statements for each of the years ended 31 December 2013, 2014 and 2015 were audited by KPMG Huazhen LLP in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the “IAASB”).

The Financial Information has been prepared by the directors of the Company for inclusion in the Listing Document in connection with the Company’s listing by way of introduction on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

#### **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION**

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with IFRSs issued by the IASB and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

#### **REPORTING ACCOUNTANTS' RESPONSIBILITY**

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline “Prospectuses and the Reporting Accountant” (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 December 2015.

#### **OPINION**

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group and the Company as at 31 December 2013, 2014 and 2015 and of the Group’s financial performance and cash flows for the Relevant Periods then ended.

## A FINANCIAL INFORMATION OF THE GROUP

## Consolidated statements of financial position of the Group

|   | Note  | At 31 December   |                  |                  |
|---|-------|------------------|------------------|------------------|
|   |       | 2013             | 2014             | 2015             |
|   |       | RMB'000          | RMB'000          | RMB'000          |
| <b>Assets</b>                                       |       |                  |                  |                  |
| <b>Non-current assets</b>                           |       |                  |                  |                  |
| Property, plant and equipment                       | 4     | 80,875           | 54,148           | 43,850           |
| Intangible assets                                   | 5     | 402              | 1,322            | 2,725            |
| Investment properties                               | 6     | –                | 451,000          | 386,000          |
| Investment in a joint venture                       | 8     | –                | 140,000          | 132,576          |
| Trade, other receivables and prepayments            | 14    | 99,160           | 189,160          | 239,600          |
| Other financial assets                              | 9     | 2,185            | 71               | –                |
| Club membership                                     | 10    | 421              | 408              | 400              |
| Deferred tax assets                                 | 11(b) | 13,457           | 19,655           | 17,654           |
|   |       | <u>196,500</u>   | <u>855,764</u>   | <u>822,805</u>   |
| <b>Current assets</b>                               |       |                  |                  |                  |
| Inventories   | 12    | 16,795           | 12,542           | 10,997           |
| Development properties                              | 13    | 1,470,301        | 1,271,240        | 1,082,606        |
| Trade, other receivables and prepayments            | 14    | 1,031,675        | 1,585,424        | 2,173,943        |
| Other financial assets                              | 9     | 838              | 8,452            | –                |
| Income tax recoverable                              | 11(a) | 8,108            | 6,726            | 5,901            |
| Cash at banks and on hand                           | 18    | 553,269          | 593,230          | 883,610          |
| Assets held for sale                                | 19    | –                | 130,827          | 150,000          |
|   |       | <u>3,080,986</u> | <u>3,608,441</u> | <u>4,307,057</u> |
| <b>Liabilities</b>                                  |       |                  |                  |                  |
| <b>Current liabilities</b>                          |       |                  |                  |                  |
| Loans and borrowings                                | 22    | 343,974          | 715,150          | 755,402          |
| Trade and other payables                            | 23    | 1,196,029        | 1,226,312        | 1,139,541        |
| Income tax payable                                  | 11(a) | 163,522          | 212,457          | 235,223          |
| Liabilities held for sale                           | 19    | –                | 2,762            | –                |
|   |       | <u>1,703,525</u> | <u>2,156,681</u> | <u>2,130,166</u> |
| <b>Net current assets</b>                           |       | <u>1,377,461</u> | <u>1,451,760</u> | <u>2,176,891</u> |
| <b>Total assets less current liabilities</b>        |       | <u>1,573,961</u> | <u>2,307,524</u> | <u>2,999,696</u> |
| <b>Non-current liabilities</b>                      |       |                  |                  |                  |
| Loans and borrowings                                | 22    | 568,590          | 935,428          | 1,499,515        |
| Deferred tax liabilities                            | 11(b) | 95,124           | 199,009          | 221,889          |
|   |       | <u>663,714</u>   | <u>1,134,437</u> | <u>1,721,404</u> |
| <b>Net assets</b>                                   |       | <u>910,247</u>   | <u>1,173,087</u> | <u>1,278,292</u> |
| <b>Equity attributable to owners of the Company</b> |       |                  |                  |                  |
| Share capital                                       | 20    | 359,700          | 359,700          | 359,700          |
| Reserves  | 21    | 437,479          | 687,592          | 780,323          |
|   |       | <u>797,179</u>   | <u>1,047,292</u> | <u>1,140,023</u> |
| <b>Non-controlling interests</b>                    |       | <u>113,068</u>   | <u>125,795</u>   | <u>138,269</u>   |
| <b>Total equity</b>                                 |       | <u>910,247</u>   | <u>1,173,087</u> | <u>1,278,292</u> |

The accompanying notes form an integral part of the Financial Information.

## Statements of financial position of the Company

|   | Note | At 31 December   |                  |                  |
|---|------|------------------|------------------|------------------|
|   |      | 2013             | 2014             | 2015             |
|   |      | RMB'000          | RMB'000          | RMB'000          |
| <b>Assets</b>                                       |      |                  |                  |                  |
| <b>Non-current assets</b>                           |      |                  |                  |                  |
| Property, plant and equipment                       | 4    | 5,018            | 47               | 14               |
| Investments in subsidiaries                         | 7    | 1,629,916        | 1,623,680        | 1,669,975        |
| Other financial assets                              | 9    | 2,185            | 71               | –                |
| Club membership                                     | 10   | 421              | 408              | 400              |
|   |      | <u>1,637,540</u> | <u>1,624,206</u> | <u>1,670,389</u> |
| <b>Current assets</b>                               |      |                  |                  |                  |
| Trade and other receivables                         | 14   | 22,669           | 37,783           | 23,258           |
| Cash at banks and on hand                           | 18   | 16,184           | 5,495            | 10,406           |
| Assets held for sale                                |      | –                | 4,569            | –                |
|   |      | <u>38,853</u>    | <u>47,847</u>    | <u>33,664</u>    |
| <b>Liabilities</b>                                  |      |                  |                  |                  |
| <b>Current liabilities</b>                          |      |                  |                  |                  |
| Finance lease liabilities                           |      | 12               | –                | –                |
| Trade and other payables                            | 23   | 1,865            | 5,418            | 36,388           |
|   |      | <u>1,877</u>     | <u>5,418</u>     | <u>36,388</u>    |
| <b>Net current assets/(liabilities)</b>             |      | <u>36,976</u>    | <u>42,429</u>    | <u>(2,724)</u>   |
| <b>Total assets less current liabilities</b>        |      | <u>1,674,516</u> | <u>1,666,635</u> | <u>1,667,665</u> |
| <b>Net assets</b>                                   |      | <u>1,674,516</u> | <u>1,666,635</u> | <u>1,667,665</u> |
| <b>Equity attributable to owners of the Company</b> |      |                  |                  |                  |
| Share capital                                       | 20   | 1,737,554        | 1,737,554        | 1,737,554        |
| Reserves  | 21   | (63,038)         | (70,919)         | (69,889)         |
| <b>Total equity</b>                                 |      | <u>1,674,516</u> | <u>1,666,635</u> | <u>1,667,665</u> |

The accompanying notes form an integral part of the Financial Information.



## Consolidated statements of profit or loss and other comprehensive income

|  | Note | Year ended 31 December |                |                |
|--|------|------------------------|----------------|----------------|
|  |      | 2013                   | 2014           | 2015           |
|  |      | RMB'000                | RMB'000        | RMB'000        |
| Revenue                                  | 25   | 1,376,953              | 1,293,739      | 1,234,691      |
| Cost of sales                            |      | (1,052,325)            | (958,641)      | (908,488)      |
| <b>Gross profit</b>                      |      | <b>324,628</b>         | <b>335,098</b> | <b>326,203</b> |
| Other net income                         | 26   | 84,787                 | 255,635        | 45,764         |
| Selling and distribution expenses        |      | (31,944)               | (34,276)       | (36,868)       |
| Administrative expenses                  |      | (90,213)               | (91,596)       | (108,646)      |
| Other operating expenses                 |      | (1,554)                | (4,391)        | (2,560)        |
| <b>Results from operating activities</b> |      | <b>285,704</b>         | <b>460,470</b> | <b>223,893</b> |
| Finance income                           |      | 2,943                  | 3,720          | 42,974         |
| Finance costs                            |      | (4,924)                | (9,684)        | (48,419)       |
| <b>Net finance costs</b>                 | 27   | <b>(1,981)</b>         | <b>(5,964)</b> | <b>(5,445)</b> |
| Share of loss of a joint venture         | 8    | –                      | –              | (7,424)        |
| <b>Profit before income tax</b>          | 30   | <b>283,723</b>         | <b>454,506</b> | <b>211,024</b> |
| Income tax expense                       | 31   | (101,292)              | (183,484)      | (104,432)      |
| <b>Profit for the year</b>               |      | <b>182,431</b>         | <b>271,022</b> | <b>106,592</b> |
| <b>Profit attributable to:</b>           |      |                        |                |                |
| Owners of the Company                    |      | 184,546                | 258,295        | 94,118         |
| Non-controlling interests                |      | (2,115)                | 12,727         | 12,474         |
| <b>Profit for the year</b>               |      | <b>182,431</b>         | <b>271,022</b> | <b>106,592</b> |
| <b>Earnings per share:</b>               |      |                        |                |                |
| Basic earnings per share (cents)         | 32   | 94.10                  | 131.69         | 47.99          |
| Diluted earnings per share (cents)       | 32   | 94.10                  | 131.69         | 47.99          |

The accompanying notes form an integral part of the Financial Information.

|  | Year ended 31 December |                |                |
|--|------------------------|----------------|----------------|
|  | 2013                   | 2014           | 2015           |
|  | RMB'000                | RMB'000        | RMB'000        |
| <b>Profit for the year</b>   | 182,431                | 271,022        | 106,592        |
| <b>Other comprehensive income</b>  |                        |                |                |
| <b>Items that are or may be reclassified subsequently to profit or loss:</b>                   |                        |                |                |
| Effect of dilution of interests in a subsidiary reclassified to profit or loss                 | (6,622)                | –              | –              |
| Foreign currency translation differences for foreign operations                                | (6,224)                | 7,372          | (852)          |
| Net change in fair value of financial assets available-for-sale                                | 575                    | 12             | 28             |
| Net change in fair value of financial assets available-for-sale reclassified to profit or loss | –                      | (917)          | (563)          |
| <b>Total other comprehensive income for the year, net of income tax</b>                        | <u>(12,271)</u>        | <u>6,467</u>   | <u>(1,387)</u> |
| <b>Total comprehensive income for the year</b>   | <u>170,160</u>         | <u>277,489</u> | <u>105,205</u> |
| <b>Total comprehensive income attributable to:</b>   |                        |                |                |
| Owners of the Company  | 172,275                | 264,762        | 92,731         |
| Non-controlling interests  | <u>(2,115)</u>         | <u>12,727</u>  | <u>12,474</u>  |
| <b>Total comprehensive income for the year</b>   | <u>170,160</u>         | <u>277,489</u> | <u>105,205</u> |

The accompanying notes form an integral part of the Financial Information.

## Consolidated statements of changes in equity

|  | Note | Attributable to owners of the Company |                |                 |                                      |                    |                              |                   |         |                           |              |
|--|------|---------------------------------------|----------------|-----------------|--------------------------------------|--------------------|------------------------------|-------------------|---------|---------------------------|--------------|
|  |      | Share capital                         | Merger reserve | Capital reserve | Foreign currency translation reserve | Fair value reserve | Statutory and other reserves | Retained earnings | Total   | Non-controlling interests | Total equity |
|  |      | RMB'000                               | RMB'000        | RMB'000         | RMB'000                              | RMB'000            | RMB'000                      | RMB'000           | RMB'000 | RMB'000                   | RMB'000      |
| At 1 January 2013  |      | 359,700                               | (59,669)       | (550)           | (12,531)                             | 865                | 43,540                       | 293,549           | 624,904 | 3,378                     | 628,282      |
| <b>Total comprehensive income for the year</b>                                 |      |                                       |                |                 |                                      |                    |                              |                   |         |                           |              |
| Profit for the year  |      | -                                     | -              | -               | -                                    | -                  | -                            | 184,546           | 184,546 | (2,115)                   | 182,431      |
| <b>Other comprehensive income for the year</b>                                 |      |                                       |                |                 |                                      |                    |                              |                   |         |                           |              |
| Effect of dilution of interests in a subsidiary reclassified to profit or loss | 37   | -                                     | -              | -               | -                                    | -                  | -                            | (6,622)           | (6,622) | -                         | (6,622)      |
| Foreign currency translation differences – foreign operations                  |      | -                                     | -              | -               | (6,224)                              | -                  | -                            | -                 | (6,224) | -                         | (6,224)      |
| Net change in fair value of financial assets available-for-sale                |      | -                                     | -              | -               | -                                    | 575                | -                            | -                 | 575     | -                         | 575          |
| <b>Total other comprehensive income</b>  |      |                                       |                |                 |                                      |                    |                              |                   |         |                           |              |
| <b>Total comprehensive income for the year</b>                                 |      |                                       |                |                 |                                      |                    |                              |                   |         |                           |              |
| Transfer to statutory reserves   |      | -                                     | -              | -               | (6,224)                              | 575                | -                            | 177,924           | 172,275 | (2,115)                   | 170,160      |
| Acquisition of subsidiary with non-controlling interests                       |      | -                                     | -              | -               | -                                    | -                  | 12,723                       | (12,723)          | -       | -                         | -            |
| Disposal of interests in a subsidiary with non-controlling interests           | 36   | -                                     | -              | -               | -                                    | -                  | -                            | -                 | -       | 115,183                   | 115,183      |
|  | 37   | -                                     | -              | -               | -                                    | -                  | -                            | -                 | -       | (3,378)                   | (3,378)      |
| At 31 December 2013  |      | 359,700                               | (59,669)       | (550)           | (18,755)                             | 1,440              | 56,263                       | 458,750           | 797,179 | 113,068                   | 910,247      |

The accompanying notes form an integral part of the Financial Information.

| Attributable to owners of the Company  |      |               |                |                 |                                      |                    |                              |                   |           |                           |              |
|--|------|---------------|----------------|-----------------|--------------------------------------|--------------------|------------------------------|-------------------|-----------|---------------------------|--------------|
|  | Note | Share capital | Merger reserve | Capital reserve | Foreign currency translation reserve | Fair value reserve | Statutory and other reserves | Retained earnings | Total     | Non-controlling interests | Total equity |
|  |      | RMB'000       | RMB'000        | RMB'000         | RMB'000                              | RMB'000            | RMB'000                      | RMB'000           | RMB'000   | RMB'000                   | RMB'000      |
| At 1 January 2014  |      | 359,700       | (59,669)       | (550)           | (18,755)                             | 1,440              | 56,263                       | 458,750           | 797,179   | 113,068                   | 910,247      |
| <b>Total comprehensive income for the year</b>   |      |               |                |                 |                                      |                    |                              | 258,295           | 258,295   | 12,727                    | 271,022      |
| Profit for the year  |      |               |                |                 |                                      |                    |                              |                   |           |                           |              |
| <b>Other comprehensive income for the year</b>   |      |               |                |                 |                                      |                    |                              |                   |           |                           |              |
| Foreign currency translation differences – foreign operations                                  |      |               |                |                 | 7,372                                |                    |                              |                   | 7,372     |                           | 7,372        |
| Net change in fair value of financial assets available-for-sale                                |      |               |                |                 |                                      | 12                 |                              |                   | 12        |                           | 12           |
| Net change in fair value of financial assets available-for-sale reclassified to profit or loss |      |               |                |                 |                                      | (917)              |                              |                   | (917)     |                           | (917)        |
| <b>Total other comprehensive income</b>  |      |               |                |                 | 7,372                                | (905)              |                              |                   | 6,467     |                           | 6,467        |
| <b>Total comprehensive income for the year</b>   |      |               |                |                 | 7,372                                | (905)              |                              | 258,295           | 264,762   | 12,727                    | 277,489      |
| Transfer to statutory reserves   |      |               |                |                 |                                      |                    | 8,551                        | (8,551)           |           |                           |              |
| Dividend paid  | 21   |               |                |                 |                                      |                    |                              | (14,649)          | (14,649)  |                           | (14,649)     |
| At 31 December 2014  |      | 359,700       | (59,669)       | (550)           | (11,383)                             | 535                | 64,814                       | 693,845           | 1,047,292 | 125,795                   | 1,173,087    |

The accompanying notes form an integral part of the Financial Information.

## Attributable to owners of the Company

|  | Share capital | Merger reserve | Capital reserves | Foreign currency translation reserve | Fair value reserve | Statutory and other reserves | Retained earnings | Total     | Non-controlling interests | Total equity |
|--|---------------|----------------|------------------|--------------------------------------|--------------------|------------------------------|-------------------|-----------|---------------------------|--------------|
|  | RMB'000       | RMB'000        | RMB'000          | RMB'000                              | RMB'000            | RMB'000                      | RMB'000           | RMB'000   | RMB'000                   | RMB'000      |
| At 1 January 2015  | 359,700       | (59,669)       | (550)            | (11,383)                             | 535                | 64,814                       | 693,845           | 1,047,292 | 125,795                   | 1,173,087    |
| <b>Total comprehensive income for the year</b>   |               |                |                  |                                      |                    |                              | 94,118            | 94,118    | 12,474                    | 106,592      |
| Profit for the year  | -             | -              | -                | -                                    | -                  | -                            | 94,118            | 94,118    | 12,474                    | 106,592      |
| <b>Other comprehensive income</b>  |               |                |                  |                                      |                    |                              |                   |           |                           |              |
| Foreign currency translation differences – foreign operations                                  | -             | -              | -                | (852)                                | -                  | -                            | -                 | (852)     | -                         | (852)        |
| Net change in fair value of financial assets available-for-sale                                | -             | -              | -                | -                                    | 28                 | -                            | -                 | 28        | -                         | 28           |
| Net change in fair value of financial assets available-for-sale reclassified to profit or loss | -             | -              | -                | -                                    | (563)              | -                            | -                 | (563)     | -                         | (563)        |
| <b>Total other comprehensive income</b>  |               |                |                  |                                      |                    |                              |                   |           |                           |              |
| <b>Total comprehensive income for the year</b>   |               |                |                  |                                      |                    |                              |                   |           |                           |              |
| Transfer to statutory reserves   | -             | -              | -                | -                                    | -                  | 15,813                       | (15,813)          | -         | -                         | -            |
| At 31 December 2015  | 359,700       | (59,669)       | (550)            | (12,235)                             | -                  | 80,627                       | 772,150           | 1,140,023 | 138,269                   | 1,278,292    |

## Consolidated statements of cash flows

|  | Year ended 31 December |                  |                  |
|--|------------------------|------------------|------------------|
|  | 2013                   | 2014             | 2015             |
|  | RMB'000                | RMB'000          | RMB'000          |
| <b>Cash flows from operating activities</b>  |                        |                  |                  |
| Profit before taxation   | 283,723                | 454,506          | 211,024          |
| Adjustments for:   |                        |                  |                  |
| Gain on disposal of investment property  | –                      | –                | (2,209)          |
| Depreciation of property, plant and equipment  | 6,054                  | 5,903            | 6,516            |
| Amortisation of intangible assets  | 187                    | 178              | 171              |
| Allowance for impairment loss on trade and other receivables made                    | 35                     | –                | –                |
| Allowance for impairment loss on club membership made/(reversed)                     | 12                     | (12)             | 20               |
| Interest expenses  | 4,924                  | 9,684            | 48,419           |
| Interest income  | (2,943)                | (3,720)          | (42,974)         |
| Property, plant and equipment written off  | 175                    | 34               | 14               |
| Loss/(gain) on disposal of property, plant and equipment                             | 11                     | (102)            | (8,203)          |
| Loss on disposal of club membership  | –                      | 25               | –                |
| Net gain on disposal of financial assets available-for-sale reclassified from equity | –                      | (1,296)          | (28)             |
| Gain on disposal of assets held for sale   | –                      | –                | (5,710)          |
| Negative goodwill arising from acquisition of a subsidiary                           | (16,677)               | –                | –                |
| Gain on disposal of a subsidiary   | (60,748)               | –                | –                |
| Loss arising from loss of control in joint operations                                | –                      | 3,022            | –                |
| Change in fair value of investment properties  | –                      | (247,672)        | (22,124)         |
| Fair value (gain)/loss on financial assets held for trading                          | –                      | (614)            | 756              |
| Share of loss of a joint venture   | –                      | –                | 7,424            |
| Listing expense  | –                      | –                | 20,459           |
| Effects of exchange rate changes   | (713)                  | 8,587            | (134)            |
|  | 214,040                | 228,523          | 213,421          |
| Changes in working capital:  |                        |                  |                  |
| Inventories  | (1,549)                | 4,253            | 1,545            |
| Development properties   | (72,494)               | 115,073          | 230,326          |
| Trade and other receivables  | (624,594)              | (541,748)        | (482,228)        |
| Trade and other payables   | 507,000                | 2,139            | (38,796)         |
| Cash generated from/(used in) operating activities                                   | 22,403                 | (191,760)        | (75,732)         |
| Income taxes paid  | (40,318)               | (33,155)         | (55,960)         |
| <b>Net cash used in operating activities</b>   | <b>(17,915)</b>        | <b>(224,915)</b> | <b>(131,692)</b> |

The accompanying notes form an integral part of the Financial Information.

|   | Note | Year ended 31 December |                  |                 |
|---|------|------------------------|------------------|-----------------|
|   |      | 2013                   | 2014             | 2015            |
|   |      | RMB'000                | RMB'000          | RMB'000         |
| <b>Cash flows from investing activities</b>                   |      |                        |                  |                 |
| Proceeds from disposal of property, plant and equipment       |      | 477                    | 267              | 2,240           |
| Interest received   |      | 2,943                  | 3,720            | 38,099          |
| Acquisition of intangible assets                              |      | (115)                  | (1,098)          | (1,574)         |
| Purchase of property, plant and equipment                     |      | (6,626)                | (1,244)          | (4,777)         |
| Increase in amount due from non-controlling interest          |      | (99,160)               | –                | –               |
| Increase in amount due from joint venture partner             |      | –                      | (104,499)        | –               |
| Net cash outflow arising from acquisition of a subsidiary     |      | (103,208)              | –                | –               |
| Purchase of other financial assets                            |      | –                      | (7,000)          | (5,194)         |
| Investment in joint venture                                   |      | –                      | (140,000)        | –               |
| Acquisition of assets classified as held for sale             |      | –                      | (110,000)        | –               |
| Proceeds from disposal of assets classified as held for sale  |      | –                      | –                | 23,775          |
| Proceeds from disposal of other financial assets              |      | –                      | 2,454            | 12,989          |
| Deposit to third party  |      | –                      | –                | (35,000)        |
| Proceeds from disposal of investment property                 |      | –                      | –                | 41,909          |
| <b>Net cash (used in)/generated from investing activities</b> |      | <b>(205,689)</b>       | <b>(357,400)</b> | <b>72,467</b>   |
| <b>Cash flows from financing activities</b>                   |      |                        |                  |                 |
| Proceeds from loans and borrowings                            |      | 800,000                | 1,389,280        | 1,458,900       |
| Repayment of loans from third parties                         |      | 16,030                 | –                | –               |
| Repayment of finance lease obligations                        |      | (487)                  | (43)             | (83)            |
| Increase in restricted cash                                   |      | (4,807)                | (198,983)        | (357,017)       |
| Interest paid   |      | (69,408)               | (154,276)        | (198,767)       |
| Repayment of loans and borrowings                             |      | (244,494)              | (627,355)        | (854,781)       |
| Dividend paid   |      | –                      | (14,649)         | –               |
| Payment of Listing expense                                    |      | –                      | –                | (18,220)        |
| (Decrease)/increase in amount due to director                 |      | –                      | 30,000           | (40,000)        |
| <b>Net cash generated from/(used in) financing activities</b> |      | <b>496,834</b>         | <b>423,974</b>   | <b>(9,968)</b>  |
| <b>Net increase/(decrease) in cash and cash equivalents</b>   |      | <b>273,230</b>         | <b>(158,341)</b> | <b>(69,193)</b> |
| Cash and cash equivalents at 1 January                        |      | 263,092                | 534,208          | 375,186         |
| Effect of exchange rate fluctuations on cash held             |      | (2,114)                | (681)            | (398)           |
| <b>Cash and cash equivalents at 31 December</b>               | 18   | <b>534,208</b>         | <b>375,186</b>   | <b>305,595</b>  |

The accompanying notes form an integral part of the Financial Information.

**B NOTES TO CONSOLIDATED FINANCIAL INFORMATION****1 Statement of compliance**

The Financial Information set out in this report has been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (“IASB”). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the annual period ended 31 December 2015. The revised and new accounting standards and interpretations issued but not yet effective for the annual period ended 31 December 2015 are set out in Note 3.22.

The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

**2 Basis of preparation****2.1 Basis of consolidation**

The consolidated financial statements for the years ended 31 December 2013, 2014 and 2015 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in a joint venture.

**2.2 Basis of measurement**

The Financial Information has been prepared on the historical cost basis except as otherwise described in the notes below.

**2.3 Functional and presentation currency**

The Company’s functional currency is the Singapore dollar. As the Group’s operations are principally conducted in the People’s Republic of China (“PRC”), the Financial Information has been presented in the Renminbi (“RMB”). All financial information presented in RMB has been rounded to the nearest thousand (RMB’000), unless otherwise stated.

**2.4 Basis of measurement**

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- Note 3.3 Financial instruments classified as fair value through profit or loss or as available-for-sale; and
- Note 3.7 Investment property.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 3.13).



### **2.5 Use of estimates and judgements**

The preparation of the Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

#### *Estimation and judgement*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revising to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in Note 39.

#### *Measurement of fair values*

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred. There were no transfers between the levels for the years ended 31 December 2013, 2014, and 2015.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 6 – Investment properties;
- Note 36 – Acquisition of subsidiary; and
- Note 38 – Financial risk management.

## **3 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

### **3.1 Basis of consolidation**

#### *Business combinations*

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value or, unless another measurement basis is required.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

#### *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

#### *Investments in joint ventures (equity accounted investees)*

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

#### *Joint operations*

A joint operation is an arrangement in which the Group has joint control whereby the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement. The Group accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

#### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### *Subsidiaries and joint ventures in the separate financial statements*

Investments in subsidiaries and joint ventures are stated in the Company's statement of financial position at cost less accumulated impairment losses.

### **3.2 Foreign currency**

#### *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss, except for the following differences which are recognised in other comprehensive income arising on the translation of:

- available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss);

- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedge is effective.

#### *Foreign operations*

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to RMB at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RMB at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or jointly controlled entity that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the foreign currency translation reserve in equity.

### **3.3 Financial instruments**

#### *Non-derivative financial assets*

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and financial assets available-for-sale.

#### Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

#### Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables. Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

#### Financial assets available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets.

Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Financial assets available-for-sale comprise investment in equity securities.

#### *Non-derivative financial liabilities*

The Group initially recognises financial liabilities designated at fair value through profit or loss on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or when they expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, and trade and other payables.

*Share capital*

## Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

*Financial guarantees*

Financial guarantees are financial instruments issued by the Group that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are accounted for as insurance contracts. A provision is recognised based on the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

**3.4 Property, plant and equipment***Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Freehold land and buildings are measured at cost less accumulated depreciation on buildings and impairment losses recognised.

*Subsequent costs*

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

*Depreciation*

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

|                        |               |
|------------------------|---------------|
| Freehold building      | 50 years      |
| Leasehold building     | 34 years      |
| Factory improvement    | 5 to 10 years |
| Plant machinery        | 5 to 12 years |
| Motor vehicles         | 5 to 10 years |
| Furniture and fittings | 3 to 10 years |
| Renovation             | 2 to 5 years  |

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

**3.5 Club memberships**

Club memberships held on a long-term basis are stated at cost less allowance for impairment loss.

An assessment of impairment in club memberships is performed when there is indication that the assets have been impaired or when the impairment losses recognised in previous years no longer exist.

**3.6 Intangible assets***Goodwill*

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Goodwill is measured at cost less accumulated impairment losses.

*Research and development*

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured readily, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the assets. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the assets for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

*Other intangible assets*

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

*Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

*Amortisation*

Amortisation is calculated based on the cost of the asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

|                                |             |
|--------------------------------|-------------|
| Computer software              | 3 years     |
| Capitalised developments costs | 5 – 7 years |

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

**3.7 Investment property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Transfers to, or from, investment properties are made when there is a change in use, evidenced by:

- Commencement of development with a view to sell, for a transfer from investment properties to development properties;
- Commencement of an operating lease to another party, for a transfer from development properties or property, plant and equipment to investment properties; or
- Commencement of occupation by owner, for a transfer from investment properties to property, plant and equipment.

When the use of a property changes such that it is reclassified as investment properties, its fair value at the date of transfer becomes its cost for subsequent accounting.



When the use of an investment property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Property that is being constructed for future use as investment property is accounted for at fair value.

### **3.8 Leases**

#### *Determining whether an arrangement contains a lease*

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

#### *Leased assets*

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

#### *Lease payments*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

### **3.9 Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

### **3.10 Construction contracts in progress**

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

### **3.11 Development properties**

Development properties are those properties which are held with the intention of development and sale in the ordinary course of business. They are stated at the lower of cost and net realisable value. Cost includes acquisition costs, development expenditure, capitalised borrowing costs and other costs directly attributable to the development activities. Cost includes an appropriate share of development overheads allocated based on normal capacity. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

Borrowing costs that are directly attributable to the acquisition and development of the development property are capitalised as part of development property during the period of development until the completion of development.

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when incurred.

The costs of development properties recognised in the profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

### **3.12 Impairment**

#### *Non-derivative financial assets*

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

#### Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

#### *Financial assets available-for-sale*

Impairment losses on financial assets available-for-sale are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss.

Changes in cumulative impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

#### *Non-financial assets*

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes.

Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **3.13 Assets held for sale**

Non-current assets, or disposal groups comprising assets and liabilities, that are highly probable to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution.

Immediately before reclassification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, the assets, or disposal group, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, and deferred tax assets, which continue to be measured in accordance with the Group's accounting policies. Impairment loss on initial classification as held for sale or distribution and subsequent gain or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of associates ceases once classified as held for sale or distribution.

### **3.14 Employee benefits**

#### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

### **3.15 Revenue**

#### *Sale of development properties*

Revenue from sale of development properties is recognised when the risk and rewards of ownership have been transferred to the buyer either through the transfer of legal title or equitable interest in the property vests in the buyer upon signing of the property handover notice by the buyer, whichever is earlier. Payments received from buyers prior to this stage are recorded as advance receipts from sale of properties and is classified as current liabilities.

*Revenue from housing construction*

Revenue from housing construction includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

*Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the total rental income to be received. Contingent rentals are recognised as income in the accounting period in which they are earned.

*Sale of goods*

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

*Commission income*

Commission income is recognised upon completion of the rendering of services.

**3.16 Government grants**

Grant income is received from the local government in the PRC at a discretionary amount as determined by the government. It is recognised initially as deferred income at fair value where there is reasonable assurance that the grant will be received and all associated conditions will be complied with. These grants are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

### **3.17 Finance income and finance costs**

Finance income comprises interest income on funds invested (including financial assets available-for-sale), dividend income, and gains on the disposal of financial assets available-for-sale. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise interest expenses on borrowings, losses on disposal of financial assets available-for-sale, and impairment losses recognised on financial assets available-for-sale (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

### **3.18 Tax**

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

#### *Land appreciation tax ("LAT")*

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. Given the uncertainties of the calculation basis of LAT to be interpreted by the local tax authorities, the final outcome could be different from the amounts that were initially recorded. Any differences will impact on the LAT expenses and the related provision in the period in which the difference realises.

#### **3.19 Earnings per share**

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

#### **3.20 Related parties**

- (a) A person, or a close member of that person's family, is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities 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 Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### 3.21 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO (the chief operating decision maker) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

### 3.22 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods ended after 31 December 2015. For the purpose of preparing the Financial Information, the Group has not adopted these new standards or interpretations. The revised and new accounting standards and interpretations issued but not yet effective for the annual period ending 31 December 2015 are set out below.

|  | <b>Effective annual<br/>financial statements<br/>covering periods<br/>beginning on or after</b> |
|--|---|
| <i>Annual improvements to IFRSs 2012-2014 cycle</i>  | 1 January 2016  |
| <i>IFRS 14, Regulatory deferral accounts</i>   | 1 January 2016  |
| <i>Amendments to IFRS 11, Accounting for acquisitions of interests in joint operations</i>                                     | 1 January 2016  |
| <i>Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortisation</i>                   | 1 January 2016  |
| <i>Amendments to IAS 16 and IAS 41, Agriculture: Bearer plants</i>   | 1 January 2016  |
| <i>Amendments to IAS 27, Equity method in separate financial statements</i>  | 1 January 2016  |
| <i>Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture</i> | 1 January 2016  |
| <i>Amendments to IFRS 10, IFRS 12 and IAS 28, Investment entities: Applying the consolidation exception</i>                    | 1 January 2016  |
| <i>Amendments to IAS 1, Disclosure initiative</i>  | 1 January 2016  |
| <i>Amendments to IFRS for small and medium-sized entities</i>  | 1 January 2017  |
| <i>IFRS 15, Revenue from contracts with customers</i>  | 1 January 2018  |
| <i>IFRS 9, Financial instruments</i>   | 1 January 2018  |
| <i>IFRS 16, Leases</i>   | 1 January 2019  |



The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position, except for the following:

*IFRS 9 Financial Instruments*

IFRS 9 replaces the existing guidance in IAS 39 Financial instruments: Recognition and measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

*IFRS 15 Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction contracts and IFRIC 13 Customer Loyalty Programmes. It also includes guidance on when to capitalise costs of obtaining or fulfilling a contract not otherwise addressed in other standards, and includes expanded disclosure requirements.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018.

*IFRS 16 Leases*

IFRS 16 provides comprehensive guidance for the identification of lease arrangements and their treatment by lessees and lessors. In particular, IFRS 16 introduces a single lessee accounting model, whereby assets and liabilities are recognised for all leases, subject to limited exceptions. It replaces IAS 17 Leases and the related interpretations including IFRIC 4 Determining whether an arrangement contains a lease.

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.

The Group does not plan to early adopt the above new standards or amendments. With respect to IFRSs 9, 15 and 16, given the Group has not completed its assessment of their full impact on the Group, their possible impact on the Group's results of operations and financial position, if any, has not been quantified.

## 4 Property, plant and equipment

| Note                             | Freehold     | Freehold      | Leasehold     | Factory      | Plant         | Motor         | Furniture    | Renovation   | Total          |
|----------------------------------|--------------|---------------|---------------|--------------|---------------|---------------|--------------|--------------|----------------|
|                                  | land         | building      | building      | improvement  | machinery     | vehicles      | and fittings |              |                |
|                                  | RMB'000      | RMB'000       | RMB'000       | RMB'000      | RMB'000       | RMB'000       | RMB'000      | RMB'000      | RMB'000        |
| <b>Group</b>                     |              |               |               |              |               |               |              |              |                |
| <b>Cost</b>                      |              |               |               |              |               |               |              |              |                |
| At 1 January 2013                | 9,385        | 32,159        | 29,142        | 4,516        | 24,202        | 21,133        | 4,872        | 3,619        | 129,028        |
| Additions                        | -            | -             | -             | 26           | 1,034         | 5,184         | 370          | 12           | 6,626          |
| Disposals                        | -            | -             | -             | -            | (15)          | (1,190)       | (3)          | -            | (1,208)        |
| Written off                      | -            | -             | -             | (58)         | (217)         | (204)         | (45)         | -            | (524)          |
| Exchange adjustments             | (818)        | (1,663)       | (583)         | (341)        | (1,428)       | (440)         | (196)        | (276)        | (5,745)        |
| At 31 December 2013              | <u>8,567</u> | <u>30,496</u> | <u>28,559</u> | <u>4,143</u> | <u>23,576</u> | <u>24,483</u> | <u>4,998</u> | <u>3,355</u> | <u>128,177</u> |
| At 1 January 2014                | 8,567        | 30,496        | 28,559        | 4,143        | 23,576        | 24,483        | 4,998        | 3,355        | 128,177        |
| Additions                        | -            | -             | -             | 16           | 388           | 518           | 322          | -            | 1,244          |
| Disposals                        | -            | -             | -             | -            | (31)          | (1,269)       | (3)          | -            | (1,303)        |
| Written off                      | -            | -             | -             | (86)         | (43)          | -             | (41)         | -            | (170)          |
| Transfer to assets held for sale | 19           | -             | (25,125)      | -            | -             | -             | -            | -            | (25,125)       |
| Exchange adjustments             | (285)        | (606)         | (176)         | (113)        | (499)         | (112)         | (61)         | (98)         | (1,950)        |
| At 31 December 2014              | <u>8,282</u> | <u>29,890</u> | <u>3,258</u>  | <u>3,960</u> | <u>23,391</u> | <u>23,620</u> | <u>5,215</u> | <u>3,257</u> | <u>100,873</u> |
| At 1 January 2015                | 8,282        | 29,890        | 3,258         | 3,960        | 23,391        | 23,620        | 5,215        | 3,257        | 100,873        |
| Additions                        | -            | -             | -             | 59           | 234           | 2,404         | 953          | 1,444        | 5,094          |
| Disposals                        | (503)        | (2,817)       | (3,258)       | (155)        | (1,821)       | (1,892)       | (457)        | (69)         | (10,972)       |
| Written off                      | -            | -             | -             | (14)         | (1,069)       | -             | (87)         | -            | (1,170)        |
| Exchange adjustments             | (1,077)      | (2,238)       | -             | (304)        | (2,072)       | (309)         | (129)        | (259)        | (6,388)        |
| At 31 December 2015              | <u>6,702</u> | <u>24,835</u> | <u>-</u>      | <u>3,546</u> | <u>18,663</u> | <u>23,823</u> | <u>5,495</u> | <u>4,373</u> | <u>87,437</u>  |

| Note                             | Freehold | Freehold | Leasehold | Factory     | Plant     | Motor    | Furniture    | Renovation | Total   |
|----------------------------------|----------|----------|-----------|-------------|-----------|----------|--------------|------------|---------|
|                                  | land     | building | building  | improvement | machinery | vehicles | and fittings |            |         |
|                                  | RMB'000  | RMB'000  | RMB'000   | RMB'000     | RMB'000   | RMB'000  | RMB'000      | RMB'000    | RMB'000 |
| <b>Group</b>                     |          |          |           |             |           |          |              |            |         |
| <b>Accumulated depreciation</b>  |          |          |           |             |           |          |              |            |         |
| At 1 January 2013                | –        | 3,355    | 4,327     | 3,475       | 18,212    | 10,090   | 3,310        | 2,217      | 44,986  |
| Depreciation for the year        | –        | 353      | 597       | 198         | 1,708     | 2,450    | 628          | 120        | 6,054   |
| Disposals                        | –        | –        | –         | –           | (7)       | (710)    | (3)          | –          | (720)   |
| Written off                      | –        | –        | –         | (45)        | (210)     | (49)     | (45)         | –          | (349)   |
| Exchange adjustments             | –        | (319)    | (255)     | (259)       | (1,104)   | (417)    | (162)        | (153)      | (2,669) |
| At 31 December 2013              | –        | 3,389    | 4,669     | 3,369       | 18,599    | 11,364   | 3,728        | 2,184      | 47,302  |
| At 1 January 2014                | –        | 3,389    | 4,669     | 3,369       | 18,599    | 11,364   | 3,728        | 2,184      | 47,302  |
| Depreciation for the year        | –        | 345      | 822       | 163         | 1,696     | 2,089    | 671          | 117        | 5,903   |
| Disposals                        | –        | –        | –         | –           | (29)      | (1,078)  | –            | –          | (1,107) |
| Written off                      | –        | –        | –         | (75)        | (24)      | –        | (37)         | –          | (136)   |
| Transfer to assets held for sale | 19       | –        | (4,298)   | –           | –         | –        | –            | –          | (4,298) |
| Exchange adjustments             | –        | (130)    | (89)      | (92)        | (410)     | (109)    | (52)         | (57)       | (939)   |
| At 31 December 2014              | –        | 3,604    | 1,104     | 3,365       | 19,832    | 12,266   | 4,310        | 2,244      | 46,725  |
| At 1 January 2015                | –        | 3,604    | 1,104     | 3,365       | 19,832    | 12,266   | 4,310        | 2,244      | 46,725  |
| Depreciation for the year        | –        | 302      | 460       | 119         | 1,000     | 3,986    | 475          | 174        | 6,516   |
| Disposals                        | –        | (311)    | (1,564)   | (155)       | (1,864)   | (1,339)  | (425)        | (50)       | (5,708) |
| Written off                      | –        | –        | –         | (10)        | (1,064)   | –        | (82)         | –          | (1,156) |
| Exchange adjustments             | –        | (513)    | –         | (232)       | (1,612)   | (281)    | (44)         | (108)      | (2,790) |
| At 31 December 2015              | –        | 3,082    | –         | 3,087       | 16,292    | 14,632   | 4,234        | 2,260      | 43,587  |
| <b>Carrying amounts</b>          |          |          |           |             |           |          |              |            |         |
| At 31 December 2013              | 8,567    | 27,107   | 23,890    | 774         | 4,977     | 13,119   | 1,270        | 1,171      | 80,875  |
| At 31 December 2014              | 8,282    | 26,286   | 2,154     | 595         | 3,559     | 11,354   | 905          | 1,013      | 54,148  |
| At 31 December 2015              | 6,702    | 21,753   | –         | 459         | 2,371     | 9,191    | 1,261        | 2,113      | 43,850  |

| Note                             | Leasehold building | Factory improvement | Plant machinery | Motor vehicles | Furniture and fittings | Renovation   | Total         |
|----------------------------------|--------------------|---------------------|-----------------|----------------|------------------------|--------------|---------------|
|                                  | RMB'000            | RMB'000             | RMB'000         | RMB'000        | RMB'000                | RMB'000      | RMB'000       |
| <b>Company</b>                   |                    |                     |                 |                |                        |              |               |
| <b>Cost</b>                      |                    |                     |                 |                |                        |              |               |
| At 1 January 2013                | 9,626              | 2,394               | 11,737          | 4,259          | 1,304                  | 1,847        | 31,167        |
| Additions                        | -                  | 2                   | 54              | -              | 14                     | -            | 70            |
| Written off                      | -                  | (58)                | (138)           | -              | (20)                   | -            | (216)         |
| Transfer to a subsidiary         | -                  | (2,247)             | (11,207)        | (2,255)        | (1,249)                | -            | (16,958)      |
| Exchange adjustments             | (581)              | (91)                | (446)           | (205)          | (49)                   | (112)        | (1,484)       |
| At 31 December 2013              | <u>9,045</u>       | <u>-</u>            | <u>-</u>        | <u>1,799</u>   | <u>-</u>               | <u>1,735</u> | <u>12,579</u> |
| At 1 January 2014                | 9,045              | -                   | -               | 1,799          | -                      | 1,735        | 12,579        |
| Additions                        | -                  | -                   | -               | -              | 22                     | -            | 22            |
| Transfer to a subsidiary         | -                  | -                   | -               | (1,764)        | -                      | -            | (1,764)       |
| Transfer to assets held for sale | 19 (8,868)         | -                   | -               | -              | -                      | -            | (8,868)       |
| Exchange adjustments             | (177)              | -                   | -               | (35)           | -                      | (34)         | (246)         |
| At 31 December 2014              | <u>-</u>           | <u>-</u>            | <u>-</u>        | <u>-</u>       | <u>22</u>              | <u>1,701</u> | <u>1,723</u>  |
| At 1 January 2015                | -                  | -                   | -               | -              | 22                     | 1,701        | 1,723         |
| Additions                        | -                  | -                   | -               | -              | 6                      | -            | 6             |
| Disposals                        | -                  | -                   | -               | -              | -                      | (67)         | (67)          |
| Exchange adjustments             | -                  | -                   | -               | -              | (1)                    | (36)         | (37)          |
| At 31 December 2015              | <u>-</u>           | <u>-</u>            | <u>-</u>        | <u>-</u>       | <u>27</u>              | <u>1,598</u> | <u>1,625</u>  |

|                                  | Note | Leasehold<br>building | Factory<br>improvement | Plant<br>machinery | Motor<br>vehicles | Furniture<br>and<br>fittings | Renovation   | Total        |
|----------------------------------|------|-----------------------|------------------------|--------------------|-------------------|------------------------------|--------------|--------------|
|                                  |      | RMB'000               | RMB'000                | RMB'000            | RMB'000           | RMB'000                      | RMB'000      | RMB'000      |
| <b>Company</b>                   |      |                       |                        |                    |                   |                              |              |              |
| <b>Accumulated depreciation</b>  |      |                       |                        |                    |                   |                              |              |              |
| 1 January 2013                   |      | 4,099                 | 2,078                  | 10,582             | 4,112             | 1,109                        | 1,735        | 23,715       |
| Depreciation for the year        |      | 273                   | 60                     | 280                | 89                | 59                           | 38           | 799          |
| Written off                      |      | –                     | (45)                   | (138)              | –                 | (20)                         | –            | (203)        |
| Transfer to a subsidiary         |      | –                     | (2,014)                | (10,323)           | (2,226)           | (1,106)                      | –            | (15,669)     |
| Exchange adjustments             |      | (254)                 | (79)                   | (401)              | (199)             | (42)                         | (106)        | (1,081)      |
| At 31 December 2013              |      | <u>4,118</u>          | <u>–</u>               | <u>–</u>           | <u>1,776</u>      | <u>–</u>                     | <u>1,667</u> | <u>7,561</u> |
| At 1 January 2014                |      | 4,118                 | –                      | –                  | 1,776             | –                            | 1,667        | 7,561        |
| Depreciation for the year        |      | 270                   | –                      | –                  | 23                | 5                            | 38           | 336          |
| Transfer to a subsidiary         |      | –                     | –                      | –                  | (1,764)           | –                            | –            | (1,764)      |
| Transfer to assets held for sale | 19   | (4,299)               | –                      | –                  | –                 | –                            | –            | (4,299)      |
| Exchange adjustments             |      | (89)                  | –                      | –                  | (35)              | –                            | (34)         | (158)        |
| At 31 December 2014              |      | <u>–</u>              | <u>–</u>               | <u>–</u>           | <u>–</u>          | <u>5</u>                     | <u>1,671</u> | <u>1,676</u> |
| At 1 January 2015                |      | –                     | –                      | –                  | –                 | 5                            | 1,671        | 1,676        |
| Depreciation for the year        |      | –                     | –                      | –                  | –                 | 8                            | 20           | 28           |
| Disposals                        |      | –                     | –                      | –                  | –                 | –                            | (58)         | (58)         |
| Exchange adjustments             |      | –                     | –                      | –                  | –                 | –                            | (35)         | (35)         |
| At 31 December 2015              |      | <u>–</u>              | <u>–</u>               | <u>–</u>           | <u>–</u>          | <u>13</u>                    | <u>1,598</u> | <u>1,611</u> |
| <b>Carrying amounts</b>          |      |                       |                        |                    |                   |                              |              |              |
| At 31 December 2013              |      | <u>4,927</u>          | <u>–</u>               | <u>–</u>           | <u>23</u>         | <u>–</u>                     | <u>68</u>    | <u>5,018</u> |
| At 31 December 2014              |      | <u>–</u>              | <u>–</u>               | <u>–</u>           | <u>–</u>          | <u>17</u>                    | <u>30</u>    | <u>47</u>    |
| At 31 December 2015              |      | <u>–</u>              | <u>–</u>               | <u>–</u>           | <u>–</u>          | <u>14</u>                    | <u>–</u>     | <u>14</u>    |

**Location of properties**

The analysis of net book value of properties is as follows:

|                                    | Group          |               |               | Company        |         |         |
|------------------------------------|----------------|---------------|---------------|----------------|---------|---------|
|                                    | At 31 December |               |               | At 31 December |         |         |
|                                    | 2013           | 2014          | 2015          | 2013           | 2014    | 2015    |
|                                    | RMB'000        | RMB'000       | RMB'000       | RMB'000        | RMB'000 | RMB'000 |
| In Hong Kong                       |                |               |               |                |         |         |
| – freehold                         | –              | –             | –             | –              | –       | –       |
| – medium-term leases               | –              | –             | –             | –              | –       | –       |
| Outside Hong Kong                  |                |               |               |                |         |         |
| – freehold                         | 35,674         | 34,568        | 28,455        | –              | –       | –       |
| – medium-term leases               | <u>23,890</u>  | <u>2,154</u>  | <u>–</u>      | <u>4,927</u>   | –       | –       |
|                                    | <u>59,564</u>  | <u>36,722</u> | <u>28,455</u> | <u>4,927</u>   | –       | –       |
| Representing:                      |                |               |               |                |         |         |
| Land and buildings carried at cost | <u>59,564</u>  | <u>36,722</u> | <u>28,455</u> | <u>4,927</u>   | –       | –       |

**Assets held under finance lease**

The carrying amount of plant machinery of the Group held under finance leases as at 31 December 2013, 2014, and 2015 were RMB1,112,000, nil and RMB371,000 respectively.

There were no assets of the Company held under finance lease as at 31 December 2013, 2014, and 2015.

**Security**

As at 31 December 2013, 2014, and 2015, the Group's property, plant and equipment with a total carrying value of RMB56,844,000, RMB22,945,000 and RMB19,233,000 respectively, are subject to legal charges to secure a subsidiary's bank borrowings and the Company's credit facility with a bank.

As at 31 December 2013, the Company's property, plant and equipment with a total carrying value of RMB4,927,000 are subject to a legal charge to secure the Company's credit facility with a bank.

## 5 Intangible assets

| Group                           | Software     | Development costs | Total        |
|---------------------------------|--------------|-------------------|--------------|
|                                 | RMB'000      | RMB'000           | RMB'000      |
| <b>Cost</b>                     |              |                   |              |
| At 1 January 2013               | 842          | –                 | 842          |
| Additions                       | <u>115</u>   | <u>–</u>          | <u>115</u>   |
| At 31 December 2013             | <u>957</u>   | <u>–</u>          | <u>957</u>   |
| At 1 January 2014               | 957          | –                 | 957          |
| Additions                       | <u>178</u>   | <u>920</u>        | <u>1,098</u> |
| At 31 December 2014             | <u>1,135</u> | <u>920</u>        | <u>2,055</u> |
| At 1 January 2015               | 1,135        | 920               | 2,055        |
| Additions                       | <u>–</u>     | <u>1,574</u>      | <u>1,574</u> |
| At 31 December 2015             | <u>1,135</u> | <u>2,494</u>      | <u>3,629</u> |
| <b>Accumulated amortisation</b> |              |                   |              |
| At 1 January 2013               | 368          | –                 | 368          |
| Amortisation for the year       | <u>187</u>   | <u>–</u>          | <u>187</u>   |
| At 31 December 2013             | <u>555</u>   | <u>–</u>          | <u>555</u>   |
| At 1 January 2014               | 555          | –                 | 555          |
| Amortisation for the year       | <u>178</u>   | <u>–</u>          | <u>178</u>   |
| At 31 December 2014             | <u>733</u>   | <u>–</u>          | <u>733</u>   |
| At 1 January 2015               | 733          | –                 | 733          |
| Amortisation for the year       | <u>171</u>   | <u>–</u>          | <u>171</u>   |
| At 31 December 2015             | <u>904</u>   | <u>–</u>          | <u>904</u>   |
| <b>Carrying amount</b>          |              |                   |              |
| At 31 December 2013             | <u>402</u>   | <u>–</u>          | <u>402</u>   |
| At 31 December 2014             | <u>402</u>   | <u>920</u>        | <u>1,322</u> |
| At 31 December 2015             | <u>231</u>   | <u>2,494</u>      | <u>2,725</u> |

Intangible assets pertain to computer software purchased from vendors and development expenditure capitalised in relation to a new product. The amortisation of intangible assets is included in the administrative expenses in the profit or loss.

## 6 Investment properties

|   | Note | Group                  |                |                |
|---|------|------------------------|----------------|----------------|
|   |      | Year ended 31 December |                |                |
|   |      | 2013                   | 2014           | 2015           |
|   |      | RMB'000                | RMB'000        | RMB'000        |
| At 1 January                            |      | –                      | –              | 451,000        |
| Acquisitions                            |      | –                      | 45,030         | –              |
| Transfer from development properties    |      | –                      | 158,298        | –              |
| Additions                               |      | –                      | –              | 29,876         |
| Change in fair value during the year    | 26   | –                      | 247,672        | 22,124         |
| Disposals                               |      | –                      | –              | (77,000)       |
| Transfer to assets held for sale        | 19   | –                      | –              | (40,000)       |
| At 31 December                          |      | –                      | <u>451,000</u> | <u>386,000</u> |
| Analysed between:                       |      |                        |                |                |
| Completed investment properties         |      | –                      | 144,000        | 331,000        |
| Investment properties under development |      | –                      | <u>307,000</u> | <u>55,000</u>  |
|   |      | –                      | <u>451,000</u> | <u>386,000</u> |

During the year ended 31 December 2014, the Group changed its intention for certain development properties to be held for rental and investment purposes, instead of held for sale. These properties were accordingly reclassified from development properties to investment properties after they have been remeasured at their fair value.

As at 31 December 2014 and 2015, the Group had not obtained property ownership certificates for certain buildings with an aggregate carrying amount of RMB215,000,000 and RMB236,000,000, respectively. Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these buildings as at 31 December 2014 and 2015.

In August 2015, the Group entered into sales contracts with the existing tenants to sell two of its investment properties, Building No. 6 of Weiye Costa Rhine ("Costa Rhine No. 6") and Building No. 2 of Phase II of Weiye Oxygen Cube A ("Oxygen Cube A No. 2"). Oxygen Cube A No. 2 was delivered in December 2015 while Costa Rhine No. 6 is expected to be delivered no later than July 2016. Costa Rhine No. 6 has been reclassified to assets held for sale.

**Determination of fair value**

Investment properties and investment properties under development are stated at fair value based on valuations at the end of each reporting period performed by independent professional valuers, having appropriate recognised professional qualification and experience in the location and category of property being valued. Independent valuations are obtained twice a year for all investment properties, being 30 June and 31 December. Any change in the fair value is charged to the profit or loss.

In determining the fair value, the valuers have used valuation methods which involve certain estimates. Management has exercised its judgment and is satisfied that the valuation methods and estimates are reflective of the current market conditions.



The independent professional valuers have considered valuation techniques including direct comparison method, capitalisation approach and/or residual approach in arriving at the open market value as at the reporting date. The key assumptions used to determine the fair value of investment properties include market-corroborated capitalisation yield, estimated costs of development and average growth rate.

The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to those reflective of the investment properties. The capitalisation approach capitalises an income stream into a present value using revenue multipliers or single-year capitalisation rates. The residual method of valuation is determined based on the gross development value less estimated costs to complete.

### ***Fair value hierarchy***

The fair value measurement for investment properties and investment properties under development as at 31 December 2014 and 2015 has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see Note 2.5). There were no transfers between levels during the financial year ended 31 December 2014 or 2015.

### ***Valuation technique and significant unobservable inputs***

The following table shows the Group's valuation technique used in measuring the fair value of investment properties and investment properties under development, as well as the significant unobservable inputs used.

| <b>Valuation technique</b> | <b>Key unobservable inputs</b>   | <b>Inter-relationship between key unobservable inputs and fair value measurement</b>   |
|----------------------------|--|--|
| Capitalisation approach    | <ul style="list-style-type: none"> <li>Expected rental rates for the year ended 31 December 2014 and 2015 of RMB39 per square metre ("psm") to RMB156 psm and RMB19 psm to RMB86 psm respectively</li> <li>Capitalisation rates for the year ended 31 December 2014 and 2015 from 6% to 7% and 4.5% to 6%, respectively</li> </ul> | A significant increase in expected rental rates and a significant decrease in capitalisation rate would result in a significantly higher fair value measurement. |
| Residual approach          | <ul style="list-style-type: none"> <li>Expected unit price for the year ended 31 December 2014 and 2015 of RMB5,470 psm to RMB11,066 psm and RMB11,916 psm, respectively</li> </ul>  | A significant increase in expected unit price would result in a significantly higher fair value measurement.   |

Key unobservable inputs correspond to:

- Expected rental rates that were estimated from market data for similar properties adjusted for nature, location and the condition of properties.
- Capitalisation rates that were derived from market data for similar properties, adjusted for nature, location and the condition of properties.

*Security*

As at 31 December 2014 and 2015, investment properties with a total carrying value of RMB109,000,000 and RMB11,000,000, respectively, and investment properties under development with a total carrying value of RMB92,000,000 and nil, respectively, have been mortgaged as security for the loan facilities granted by financial institutions to the Group (see Note 22).

**7 Investments in subsidiaries**

|                                 | <b>Company</b>        |                  |                  |
|---------------------------------|-----------------------|------------------|------------------|
|                                 | <b>At 31 December</b> |                  |                  |
|                                 | <b>2013</b>           | <b>2014</b>      | <b>2015</b>      |
|                                 | <b>RMB'000</b>        | <b>RMB'000</b>   | <b>RMB'000</b>   |
| Unquoted equity shares, at cost | 1,630,363             | 1,624,127        | 1,670,422        |
| Less: Impairment loss           | (447)                 | (447)            | (447)            |
|                                 | <u>1,629,916</u>      | <u>1,623,680</u> | <u>1,669,975</u> |

***Impairment loss***

The movement in impairment loss is as follows:

|                              | <b>Company</b>                |                |                |
|------------------------------|-------------------------------|----------------|----------------|
|                              | <b>Year ended 31 December</b> |                |                |
|                              | <b>2013</b>                   | <b>2014</b>    | <b>2015</b>    |
|                              | <b>RMB'000</b>                | <b>RMB'000</b> | <b>RMB'000</b> |
| At 1 January and 31 December | <u>447</u>                    | <u>447</u>     | <u>447</u>     |

Details of the subsidiaries at the end of each financial period are as follows:

| Name  | Note       | Date of incorporation | Place of incorporation | Particulars of issued and fully paid up capital |                | the Group's effective interest |      |      |
|---|------------|-----------------------|------------------------|---|----------------|--------------------------------|------|------|
|   |            |                       |                        | Registered capital                              | Fully paid     | At 31 December                 |      |      |
|   |            |                       |                        |   |                | 2013                           | 2014 | 2015 |
|   |            |                       |                        |   |                | %                              | %    | %    |
| Great Spirit Management Limited<br>精誠管理有限公司   | (i)        | 24 April 2009         | British Virgin Islands | USD27,950,000                                   | USD27,950,000  | 100                            | 100  | 100  |
| Xie Tong International Pte. Ltd.<br>(formerly known as "Kyodo-Allied International Pte Ltd.")<br>協同國際私人有限公司   | (i)        | 7 March 2014          | Singapore              | SGD853,001                                      | SGD853,001     | –                              | 100  | 100  |
| Eindec Corporation Limited<br>(formerly known as "Eindec Corporation Pte. Ltd.")<br>英德集團私人有限公司  | (i)        | 2 April 2015          | Singapore              | SGD9,300,000                                    | SGD9,300,000   | –                              | –    | 100  |
| Xie Tong Technology Pte. Ltd.<br>(formerly known as "Kyodo-Allied Technology Pte. Ltd.")<br>協同科技私人有限公司  | (iii)      | 18 March 1998         | Singapore              | SGD50,000                                       | SGD50,000      | 100                            | 100  | 100  |
| Eindec Technology (Malaysia) Sdn. Bhd<br>(formerly known as "Kyodo-Allied Malaysia, Sdn Bhd")   | (iii)      | 21 August 1989        | Malaysia               | RM1,000,000                                     | RM1,000,000    | 100                            | 100  | 100  |
| Eindec (Shanghai) Co., Ltd.<br>優多商貿(上海)有限公司   | (iii)      | 23 November 2005      | PRC                    | USD300,000                                      | USD300,000     | 100                            | 100  | 100  |
| Eindec (Shenzhen) Environment Technology Co., Ltd.<br>英德(深圳)環保科技有限公司  | (iii)      | 9 July 2015           | PRC                    | RMB20,000,000                                   | RMB3,000,000   | –                              | –    | 100  |
| Eindec Holdings Pte. Ltd.<br>英德控股私人有限公司   | (ii)       | 13 May 2015           | Singapore              | SGD1  | SGD1           | –                              | –    | 100  |
| Eindec Singapore Pte. Ltd.<br>英德新加坡私人有限公司   | (ii)       | 19 May 2015           | Singapore              | SGD2,930,001                                    | SGD2,930,001   | –                              | –    | 100  |
| Weiyee Holdings (Hong Kong) Limited<br>偉業控股(香港)有限公司   | (ii)       | 17 September 2009     | Hong Kong              | HKD10,000                                       | HKD10,000      | 100                            | 100  | 100  |
| Hainan Hongji Weiyee Property Development Co., Ltd.<br>海南宏基偉業房地產開發有限公司  | (ii)       | 12 February 2004      | PRC                    | RMB10,000,000                                   | RMB10,000,000  | 100                            | 100  | 100  |
| Jinwei (Henan) Trading Company Limited<br>金偉(河南)商貿有限公司  | (iv)       | 6 January 2012        | PRC                    | RMB300,000,000                                  | RMB300,000,000 | 100                            | 100  | 100  |
| Hongji Weiyee (Shenzhen) Trading Company Limited<br>宏基偉業(深圳)商貿物流有限公司  | (iv)       | 15 October 2014       | PRC                    | RMB300,000,000                                  | RMB50,000,000  | –                              | 100  | 100  |
| Hainan Hongji Weiyee Consulting Management Co., Ltd.<br>海南宏基偉業諮詢管理有限公司  | (ii)       | 28 April 2010         | PRC                    | RMB30,000,000                                   | RMB30,000,000  | 100                            | 100  | 100  |
| Henan Weiyee Construction Development Group Co., Ltd.<br>(formerly known as "Henan Weiyee Construction Investment Group Co., Ltd.")<br>河南偉業建設開發集團有限公司<br>(原名"河南偉業建設投資集團有限公司") | (iv)       | 30 October 1999       | PRC                    | RMB200,000,000                                  | RMB200,000,000 | 100                            | 100  | 100  |
| Weiyee Holdings Hainan Real Estate Co., Ltd<br>偉業控股海南地產有限公司   | (ii)       | 16 December 2008      | PRC                    | RMB20,000,000                                   | RMB20,000,000  | 100                            | 100  | 100  |
| Henan Huibang Property Co.,Ltd.<br>河南普邦置業有限公司   | (iv)       | 2 March 2007          | PRC                    | RMB20,000,000                                   | RMB20,000,000  | 100                            | 100  | 100  |
| Xinxiang Weiyee Property Co.,Ltd.<br>新鄉偉業置地有限公司   | (iv)       | 3 April 2007          | PRC                    | RMB75,000,000                                   | RMB75,000,000  | 100                            | 100  | 100  |
| Henan Xingwei Property Co., Ltd<br>河南興偉置業有限公司   | (iv)       | 15 November 2012      | PRC                    | RMB241,830,000                                  | RMB241,830,000 | 100                            | 100  | 100  |
| Henan Tiandao Assets Management Co., Ltd.<br>河南天道資產管理有限公司   | (iv)/(v)   | 19 March 2010         | PRC                    | RMB10,000,000                                   | RMB10,000,000  | 51                             | 51   | 51   |
| Henan Jinwei Property Co., Ltd.<br>河南金偉置業有限公司   | (iv)/(vi)  | 9 September 2010      | PRC                    | RMB30,000,000                                   | RMB30,000,000  | –                              | –    | –    |
| Hainan Zhongfang Investment Holdings Company Limited<br>海南中方投資有限公司  | (iv)       | 22 June 2009          | PRC                    | RMB10,000,000                                   | RMB10,000,000  | 100                            | 100  | 100  |
| Wanning Yingde Property Co., Ltd<br>萬寧英德置業有限公司  | (iv)       | 17 November 2009      | PRC                    | RMB20,000,000                                   | RMB20,000,000  | 100                            | 100  | 100  |
| Wenchang Maoyuan Tourism Co., Ltd.<br>文昌市茂源旅業有限公司   | (iv)       | 9 September 1998      | PRC                    | RMB10,000,000                                   | RMB10,000,000  | 100                            | 100  | 100  |
| Tunchang Hongji Weiyee Property Development Co., Ltd.<br>屯昌宏基偉業地產發展有限公司   | (iv)       | 23 June 2010          | PRC                    | RMB10,000,000                                   | RMB10,000,000  | 100                            | 100  | 100  |
| Tunchang Yajing Property Co., Ltd.<br>屯昌雅境置業有限公司  | (iv)       | 13 April 2010         | PRC                    | RMB10,000,000                                   | RMB10,000,000  | 100                            | 100  | 100  |
| Chengmai Hongji Weiyee Property Development Co., Ltd.<br>澄邁宏基偉業地產發展有限公司   | (iv)/(vii) | 31 May 2010           | PRC                    | RMB10,000,000                                   | RMB10,000,000  | –                              | –    | –    |

- (i) These are the investment holding companies directly held by the Company. The remaining subsidiaries are all indirectly held by the Company.
- (ii) These are the investment holding companies indirectly held by the Company.
- (iii) Eindec Technology (Malaysia) Sdn. Bhd is mainly engaged in manufacturing and trading of clean room equipment, HVAC products, and purifier. Kyodo-Allied Technology Pte. Ltd., Kyodo-Allied Trading (Shanghai) Co., Ltd. and Eindec (Shenzhen) Environment Technology Co., Ltd. are trading company selling clean room equipment, HVAC products, and purifier.
- (iv) Jinwei (Henan) Trading Co., Ltd. and Hongji Weiye (Shenzhen) Trading Company Limited are mainly engaged in trading of building construction materials. The remaining entities in the PRC are property development companies indirectly held by the Company.
- (v) The Group acquired 51% equity interest of Henan Tiandao Assets Management Co., Ltd. in 2013 (see Note 36).
- (vi) The Group's equity interest in Henan Jinwei Property Co., Ltd. was diluted by 10% in 2012. Subsequently, the remaining 90% equity interest in this entity was disposed to a third party in 2013 (see Note 37).
- (vii) This entity was deregistered in the year ended 31 December 2013.
- (viii) All the PRC entities are limited liability companies. The English name of the companies incorporated in the PRC are unofficial translations of their Chinese names and are included for identification purpose only.
- (ix) Information of the statutory financial statements of these companies is set out in Note 40.

## 8 Investment in a joint venture

|                            | Group          |                |                |
|----------------------------|----------------|----------------|----------------|
|                            | At 31 December |                |                |
|                            | 2013           | 2014           | 2015           |
|                            | RMB'000        | RMB'000        | RMB'000        |
| Unquoted equity investment | –              | <u>140,000</u> | <u>132,576</u> |

Details of the joint venture are as follows:

| Name of entity  | Principal activities | Country of incorporation | Effective equity interest held by the Group |      |      |
|---|----------------------|--------------------------|---|------|------|
|   |                      |                          | At 31 December                              |      |      |
|   |                      |                          | 2013  | 2014 | 2015 |
| Zhengzhou Daimashi Enterprise Co., Ltd<br>鄭州黛瑪仕實業有限公司 | Property development | PRC                      | –   | 65%  | 65%  |

During the year ended 31 December 2014, a subsidiary of the Company acquired 65% equity interest in the above entity at a cash consideration of RMB140 million. Pursuant to the entity's articles of association and the collaboration agreement dated 23 October 2014 (the "Collaboration Agreement") entered between the subsidiary and the other shareholder of the entity, the decision of activities that significantly affect the investee's returns requires two-third of the voting rights from the shareholders of the above entity. On this basis, the Group and the other shareholder have joint control over the entity which is accounted for as a joint venture.

Summarised financial information relating to the joint venture, which is not adjusted for the percentage of ownership held by the Group, is set out below:

|                     | At 31 December |                |                |
|---------------------|----------------|----------------|----------------|
|                     | 2013           | 2014           | 2015           |
|                     | RMB'000        | RMB'000        | RMB'000        |
| Current assets      | –              | 300,000        | 396,626        |
| Non-current assets  | –              | –              | 183            |
| Current liabilities | –              | –              | (104,234)      |
| <b>Net assets</b>   | –              | <u>300,000</u> | <u>292,575</u> |

|   | Year ended 31 December |                |                |
|---|------------------------|----------------|----------------|
|   | 2013                   | 2014           | 2015           |
|   | RMB'000                | RMB'000        | RMB'000        |
| Loss after tax/total comprehensive income         | –                      | –              | <u>(7,424)</u> |
| <b>Group's interest in net assets of investee</b> |                        |                |                |
| At beginning of the year                          | –                      | –              | 140,000        |
| Capital contribution                              | –                      | 140,000        | –              |
| Share of loss in the joint venture                | –                      | –              | <u>(7,424)</u> |
| At end of the year                                | –                      | <u>140,000</u> | <u>132,576</u> |

During year ended 31 December 2014 and 2015, the joint venture entity only has limited construction activities.

Pursuant to the Collaboration Agreement, the profit or loss that the Group will derive from the joint venture shall be the difference between (i) the entire sum of revenue derived from the sale of the properties to third parties under the project; and (ii) the fixed costs, being the pre-determined construction costs per sq.m. payable to the other shareholder according to the construction progress, and other relevant costs. On this basis, the Group's share of assets and liabilities and profit or loss in the joint venture is not in proportion to its equity interests pursuant to the Collaboration Agreement.

## 9 Other financial assets

|   | Group          |              |          | Company        |           |          |
|---|----------------|--------------|----------|----------------|-----------|----------|
|   | At 31 December |              |          | At 31 December |           |          |
|   | 2013           | 2014         | 2015     | 2013           | 2014      | 2015     |
|   | RMB'000        | RMB'000      | RMB'000  | RMB'000        | RMB'000   | RMB'000  |
| <b>Non-current</b>                              |                |              |          |                |           |          |
| Financial assets available-for-sale             |                |              |          |                |           |          |
| – Quoted equity securities                      | <u>2,185</u>   | <u>71</u>    | <u>–</u> | <u>2,185</u>   | <u>71</u> | <u>–</u> |
| <b>Current</b>                                  |                |              |          |                |           |          |
| Financial assets classified as held for trading |                |              |          |                |           |          |
| – Quoted equity securities                      | 838            | 1,452        | –        | –              | –         | –        |
| Financial assets available-for-sale             |                |              |          |                |           |          |
| – Other investments                             | <u>–</u>       | <u>7,000</u> | <u>–</u> | <u>–</u>       | <u>–</u>  | <u>–</u> |
|   | <u>838</u>     | <u>8,452</u> | <u>–</u> | <u>–</u>       | <u>–</u>  | <u>–</u> |

The Group's and Company's exposures to credit and market risks and fair value information related to other financial assets are disclosed in Note 38.

Other investments represent short-term financial products originated by banks in the PRC with guaranteed principals, variable returns and with periods to maturity within six months from date of issuance.

## 10 Club membership

|                           | Group and Company      |              |              |
|---------------------------|------------------------|--------------|--------------|
|                           | Year ended 31 December |              |              |
|                           | 2013                   | 2014         | 2015         |
|                           | RMB'000                | RMB'000      | RMB'000      |
| Club memberships, at cost | 961                    | 961          | 948          |
| Disposal                  | –                      | (25)         | –            |
| Impairment losses         | <u>(540)</u>           | <u>(528)</u> | <u>(548)</u> |
|                           | <u>421</u>             | <u>408</u>   | <u>400</u>   |

The impairment loss represents the write down of club memberships to their estimated recoverable amounts which were determined based on references to average market prices of these club memberships.

**Impairment loss**

The movements in impairment loss in respect of club membership are as follows:

|                                 | Group and Company      |             |            |
|---------------------------------|------------------------|-------------|------------|
|                                 | Year ended 31 December |             |            |
|                                 | 2013                   | 2014        | 2015       |
|                                 | RMB'000                | RMB'000     | RMB'000    |
| At 1 January                    | 528                    | 540         | 528        |
| Impairment loss made/(reversed) | <u>12</u>              | <u>(12)</u> | <u>20</u>  |
| At 31 December                  | <u>540</u>             | <u>528</u>  | <u>548</u> |

The impairment loss recognised was included as part of administrative expenses in the profit or loss.

**11 Income tax in the consolidated statements of financial position**

**(a) Current taxation in the consolidated statements of financial position represents:**

|  | Group                  |                 |                 |
|--|------------------------|-----------------|-----------------|
|  | Year ended 31 December |                 |                 |
|  | 2013                   | 2014            | 2015            |
|  | RMB'000                | RMB'000         | RMB'000         |
| At 1 January   | 144,400                | 155,414         | 205,731         |
| Provision for income tax for the year                | 42,056                 | 41,878          | 59,536          |
| Provision for PRC land appreciation tax for the year | 9,276                  | 41,157          | 20,015          |
| Income tax and land appreciation tax paid            | <u>(40,318)</u>        | <u>(32,718)</u> | <u>(55,960)</u> |
| At 31 December                                       | <u>155,414</u>         | <u>205,731</u>  | <u>229,322</u>  |
| <b>Representing:</b>                                 |                        |                 |                 |
| Income tax recoverable                               | (8,108)                | (6,726)         | (5,901)         |
| Income tax payable                                   | <u>163,522</u>         | <u>212,457</u>  | <u>235,223</u>  |
|  | <u>155,414</u>         | <u>205,731</u>  | <u>229,322</u>  |

**(b) Deferred tax assets and liabilities recognised**

Movements in temporary differences during the year are as follows:

|  | Balance as at 1 January 2013 | Acquisition of subsidiary (Note 36) | Recognised in profit or loss (Note 31) | Balance as at 31 December 2013 | Transfer to liabilities held for sale (Note 19) | Recognised in profit or loss (Note 31) | Balance as at 31 December 2014 | Recognised in profit or loss (Note 31) | Balance as at 31 December 2015 |
|--|------------------------------|-------------------------------------|--|--------------------------------|---|--|--------------------------------|--|--------------------------------|
|  | RMB'000                      | RMB'000                             | RMB'000                                | RMB'000                        | RMB'000   | RMB'000                                | RMB'000                        | RMB'000                                | RMB'000                        |
| <b>Group</b>   |                              |                                     |  |                                |   |  |                                |  |                                |
| <b>Deferred tax liabilities</b>                                |                              |                                     |  |                                |   |  |                                |  |                                |
| Property, plant and equipment                                  | 5,318                        | -                                   | 155                                    | 5,473                          | (2,762)   | (81)                                   | 2,630                          | (515)                                  | 2,115                          |
| Fair value adjustment on investment properties                 | -                            | -                                   | -                                      | -                              | -   | 61,918                                 | 61,918                         | 1,641                                  | 63,559                         |
| Development properties   | 4,371                        | 10,500                              | (626)                                  | 14,245                         | -   | (4,616)                                | 9,629                          | (4,810)                                | 4,819                          |
| Accrued trade receivables                                      | -                            | -                                   | 26,261                                 | 26,261                         | -   | 25,324                                 | 51,585                         | 13,554                                 | 65,139                         |
| Withholding tax on the profits of the Group's PRC subsidiaries | 25,366                       | -                                   | 23,779                                 | 49,145                         | -   | 24,102                                 | 73,247                         | 13,010                                 | 86,257                         |
|  | 35,055                       | 10,500                              | 49,569                                 | 95,124                         | (2,762)   | 106,647                                | 199,009                        | 22,880                                 | 221,889                        |
| <b>Deferred tax assets</b>                                     |                              |                                     |  |                                |   |  |                                |  |                                |
| Land appreciation tax  | 13,556                       | -                                   | (391)                                  | 13,165                         | -   | 6,198                                  | 19,363                         | (1,709)                                | 17,654                         |
| Tax losses   | 292                          | -                                   | -                                      | 292                            | -   | -                                      | 292                            | (292)                                  | -                              |
| Allowance for impairment of trade and other receivables        | -                            | -                                   | -                                      | -                              | -   | -                                      | -                              | -                                      | -                              |
|  | 13,848                       | -                                   | (391)                                  | 13,457                         | -   | 6,198                                  | 19,655                         | (2,001)                                | 17,654                         |



**(c) Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following temporary differences:

|                                  | Group          |                |                |
|----------------------------------|----------------|----------------|----------------|
|                                  | At 31 December |                |                |
|                                  | 2013           | 2014           | 2015           |
|                                  | RMB'000        | RMB'000        | RMB'000        |
| Deductible temporary differences | 35,476         | 35,476         | 38,562         |
| Tax losses                       | 75,792         | 104,781        | 120,991        |
|                                  | <u>111,268</u> | <u>140,257</u> | <u>159,553</u> |

The tax losses with expiry dates are as follows:

|                       | Group          |                |                |
|-----------------------|----------------|----------------|----------------|
|                       | At 31 December |                |                |
|                       | 2013           | 2014           | 2015           |
|                       | RMB'000        | RMB'000        | RMB'000        |
| Expiry in:            |                |                |                |
| – 2014                | 222            | –              | –              |
| – 2015                | 475            | 475            | –              |
| – 2016                | 4,316          | 4,316          | 4,316          |
| – 2017                | 31,399         | 31,399         | 31,399         |
| – 2018                | 34,341         | 34,341         | 34,341         |
| – 2019                | –              | 28,989         | 28,989         |
| – 2020                | –              | –              | 16,209         |
| – with no expiry date | 5,039          | 5,261          | 5,737          |
|                       | <u>75,792</u>  | <u>104,781</u> | <u>120,991</u> |

Except for the above tax losses, the deductible temporary differences do not expire under current tax legislations. The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which the loss-making subsidiaries operate.

Deferred tax assets have not been recognised in respect of these items because of the uncertainty over the availability of future taxable profits against which the subsidiaries can utilise the benefits.

## 12 Inventories

|                  | Group          |               |               |
|------------------|----------------|---------------|---------------|
|                  | At 31 December |               |               |
|                  | 2013           | 2014          | 2015          |
|                  | RMB'000        | RMB'000       | RMB'000       |
| Finished goods   | 2,978          | 663           | 1,190         |
| Work in progress | 462            | 1,088         | 657           |
| Raw materials    | <u>13,355</u>  | <u>10,791</u> | <u>9,150</u>  |
|                  | <u>16,795</u>  | <u>12,542</u> | <u>10,997</u> |

During the years ended 31 December 2013, 2014 and 2015, changes in finished goods and work in progress included in cost of sales of the Group amounted to RMB43,152,000, RMB45,240,000 and RMB46,380,000, respectively.

## 13 Development properties

|  | Group            |                  |                  |
|--|------------------|------------------|------------------|
|  | At 31 December   |                  |                  |
|  | 2013             | 2014             | 2015             |
|  | RMB'000          | RMB'000          | RMB'000          |
| (a) Properties under development:      |                  |                  |                  |
| Land costs                             | 105,808          | 133,753          | 48,609           |
| Development costs incurred to-date     | <u>745,157</u>   | <u>721,024</u>   | <u>200,170</u>   |
|  | 850,965          | 854,777          | 248,779          |
| (b) Completed properties held for sale | <u>619,336</u>   | <u>416,463</u>   | <u>833,827</u>   |
|  | <u>1,470,301</u> | <u>1,271,240</u> | <u>1,082,606</u> |

During the years ended 31 December 2013, 2014 and 2015, development properties recognised as cost of sales amounted to RMB420,618,000, RMB609,061,000 and RMB752,099,000 respectively.

During the years ended 31 December 2013, 2014 and 2015, borrowing costs of RMB64,858,000, RMB79,654,000 and RMB51,743,000 respectively, arising from borrowings obtained specifically for the development properties were capitalised at rates ranging from 6.72% to 12%, 6.77% to 12% and 5.83% to 12% per annum, respectively.

At 31 December 2013, 2014 and 2015, certain development properties with carrying amounts of RMB274,479,000, RMB373,069,000 and RMB884,520,608 respectively, have been mortgaged to the banks as securities for borrowings granted to the Group, the details of which are set out in Note 22.

## 14 Trade, other receivables and prepayments

|   | Note  | Group            |                  |                  |
|---|-------|------------------|------------------|------------------|
|   |       | At 31 December   |                  |                  |
|   |       | 2013             | 2014             | 2015             |
|   |       | RMB'000          | RMB'000          | RMB'000          |
| <b>Non-current</b>                                  |       |                  |                  |                  |
| Amount due from non-controlling interest            |       | 99,160           | 99,160           | 99,160           |
| Amount due from a joint venture partner (non-trade) |       | –                | 90,000           | 105,440          |
| Advance deposits                                    | C(ii) | –                | –                | 35,000           |
|   |       | <u>99,160</u>    | <u>189,160</u>   | <u>239,600</u>   |
| <b>Current</b>                                      |       |                  |                  |                  |
| Trade receivables                                   |       | 65,603           | 147,017          | 141,795          |
| Impairment losses                                   |       | (134)            | –                | –                |
|   |       | 65,469           | 147,017          | 141,795          |
| Accrued trade receivables                           | 15    | 660,149          | 985,267          | 1,098,554        |
| Amount due from a joint venture partner (non-trade) |       | –                | 14,499           | 18,498           |
| Amount due from a joint venture (non-trade)         |       | –                | –                | 27,263           |
| Other receivables and deposits                      |       | 284,750          | 197,015          | 225,911          |
| Impairment losses                                   |       | (4,040)          | (4,040)          | (4,040)          |
|   | 16    | 280,710          | 192,975          | 221,871          |
| Amounts due from staff                              |       | 2,123            | 688              | 1,609            |
| Others  |       | 238              | 526              | –                |
| Loans and receivables                               |       | 1,008,689        | 1,340,972        | 1,509,590        |
| Prepayments   | 17    | 22,986           | 244,452          | 664,353          |
|   |       | <u>1,031,675</u> | <u>1,585,424</u> | <u>2,173,943</u> |

The amount due from non-controlling interests represents purchase consideration paid by the Group on behalf of a non-controlling shareholder of a subsidiary, Henan Tiandao Assets Management Co., Ltd. ("Henan Tiandao"), in connection with the non-controlling shareholder's acquisition of 49% equity interest in the subsidiary. The amount due from the non-controlling shareholder is unsecured and interest free. The amount is expected to be repaid by set off against future dividends to be declared by Henan Tiandao.

At 31 December 2014 and 2015, the amount due from a joint venture partner in non-current assets represents an interest-bearing loan extended to a joint venture partner pursuant to the collaboration agreement entered between the Group and the joint venture partner to jointly develop the land use rights under Henan Hanfang Yaoye Co., Ltd. ("Hanfang Yaoye"). The amount due from the joint venture partner of RMB 90,000,000 is secured by the joint venture partner's equity interest in Henan Hanwei Zhiye Co., Ltd. and carries interest at rates ranging from 10% to 17% per annum. The amount is due on 20 July 2016 and further extended to 23 July 2018.

At 31 December 2014 and 2015, an amount of RMB10,000,000 due from a joint venture partner in current assets is unsecured and carries interest at 17% per annum, and is repayable on demand. There is no allowance for doubtful debts arising from this outstanding balance.

Trade receivables of the Group are non-interest bearing and are normally settled within 30 to 180 days and 30 to 90 days terms. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

The amounts due from staff are unsecured and interest-free, and are repayable on demand. There is no allowance for doubtful debts arising from these outstanding balances.

As at 31 December 2013, 2014 and 2015, trade and other receivables of the Company mainly represented amounts due from subsidiaries, which are non-interest bearing and are repayable on demand.

### **Impairment loss**

The ageing of trade receivables of the Group at the reporting date is as follows:

|                               | At<br>31 December |                      | At<br>31 December |                      | At<br>31 December |                      |
|-------------------------------|-------------------|----------------------|-------------------|----------------------|-------------------|----------------------|
|                               | 2013              | 2013                 | 2014              | 2014                 | 2015              | 2015                 |
|                               | Gross             | Impairment<br>losses | Gross             | Impairment<br>losses | Gross             | Impairment<br>losses |
|                               | RMB'000           | RMB'000              | RMB'000           | RMB'000              | RMB'000           | RMB'000              |
| <b>Group</b>                  |                   |                      |                   |                      |                   |                      |
| Neither past due nor impaired | 55,201            | –                    | 133,161           | –                    | 125,680           | –                    |
| Past due 1 – 30 days          | 5,055             | –                    | 9,120             | –                    | 9,549             | –                    |
| Past due 31 – 60 days         | 1,977             | –                    | 1,418             | –                    | 1,658             | –                    |
| Past due 61 – 90 days         | 312               | –                    | 482               | –                    | 736               | –                    |
| Past due more than 90 days    | 3,058             | 134                  | 2,836             | –                    | 4,172             | –                    |
|                               | <u>65,603</u>     | <u>134</u>           | <u>147,017</u>    | <u>–</u>             | <u>141,795</u>    | <u>–</u>             |

### *Trade receivables of the Group that are not past due and not impaired*

As at 31 December 2013, 2014 and 2015, included in the Group's trade receivables attributable to the Group's property development business are amounts of RMB20,825,000, RMB12,786,000 and RMB53,577,000 respectively, arising from instalment sales, and RMB1,460,000, RMB96,483,000 and RMB64,716,000 respectively, arising from sales pending for release of financing by banks. These balances are not past due and not impaired.

The trade receivables arising from instalment sales are due between periods ranging from three months to twelve months from the reporting date.

### *Trade receivables of the Group that are past due but not impaired*

As at 31 December 2013, 2014 and 2015, the Group had trade receivables amounting to RMB10,268,000, RMB13,856,000 and RMB16,115,000 respectively, that were past due but not impaired. In these trade receivables, amounts of RMB9,315,000, RMB9,270,000 and RMB14,123,000 respectively, are attributed to the clean room and air diffusion products operation, while amounts of RMB953,000, RMB4,586,000 and RMB1,992,000 respectively, are arising from development properties operation.

The Group's historical experience in the collection of trade receivables falls within the recorded allowances. Management believes that no additional allowance beyond the amount provided for is required in respect of the trade receivables.

The movements in impairment loss in respect of trade receivables are as follows:

|                      | <b>Group</b>                  |                |                |
|----------------------|-------------------------------|----------------|----------------|
|                      | <b>Year ended 31 December</b> |                |                |
|                      | <b>2013</b>                   | <b>2014</b>    | <b>2015</b>    |
|                      | <b>RMB'000</b>                | <b>RMB'000</b> | <b>RMB'000</b> |
| At 1 January         | 2,099                         | 134            | –              |
| Impairment loss made | 35                            | –              | –              |
| Written-off          | (1,871)                       | (134)          | –              |
| Exchange difference  | (129)                         | –              | –              |
| At 31 December       | <u>134</u>                    | <u>–</u>       | <u>–</u>       |

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in financial difficulties and have defaulted in payments. These receivables are not secured by any collateral or credit enhancements.

The movements in impairment loss in respect of the trade amount due from a subsidiary are as follows:

|                            | <b>Company</b>                |                |                |
|----------------------------|-------------------------------|----------------|----------------|
|                            | <b>Year ended 31 December</b> |                |                |
|                            | <b>2013</b>                   | <b>2014</b>    | <b>2015</b>    |
|                            | <b>RMB'000</b>                | <b>RMB'000</b> | <b>RMB'000</b> |
| At 1 January               | 2,097                         | –              | –              |
| Transfer to a subsidiary   | (99)                          | –              | –              |
| Written-off                | (1,871)                       | –              | –              |
| Reversed impairment losses | –                             | –              | –              |
| Exchange difference        | (127)                         | –              | –              |
| At 31 December             | <u>–</u>                      | <u>–</u>       | <u>–</u>       |

**15 Accrued trade receivables**

Accrued trade receivables represent the balance of contract sum to be billed in respect of the progress of the construction work.

|  | Group          |           |             |
|--|----------------|-----------|-------------|
|  | At 31 December |           |             |
|  | 2013           | 2014      | 2015        |
|  | RMB'000        | RMB'000   | RMB'000     |
| Cost incurred and attributable profits | 660,149        | 985,267   | 1,098,554   |
| Accrued trade receivables              | (660,149)      | (985,267) | (1,098,554) |
|  | <u>—</u>       | <u>—</u>  | <u>—</u>    |

During the years ended 31 December 2013, 2014 and 2015, borrowing costs of nil, RMB28,479,000 and RMB65,108,000 respectively, arising from borrowings obtained specifically to finance the cost of construction were capitalised in the costs incurred for the construction contracts. Borrowing costs have been capitalised at rates ranging from 6.77% to 17% and from 5.83% to 17% per annum during the year ended 31 December 2014 and 2015.

**16 Other receivables and deposits**

|  | Group          |                |                |
|--|----------------|----------------|----------------|
|  | At 31 December |                |                |
|  | 2013           | 2014           | 2015           |
|  | RMB'000        | RMB'000        | RMB'000        |
| Advances to contractors  | 113,915        | 46,662         | 1,242          |
| Deposits paid for acquisition of property development projects | 48,700         | 29,895         | 20,674         |
| Other deposits   | 92,430         | 80,637         | 77,717         |
| Other receivables  | 11,070         | 19,367         | 102,813        |
| Others   | 14,595         | 16,414         | 19,425         |
|  | <u>280,710</u> | <u>192,975</u> | <u>221,871</u> |

Included in other receivables and deposits of the Group is allowance for impairment losses on other receivables of RMB4,040,000 as at 31 December 2013, 2014 and 2015.

**Deposits paid for acquisition of property development projects**

The deposits of RMB48,700,000 as at 31 December 2013 were paid to Henan Jinwei Property Co., Ltd. ("Henan Jinwei") (a former subsidiary of the Company, see Note 37) for the purchase of completed units in an office building to be developed by Henan Jinwei. The transaction was completed during the year ended 31 December 2014.

The deposits paid for new property development projects amounted to RMB29,895,000 and RMB20,674,000 as at 31 December 2014 and 2015 respectively are related to deposits paid to a third party to acquire land use rights in Danzhou City Hainan Province, the PRC.

**Other deposits**

Included in other deposits as at 31 December 2013, 2014, and 2015 is an amount of RMB60,000,000 paid to the relevant authority for the successful tender of a plot of land in Xing Long, the PRC, at a tender price of RMB180,000,000 in the previous years. The deposit paid is refundable and the remaining balance of the tender price of RMB120,000,000 will be due immediately upon signing of the official land agreement with the relevant government authority. The official land agreement will be signed when the plot of land is ready for handover to the Group.

**Other receivables**

Included in other receivables as at 31 December 2015 is a secured and interest bearing loan to a third party amounting to RMB56,540,000 carrying interest at 20.0% per annum.

**Impairment loss**

The movements in allowance for impairment loss in respect of other receivables are as follows:

|                                     | Group                  |                |                |
|-------------------------------------|------------------------|----------------|----------------|
|                                     | Year ended 31 December |                |                |
|                                     | 2013                   | 2014           | 2015           |
|                                     | RMB'000                | RMB'000        | RMB'000        |
| At 1 January and 31 December        | 4,040                  | 4,040          | 4,040          |
| <b>17 Prepayments</b>               |                        |                |                |
|                                     | Group                  |                |                |
|                                     | At 31 December         |                |                |
|                                     | 2013                   | 2014           | 2015           |
|                                     | RMB'000                | RMB'000        | RMB'000        |
| Prepaid construction material costs | 20,159                 | 82,848         | 85,932         |
| Interior design costs               | –                      | 16,330         | –              |
| Pre-development land costs          | –                      | 138,619        | 565,009        |
| Others                              | 2,827                  | 6,655          | 13,412         |
|                                     | <u>22,986</u>          | <u>244,452</u> | <u>664,353</u> |

**Pre-development land costs**

During the year ended 31 December 2014 and 2015, the Group incurred pre-development land costs amounting to RMB138,619,000 and RMB64,890,000 respectively, for a plot of land that the land use right will be granted to the Group by the local government in Zhengzhou, the PRC, upon completion of the pre-development works. These pre-development land costs are costs incurred for all the necessary works undertaken by the Group in relation to the relocation of existing buildings constructed on the plot of land and resettlement of the residents. These costs will be transferred to development properties upon receipt of the legal title of the land use rights.

In December 2015, the Group has been granted the land use right and prepaid the transfer price of RMB361,500,000. As at 31 December 2015, the land use rights certificate has not been obtained.

**18 Cash at banks and on hand**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprised the following amounts as at 31 December:

|   |      | Group          |                |                |
|---|------|----------------|----------------|----------------|
|   |      | At 31 December |                |                |
|   |      | 2013           | 2014           | 2015           |
|   | Note | RMB'000        | RMB'000        | RMB'000        |
| Cash at banks and on hand   |      | 553,269        | 593,230        | 883,610        |
| Less: Restricted cash   |      | (19,061)       | (218,044)      | (575,061)      |
| Less: Bank overdraft  | 22   | —              | —              | (2,954)        |
| Total cash and cash equivalents in the consolidated statement of cash flows |      | <u>534,208</u> | <u>375,186</u> | <u>305,595</u> |

As at 31 December 2013, 2014 and 2015, the cash at banks balances of the PRC subsidiaries comprising the Group is not freely convertible into other currencies and subject to the Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations of the PRC.

Certain subsidiaries are required to set aside certain amount of the customers' bank loans as restricted cash. The restricted cash amounting to RMB19,061,000, RMB70,044,000 and RMB35,773,000 at the end of each reporting period mainly represent pledged deposits held in the designated bank accounts of the Group until the customers' title documents have been obtained and transferred to the banks. As at 31 December 2014 and 2015, the balances of restricted cash also included the deposits pledged to a bank as security for loans to a subsidiary of the Group, which amounted to RMB148,000,000 and RMB539,288,000, respectively.

Cash at banks and on hand of the Company as at 31 December 2013, 2014 and 2015 are mainly deposits held with banks located in Singapore.



**19 Assets/Liability held for sale**

At the end of each reporting period, "Assets held for sale" and "Liabilities held for sale" on the consolidated statement of financial position comprised the following:

|                                  | Note | Group          |                |                |
|----------------------------------|------|----------------|----------------|----------------|
|                                  |      | At 31 December |                |                |
|                                  |      | 2013           | 2014           | 2015           |
|                                  |      | RMB'000        | RMB'000        | RMB'000        |
| <b>Assets held for sale</b>      |      |                |                |                |
| Investment properties            | 6    | –              | –              | 40,000         |
| Leasehold building               |      | –              | 20,827         | –              |
| Investment in joint venture      |      | –              | 110,000        | 110,000        |
| Cash and cash equivalents        |      | –              | –              | –              |
|                                  |      | –              | <u>130,827</u> | <u>150,000</u> |
|                                  |      | –              | –              | –              |
| <b>Liabilities held for sale</b> |      |                |                |                |
| Deferred tax liability           |      | –              | 2,762          | –              |
| Trade and other payables         |      | –              | –              | –              |
|                                  |      | –              | <u>2,762</u>   | –              |
|                                  |      | –              | –              | –              |

On 14 November 2014, the Group entered into a sale and purchase agreement to dispose of one of its leasehold buildings with a carrying amount of RMB20,827,000. The disposal was completed on 16 June 2015.

On 17 June 2014, the Group completed the acquisition of 51% equity interest in Hanfang Yaoye for a consideration of RMB110 million. The Group acquired the interest in Hanfang Yaoye with the intention of securing an interest in a land use rights in Zhengzhou, the PRC. Pursuant to a collaboration agreement entered into between the Group and the vendor of the 51% equity interest in Hanfang Yaoye, the Group's equity interest in Hanfang Yaoye is limited to the rights over matters relating to the land use rights but not other operations of Hanfang Yaoye. A newly incorporated entity, Henan Hanwei Zhiye Co., Ltd ("Hanwei Zhiye"), has been set up on 8 December 2014 for the purpose of the transfer of the land use rights from Hanfang Yaoye to Hanwei Zhiye and the development of a property project on the land use rights. Upon completion of the transfer of the land use rights, the Group would dispose of its 51% equity interest in Hanfang Yaoye to the other shareholders of Hanfang Yaoye at a nominal consideration. The land use right is expected to be transferred to Hanwei Zhiye in the first half of 2016. Except for the transfer of the land use rights, Hanwei Zhiye had no other operation since its date of incorporation.

## 20 Share capital

|   | Group            |                  |                  |                  |                |                  |
|---|------------------|------------------|------------------|------------------|----------------|------------------|
|   | At 31 December   |                  |                  |                  |                |                  |
|   | 2013             |                  | 2014             |                  | 2015           |                  |
|   | No. of shares    |                  | No. of shares    |                  | No. of shares  |                  |
| '000  | RMB'000          | '000             | RMB'000          | '000             | RMB'000        |                  |
| Fully paid ordinary shares, with no par value | <u>1,961,335</u> | <u>359,700</u>   | <u>1,961,335</u> | <u>359,700</u>   | <u>196,133</u> | <u>359,700</u>   |
|   | Company          |                  |                  |                  |                |                  |
|   | At 31 December   |                  |                  |                  |                |                  |
|   | 2013             |                  | 2014             |                  | 2015           |                  |
|   | No. of shares    |                  | No. of shares    |                  | No. of shares  |                  |
|   | '000             | RMB'000          | '000             | RMB'000          | '000           | RMB'000          |
| Fully paid ordinary shares, with no par value | <u>1,961,335</u> | <u>1,737,554</u> | <u>1,961,335</u> | <u>1,737,554</u> | <u>196,133</u> | <u>1,737,554</u> |

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

At 31 December 2013, 2014 and 2015, there were no outstanding share options issued by the Company.

On 28 August 2015, the directors of the Company proposed to undertake a share consolidation exercise to consolidate every ten existing ordinary shares in the capital of the Company into one ordinary share. The share consolidation took place on 8 December 2015.

## 21 Reserves

|  | Group          |                |                | Company         |                 |                 |
|--|----------------|----------------|----------------|-----------------|-----------------|-----------------|
|  | At 31 December |                |                | At 31 December  |                 |                 |
|  | 2013           | 2014           | 2015           | 2013            | 2014            | 2015            |
|  | RMB'000        | RMB'000        | RMB'000        | RMB'000         | RMB'000         | RMB'000         |
| Merger reserve                             | (59,669)       | (59,669)       | (59,669)       | –               | –               | –               |
| Capital reserve                            | (550)          | (550)          | (550)          | –               | –               | –               |
| Foreign currency translation reserve       | (18,755)       | (11,383)       | (12,235)       | 9,424           | 8,479           | 7,615           |
| Fair value reserve                         | 1,440          | 535            | –              | 957             | 48              | –               |
| Statutory and other reserves               | 56,263         | 64,814         | 80,627         | –               | –               | –               |
| Employee share option reserve              | –              | –              | –              | 582             | 582             | 582             |
| Retained earnings/<br>(Accumulated losses) | 458,750        | 693,845        | 772,150        | (74,001)        | (80,028)        | (78,086)        |
|  | <u>437,479</u> | <u>687,592</u> | <u>780,323</u> | <u>(63,038)</u> | <u>(70,919)</u> | <u>(69,889)</u> |

*(a) Merger reserve*

Merger reserve represents the difference between the consideration paid and the paid-in capital of the subsidiaries when entities under common control are accounted for by applying the pooling of interest method. The above merger reserve is generated from the restructuring of Group's property development business in 2010.

*(b) Capital reserve*

This represents the difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid that is recognised directly in equity and attributed to the parent as a result of changes in the Company's ownership interest in a subsidiary. Such changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

*(c) Foreign currency translation reserve*

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

*(d) Fair value reserve*

Fair value reserve represents the cumulative fair value changes on the financial assets available-for-sale until they are disposed of or impaired.

Movements in the reserves are shown in the consolidated statements of changes in equity.

*(e) Statutory and other reserves*

In accordance with the Foreign Enterprise Law applicable to entities in the PRC, the Company's PRC subsidiaries are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the profit after tax as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the PRC entity registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the PRC entity. The SRF is not available for dividend distribution to shareholders.

*(f) Employee share option reserve*

This represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options.

**Dividends**

Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the Relevant Periods:

|  | Group and Company      |               |         |
|--|------------------------|---------------|---------|
|  | Year ended 31 December |               |         |
|  | 2013                   | 2014          | 2015    |
|  | RMB'000                | RMB'000       | RMB'000 |
| nil, nil, S\$0.0015 and nil per qualifying ordinary shares | —                      | <u>14,649</u> | —       |

**22 Loans and borrowings**

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and liquidity risks, see Note 38.

|                                | Group          |                  |                  |
|--------------------------------|----------------|------------------|------------------|
|                                | At 31 December |                  |                  |
|                                | 2013           | 2014             | 2015             |
|                                | RMB'000        | RMB'000          | RMB'000          |
| <b>Current liabilities</b>     |                |                  |                  |
| Secured bank loans             | 343,931        | 715,150          | 607,338          |
| Bank overdrafts                | —              | —                | 2,954            |
| Other secured loan             | —              | —                | 145,000          |
| Finance lease liabilities      | 43             | —                | 110              |
|                                | <u>343,974</u> | <u>715,150</u>   | <u>755,402</u>   |
| <b>Non-current liabilities</b> |                |                  |                  |
| Secured bank loans             | 568,590        | 849,296          | 1,127,431        |
| Other secured loans            | —              | 110,000          | 395,000          |
| Finance lease liabilities      | —              | —                | 124              |
| Unamortised transaction costs  | —              | (23,868)         | (23,040)         |
|                                | <u>568,590</u> | <u>935,428</u>   | <u>1,499,515</u> |
|                                | <u>912,564</u> | <u>1,650,578</u> | <u>2,254,917</u> |

**Terms and debt repayment schedule**

Terms and conditions of outstanding loans and borrowings are as follows:

|                                    | Currency | Nominal interest rate | Year of maturity | At 31 December |                 |            |                 |            |                 |
|------------------------------------|----------|-----------------------|------------------|----------------|-----------------|------------|-----------------|------------|-----------------|
|                                    |          |                       |                  | 2013           |                 | 2014       |                 | 2015       |                 |
|                                    |          |                       |                  | Face value     | Carrying amount | Face value | Carrying amount | Face value | Carrying amount |
|                                    |          | %                     | RMB'000          | RMB'000        | RMB'000         | RMB'000    | RMB'000         | RMB'000    | RMB'000         |
| <b>Group</b>                       |          |                       |                  |                |                 |            |                 |            |                 |
| Secured bank loans                 | RMB      | 5.16 – 12.00          | 2015             | –              | –               | 714,000    | 714,000         | –          | –               |
| Secured bank loans                 | RMB      | 5.83 – 10.20          | 2016             | 904,000        | 904,000         | 60,000     | 60,000          | 606,300    | 606,300         |
| Secured bank loans                 | RMB      | 5.83 – 9.00           | 2017             | –              | –               | 622,800    | 622,800         | 900,300    | 900,300         |
| Secured bank loans                 | RMB      | 5.83 – 6.04           | 2018             | –              | –               | –          | –               | 65,500     | 65,500          |
| Secured bank loans                 | MYR      | 3.47 – 3.50           | 2014             | 3,878          | 3,878           | –          | –               | –          | –               |
| Secured bank loans                 | MYR      | 5.35                  | 2015             | –              | –               | 1,150      | 1,150           | –          | –               |
| Secured bank loans                 | MYR      | 5.35                  | 2016             | –              | –               | –          | –               | 1,029      | 1,029           |
| Secured bank loans                 | MYR      | 5.35 – 7.35           | 2017             | 4,643          | 4,643           | 2,218      | 2,218           | 864        | 864             |
| Secured bank loans                 | SGD      | 2.98                  | 2017             | –              | –               | 164,278    | 164,278         | 160,776    | 160,776         |
| Other secured loans                | RMB      | 12.00 – 17.00         | 2016             | –              | –               | 110,000    | 110,000         | 145,000    | 145,000         |
| Other secured loans                | RMB      | 12.00 – 17.00         | 2017             | –              | –               | –          | –               | 395,000    | 395,000         |
| Bank overdrafts                    | MYR      | 0.75 – 2.00           | 2013             | –              | –               | –          | –               | –          | –               |
| Bank overdrafts                    | MYR      | 0.75 – 2.00           | 2016             | –              | –               | –          | –               | 2,954      | 2,954           |
| Finance lease liabilities          | SGD      | 2.98                  | 2014             | 12             | 12              | –          | –               | –          | –               |
| Finance lease liabilities          | MYR      | 2.55 – 3.20           | 2014             | 31             | 31              | –          | –               | –          | –               |
| Finance lease liabilities          | MYR      | 3.30                  | 2016             | –              | –               | –          | –               | 110        | 110             |
| Finance lease liabilities          | MYR      | 3.30                  | 2018             | –              | –               | –          | –               | 124        | 124             |
| Total interest-bearing liabilities |          |                       |                  | 912,564        | 912,564         | 1,674,446  | 1,674,446       | 2,277,957  | 2,277,957       |

The secured bank loans of the Group are pledged by the property, plant and equipment, investment properties, development properties of certain subsidiaries and restricted bank deposits (see Notes 4, 6, 13 and 18) as well as guarantees provided by related parties and third parties.

The secured bank loans of RMB550 million, RMB1,214 million and RMB798 million as at 31 December 2013, 2014 and 2015 are guaranteed by the director and other related parties.

Other secured loans represent capital contributed in cash by a third party trust to subsidiaries of the Group. In accordance with the respective agreements with one of the subsidiary, the trust does not have any entitlement to the profit or loss of the subsidiaries, other than a prescribed annual return at an effective rate of 17% per annum. The loan is secured by the Group's 100% equity interest in that subsidiary. The loan is repayable at its nominal value within 2 years after the capital contribution. The total annual prescribed returns of RMB15 million for the year ended 31 December 2014 and RMB14 million for the year ended 31 December 2015 are capitalised in development properties, respectively.

**Finance lease obligations**

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

|                                     |          | At 31 December            |                               |                           |          |                           |                               |          |                           |                               |                           |
|-------------------------------------|----------|---------------------------|-------------------------------|---------------------------|----------|---------------------------|-------------------------------|----------|---------------------------|-------------------------------|---------------------------|
|                                     |          | 2013                      |                               | 2014                      |          | 2014                      |                               | 2015     |                           | 2015                          |                           |
| Future minimum lease payments       | Interest | Present value of payments | Future minimum lease payments | Present value of payments | Interest | Present value of payments | Future minimum lease payments | Interest | Present value of payments | Future minimum lease payments | Present value of payments |
| RMB'000                             | RMB'000  | RMB'000                   | RMB'000                       | RMB'000                   | RMB'000  | RMB'000                   | RMB'000                       | RMB'000  | RMB'000                   | RMB'000                       | RMB'000                   |
| Group                               |          |                           |                               |                           |          |                           |                               |          |                           |                               |                           |
| Within one year                     | 44       | 1                         | 43                            | -                         | -        | -                         | 121                           | 11       | 110                       |                               |                           |
| After one year but within two years | -        | -                         | -                             | -                         | -        | -                         | 129                           | 5        | 124                       |                               |                           |
|                                     | 44       | 1                         | 43                            | -                         | -        | -                         | 250                           | 16       | 234                       |                               |                           |
|                                     |          |                           |                               |                           |          |                           |                               |          |                           |                               |                           |

Finance lease terms do not contain restrictions on the Company's activities concerning dividends, additional debts or further finance leases.

## 23 Trade and other payables

|  | Group            |                  |                  |
|--|------------------|------------------|------------------|
|  | At 31 December   |                  |                  |
|  | 2013             | 2014             | 2015             |
|  | RMB'000          | RMB'000          | RMB'000          |
| Trade payables   | 353,701          | 442,944          | 434,626          |
| Amounts due to:  |                  |                  |                  |
| – directors (non-trade)  | 10,000           | 40,000           | –                |
| Advance receipts from sale of properties                                       | 336,448          | 409,366          | 343,786          |
| Refundable deposits received from prospective buyers of development properties | 422,443          | 278,690          | –                |
| Retention deposits payable to contractors                                      | 30,984           | 23,830           | 32,610           |
| Advance receipts from customers of equipment                                   | 808              | 980              | –                |
| Accrued operating expenses   | 8,282            | 10,992           | 15,033           |
| Interest payables  | 3,233            | 2,233            | 6,158            |
| Loans from third parties   | –                | –                | 285,650          |
| Other payables   | 30,130           | 17,277           | 21,678           |
|  | <u>1,196,029</u> | <u>1,226,312</u> | <u>1,139,541</u> |

The Group's and the Company's exposure to currency and liquidity risk related to trade and other payables are disclosed in Note 38.

Trade and other payables of the Company mainly represented amounts due to subsidiaries, which are unsecured and interest-free, and are repayable on demand. As at 31 December 2015, included in trade and other payables balances is an amount of SGD6.37 million (equivalent to approximately RMB29.3 million) due to a subsidiary arising from the issuance of new shares to the Company by the subsidiary in November 2015.

The non-trade amounts due to directors are unsecured and are repayable on demand. At 31 December 2014, the non-trade amounts due to directors of RMB30,000,000 bear interest at 18% per annum. The remaining balances are interest-free. Interest rate reprices every year.

The aging of trade payables of the Group at the reporting date is as follows:

|                            | Group          |                |                |
|----------------------------|----------------|----------------|----------------|
|                            | At 31 December |                |                |
|                            | 2013           | 2014           | 2015           |
|                            | RMB'000        | RMB'000        | RMB'000        |
| Not past due               | 224,368        | 399,175        | 390,182        |
| Past due 1 – 30 days       | 74,455         | 23,545         | 18,034         |
| Past due 31 – 60 days      | 49,920         | 6,788          | 963            |
| Past due 61 – 90 days      | 101            | 13,229         | 15,625         |
| Past due more than 90 days | 4,857          | 207            | 9,822          |
|                            | <u>353,701</u> | <u>442,944</u> | <u>434,626</u> |

***Advance receipts from sale of properties***

Advance receipts from sale of properties represent amounts received from buyers of completed properties and will be recognised as revenue when the criteria described in Note 35 for revenue recognition from sales of development property are met. Refundable deposits will be transferred to advance receipts from sale of property once the respective development property sales agreement is signed. They are unsecured and interest-free.

***Refundable deposits received from prospective buyers of development properties***

The refundable deposits relate to amounts received from prospective buyers with an aim to secure the purchase of completed units of residential projects to be developed by the Group.

***Retention deposits payable to contractors***

Retention deposits payable to contractors represent 5% of the construction sum that are retained by the Group and are payable to the contractors in one or two years after the completion of the respective project to guarantee project quality.

***Loans from third parties***

On 7 September 2015, the Group drawn down a loan from a third party amounting to RMB20 million, which is unsecured and is repayable within three months from the date of the loan agreement. Interest is charged at the rate of 15% per annum.

On 19 October 2015, 30 October 2015 and 30 November 2015, the Group drawn down loans from a third party amounting to RMB100 million, RMB150 million and RMB15,650,000 respectively, which are unsecured, interest free and are repayable within one year from the date of loan agreements.

**24 Significant related parties transactions*****(i) Key management personnel compensation***

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling activities of the Group. The Group considered the directors of the Company and those of its subsidiaries as key management personnel.

|   | Year ended 31 December |              |              |
|---|------------------------|--------------|--------------|
|   | 2013                   | 2014         | 2015         |
|   | RMB'000                | RMB'000      | RMB'000      |
| Directors' fees   |                        |              |              |
| – directors of the Company  | 957                    | 954          | 813          |
| Salaries, representing total compensation to key management personnel | 6,209                  | 6,791        | 5,787        |
| Other welfare fund  | 242                    | 171          | 171          |
| Central Provident Fund (“CPF”) and the defined contributions          | 70                     | 148          | 143          |
|   | <u>7,478</u>           | <u>8,064</u> | <u>6,914</u> |
| Comprises amounts paid/payable to:                                    |                        |              |              |
| – directors of the Company  | 3,438                  | 4,190        | 4,256        |
| – other key management personnel                                      | 4,040                  | 3,874        | 2,658        |
|   | <u>7,478</u>           | <u>8,064</u> | <u>6,914</u> |



**(ii) Related party transactions**

In addition to the related party information disclosed elsewhere in the Financial Information, the Group entered into the following material related party transactions carried out in the normal course of business on terms agreed between the parties during the Relevant Periods.

The aggregate value of transactions with related parties were as follows:

|  | Year ended 31 December |         |         |
|--|------------------------|---------|---------|
|  | 2013                   | 2014    | 2015    |
|  | RMB'000                | RMB'000 | RMB'000 |
| Continued related party transactions   |                        |         |         |
| Lease expenses paid to a director and his associate (i)  | 340                    | 340     | 422     |
| Other related party transactions   |                        |         |         |
| Rendering of services by a director of the Company   | 30                     | 30      | 30      |
| Sale of residential units to directors and their associates, and key management personnel (ii) | —                      | 862     | —       |

Notes:

- (i) Since 2008, the Group has been leasing office space from its director, Mr. Zhang Jianwei, and his associate.
- (ii) These residential units were sold at their respective prevailing selling prices.

**25 Revenue**

|                                   | Year ended 31 December |                  |                  |
|-----------------------------------|------------------------|------------------|------------------|
|                                   | 2013                   | 2014             | 2015             |
|                                   | RMB'000                | RMB'000          | RMB'000          |
| Sales of development properties   | 646,330                | 899,287          | 1,044,480        |
| Revenue from housing construction | 660,149                | 325,118          | 113,287          |
| Sales of goods                    | 70,474                 | 69,334           | 76,924           |
|                                   | <u>1,376,953</u>       | <u>1,293,739</u> | <u>1,234,691</u> |

Business and geographical segment information is detailed in Note 35.

## 26 Other net income

|  | Note | Year ended 31 December |                |               |
|--|------|------------------------|----------------|---------------|
|  |      | 2013                   | 2014           | 2015          |
|  |      | RMB'000                | RMB'000        | RMB'000       |
| Negative goodwill arising from acquisition of a subsidiary                           | 36   | 16,677                 | –              | –             |
| Gain on disposal of a subsidiary   | 37   | 60,748                 | –              | –             |
| Gain on disposal of an investment property   |      | –                      | –              | 2,209         |
| Gain on disposal of assets held for sale   |      | –                      | –              | 5,710         |
| Loss/gain on disposal of fixed assets  |      | (11)                   | 102            | 8,203         |
| Net gain on disposal of financial assets available-for-sale reclassified from equity |      | –                      | 917            | 563           |
| Change in fair value of investment properties  | 6    | –                      | 247,672        | 22,124        |
| Changes in fair value of other financial assets                                      |      | –                      | 614            | (756)         |
| Commission income  |      | 147                    | 296            | 176           |
| Government grants  |      | 3,820                  | –              | 500           |
| Rental income  |      | –                      | 2,383          | 2,000         |
| Others   |      | 3,406                  | 3,651          | 5,035         |
|  |      | <u>84,787</u>          | <u>255,635</u> | <u>45,764</u> |

## 27 Net finance costs

|   | Year ended 31 December |                  |                  |
|---|------------------------|------------------|------------------|
|   | 2013                   | 2014             | 2015             |
|   | RMB'000                | RMB'000          | RMB'000          |
| Interest income on                                      |                        |                  |                  |
| – bank deposits   | 2,943                  | 3,720            | 21,629           |
| – other loans and receivables                           | –                      | –                | 21,345           |
| Finance income  | <u>2,943</u>           | <u>3,720</u>     | <u>42,974</u>    |
| Interest expenses on                                    |                        |                  |                  |
| – bank loans  | (66,441)               | (114,915)        | (152,509)        |
| – other loans and payables                              | (2,611)                | (1,861)          | (4,961)          |
| Bank charges and others                                 | (730)                  | (1,041)          | (7,800)          |
| Total interest expenses                                 | <u>(69,782)</u>        | <u>(117,817)</u> | <u>(165,270)</u> |
| Finance costs capitalised in development properties     | 64,858                 | 79,654           | 51,743           |
| Finance costs capitalised in construction projects      | –                      | 28,479           | 65,108           |
| Finance cost  | <u>(4,924)</u>         | <u>(9,684)</u>   | <u>(48,419)</u>  |
| Net finance (costs)/income recognised in profit or loss | <u>(1,981)</u>         | <u>(5,964)</u>   | <u>(5,445)</u>   |

## 28 Directors' remuneration

| Year ended 31 December 2013         |                 |   |                       |                                 |              |                      |              |
|-------------------------------------|-----------------|---|-----------------------|---------------------------------|--------------|----------------------|--------------|
|                                     | Directors' fees | Salaries, allowances and benefits in kind | Discretionary bonuses | Retirement scheme contributions | Sub-Total    | Share-based payments | Total        |
|                                     | RMB'000         | RMB'000                                   | RMB'000               | RMB'000                         | RMB'000      | RMB'000              | RMB'000      |
| Chairman                            |                 |   |                       |                                 |              |                      |              |
| Zhang Wei                           | –               | 1,408                                     | –                     | 57                              | 1,465        | –                    | 1,465        |
| Executive directors                 |                 |   |                       |                                 |              |                      |              |
| Chen Zhiyong                        | –               | 963                                       | –                     | 53                              | 1,016        | –                    | 1,016        |
| Non-executive directors             |                 |   |                       |                                 |              |                      |              |
| Zhang Jianwei                       | 191             | –   | –                     | –                               | 191          | –                    | 191          |
| Independent non-executive directors |                 |   |                       |                                 |              |                      |              |
| Ong Kian Guan                       | 263             | –   | –                     | –                               | 263          | –                    | 263          |
| Dong Xincheng                       | 239             | –   | –                     | –                               | 239          | –                    | 239          |
| Chia Wei Ho                         | 264             | –   | –                     | –                               | 264          | –                    | 264          |
|                                     | <u>957</u>      | <u>2,371</u>                              | <u>–</u>              | <u>110</u>                      | <u>3,438</u> | <u>–</u>             | <u>3,438</u> |

| Year ended 31 December 2014         |                 |   |                       |                                 |              |                      |              |
|-------------------------------------|-----------------|---|-----------------------|---------------------------------|--------------|----------------------|--------------|
|                                     | Directors' fees | Salaries, allowances and benefits in kind | Discretionary bonuses | Retirement scheme contributions | Sub-Total    | Share-based payments | Total        |
|                                     | RMB'000         | RMB'000                                   | RMB'000               | RMB'000                         | RMB'000      | RMB'000              | RMB'000      |
| Chairman                            |                 |   |                       |                                 |              |                      |              |
| Zhang Wei                           | –               | 1,975                                     | –                     | 76                              | 2,051        | –                    | 2,051        |
| Executive directors                 |                 |   |                       |                                 |              |                      |              |
| Chen Zhiyong                        | –               | 1,113                                     | –                     | 72                              | 1,185        | –                    | 1,185        |
| Non-executive directors             |                 |   |                       |                                 |              |                      |              |
| Zhang Jianwei                       | 194             | –   | –                     | –                               | 194          | –                    | 194          |
| Independent non-executive directors |                 |   |                       |                                 |              |                      |              |
| Ong Kian Guan                       | 267             | –   | –                     | –                               | 267          | –                    | 267          |
| Dong Xincheng                       | 243             | –   | –                     | –                               | 243          | –                    | 243          |
| Oh Eng Bin                          | 183             | –   | –                     | –                               | 183          | –                    | 183          |
| Chia Wei Ho                         | 67              | –   | –                     | –                               | 67           | –                    | 67           |
|                                     | <u>954</u>      | <u>3,088</u>                              | <u>–</u>              | <u>148</u>                      | <u>4,190</u> | <u>–</u>             | <u>4,190</u> |

## Year ended 31 December 2015

|                                     | Directors' fees | Salaries, allowances and benefits in kind | Discretionary bonuses | Retirement scheme contributions | Sub-Total    | Share-based payments | Total        |
|-------------------------------------|-----------------|---|-----------------------|---------------------------------|--------------|----------------------|--------------|
|                                     | RMB'000         | RMB'000                                   | RMB'000               | RMB'000                         | RMB'000      | RMB'000              | RMB'000      |
| Chairman                            |                 |   |                       |                                 |              |                      |              |
| Zhang Wei                           | –               | 2,110                                     | –                     | 102                             | 2,212        | –                    | 2,212        |
| Executive directors                 |                 |   |                       |                                 |              |                      |              |
| Chen Zhiyong                        | –               | 1,136                                     | –                     | 94                              | 1,230        | –                    | 1,230        |
| Non-executive directors             |                 |   |                       |                                 |              |                      |              |
| Zhang Jianwei                       | 106             | –   | –                     | –                               | 106          | –                    | 106          |
| Independent non-executive directors |                 |   |                       |                                 |              |                      |              |
| Ong Kian Guan                       | 251             | –   | –                     | –                               | 251          | –                    | 251          |
| Dong Xincheng                       | 228             | –   | –                     | –                               | 228          | –                    | 228          |
| Oh Eng Bin                          | 228             | –   | –                     | –                               | 228          | –                    | 228          |
|                                     | <u>813</u>      | <u>3,246</u>                              | <u>–</u>              | <u>196</u>                      | <u>4,255</u> | <u>–</u>             | <u>4,255</u> |

Mr. Ong Kian Guan and Mr. Oh Eng Bin were appointed to the board on 1 May 2012 and 1 April 2014, respectively. Mr. Chow Weu Kwan, Mr. Chia Wei Ho and Mr. Zhang Jianwei resigned from the board on 15 February 2012, 31 March 2014 and 4 August 2015, respectively.

No directors of the Company waived or agreed to waive any remuneration during the Relevant Periods. During the Relevant Periods, there were no amounts paid or payable by the Group to the directors or any of the five highest paid individuals set out in Note 29 below as an inducement to join or upon joining the Group or as compensation for loss of office.

## 29 Individuals with highest emoluments

|                                 | Year ended 31 December |              |              |
|---------------------------------|------------------------|--------------|--------------|
|                                 | 2013                   | 2014         | 2015         |
|                                 | RMB'000                | RMB'000      | RMB'000      |
| Salaries and other emoluments   | 5,408                  | 6,560        | 6,883        |
| Retirement scheme contributions | 241                    | 310          | 368          |
|                                 | <u>5,649</u>           | <u>6,870</u> | <u>7,251</u> |

Of the five highest individuals during the Relevant Periods, 2 are the directors of the Group for the years ended 31 December 2013, 2014 and 2015, respectively, whose emoluments are reflected in the analysis presented in Note 28. The emoluments of remaining individuals with the highest emoluments are within the following bands:

|                               | Year ended 31 December |          |          |
|-------------------------------|------------------------|----------|----------|
|                               | 2013                   | 2014     | 2015     |
| Nil – HK\$1,000,000           | –                      | 1        | –        |
| HK\$1,000,001 – HK\$1,500,000 | 3                      | 1        | 2        |
| HK\$1,500,001 – HK\$2,000,000 | –                      | 1        | 1        |
|                               | <u>3</u>               | <u>3</u> | <u>3</u> |

**30 Profit before income tax**

The following items have been included in arriving at (loss)/profit before income tax:

|   | Note | Group                  |               |               |
|---|------|------------------------|---------------|---------------|
|   |      | Year ended 31 December |               |               |
|   |      | 2013                   | 2014          | 2015          |
|   |      | RMB'000                | RMB'000       | RMB'000       |
| Depreciation of property, plant and equipment   | 4    | 6,054                  | 5,903         | 6,516         |
| Amortisation of intangible assets   | 5    | 187                    | 178           | 171           |
| Allowance for impairment loss (reversed)/made on trade, other receivables and prepayments | 14   | 35                     | –             | –             |
| Allowance for impairment loss made/(reversed) on club membership                          | 10   | 12                     | (12)          | 20            |
| Business tax included in cost of sales  |      | 42,631                 | 54,959        | 61,916        |
| Audit fees for:   |      |                        |               |               |
| – auditors of the Company   |      | 2,196                  | 2,200         | 4,048         |
| – other auditors  |      | 226                    | 396           | 311           |
| Employee benefits expenses (see below)  |      | 50,883                 | 60,313        | 60,371        |
| Operating lease expenses  |      | 3,694                  | 2,970         | 2,922         |
| Loss/(Gain) on disposal of property, plant and equipment                                  |      | 11                     | (102)         | –             |
| Property, plant and equipment written off   | 4    | 175                    | 34            | 5             |
| Loss on disposal of club membership   | 10   | –                      | 25            | –             |
| <b>Employee benefits expense</b>  |      |                        |               |               |
| Directors' fees   |      | 957                    | 954           | 1,014         |
| Salaries, bonuses and other costs   |      | 42,750                 | 53,186        | 52,243        |
| PRC statutory welfare fund  |      | 5,753                  | 4,630         | 5,456         |
| Contributions to defined contribution plans   |      | 1,423                  | 1,543         | 1,658         |
|   |      | <u>50,883</u>          | <u>60,313</u> | <u>60,371</u> |

## 31 Income tax expense

|  | Year ended 31 December |                |                |
|--|------------------------|----------------|----------------|
|  | 2013                   | 2014           | 2015           |
|  | RMB'000                | RMB'000        | RMB'000        |
| <b>Current tax expense</b>                                     |                        |                |                |
| Current year income tax  | 41,945                 | 41,878         | 61,423         |
| (Over)/under provision in respect of prior years               | 111                    | –              | (1,887)        |
|  | <u>42,056</u>          | <u>41,878</u>  | <u>59,536</u>  |
| <b>Deferred tax expense</b>                                    |                        |                |                |
| Origination and reversal of temporary differences              | 26,181                 | 76,396         | 11,871         |
| Withholding tax on the profits of the Group's PRC subsidiaries | 23,779                 | 24,102         | 13,010         |
| Over provision in respect of prior years                       | –                      | (49)           | –              |
|  | <u>49,960</u>          | <u>100,449</u> | <u>24,881</u>  |
| <b>Land appreciation tax expense</b>                           |                        |                |                |
| Land appreciation tax  | 29,074                 | 41,157         | 35,149         |
| Over provision in respect of prior years                       | (19,798)               | –              | (15,134)       |
|  | <u>9,276</u>           | <u>41,157</u>  | <u>20,015</u>  |
| Income tax expense   | <u>101,292</u>         | <u>183,484</u> | <u>104,432</u> |

**(i) Current income tax**

The income tax of the Company and its subsidiaries incorporated in Singapore, the PRC, Hong Kong, Malaysia, and Thailand are calculated at 17%, 25%, 16.5%, 25% and 20%, respectively. The subsidiary incorporated in the British Virgin Islands is not subject to tax on its income.

Current income tax is calculated based on the estimated taxable income at the rate applicable to the entity.

According to the relevant PRC tax regulations, entities in property development business may be requested by the local tax authority to pay corporate income tax on a deemed profit basis. Taxable income under the deemed profit basis is calculated based on revenue from sales of development properties at a deemed profit rate determined by the tax authority. The Group's entities are not requested to use deemed profit basis for the year ended 31 December 2014 and the years thereafter.

**(ii) Land appreciation tax("LAT")**

LAT in the PRC is levied on properties developed for sale at progressive rates ranging from 30% to 60% on the appreciation of land value, which is calculated based on the sales proceeds of properties less deductible expenditures including lease charges of land use rights, borrowing costs and all qualified property development expenditures.

The actual LAT liabilities are subject to the determination of by the local tax authorities upon completion of the property development projects. Any differences between the actual outcomes and original estimates will be recognised in the profit or loss for period when the projects are completed.

**(iii) Withholding tax**

According to the Implementation Rules of the Corporate Income tax Law of PRC, the Company's subsidiaries in the PRC are levied a 10% withholding tax on dividends declared to their foreign investment holding companies arising from profit earned subsequent to 1 January 2008. In respect of dividends that are subject to the withholding tax, provision for withholding tax is recognised for the dividends that have been declared, and deferred tax liability is recognised for those to be declared in the foreseeable future.

|   | Year ended 31 December |                |                |
|---|------------------------|----------------|----------------|
|   | 2013                   | 2014           | 2015           |
|   | RMB'000                | RMB'000        | RMB'000        |
| <b>Reconciliation of effective tax rate</b>                             |                        |                |                |
| Profit before tax   | 283,723                | 454,506        | 211,024        |
| Tax using PRC tax rate of 25%   | 70,931                 | 113,627        | 52,756         |
| Tax effects of:   |                        |                |                |
| – difference in tax rate in different jurisdictions                     | 131                    | 34             | 438            |
| – application of different tax basis                                    | (1,208)                | 3,765          | 19,296         |
| – expenses not deductible for tax purposes                              | 719                    | 1,569          | 2,261          |
| – deferred tax asset not recognised                                     | 8,596                  | 9,015          | 8,332          |
| – utilisation of unrecognised deferred tax assets                       | (26)                   | (1,768)        | (4,809)        |
| – income not subjected to tax   | (5,762)                | –              | –              |
| – withholding tax at 10% on the profits of the Group's PRC subsidiaries | 23,779                 | 24,102         | 13,010         |
| – under/(over) provision for income tax in respect of prior years       | 111                    | –              | (1,887)        |
| – over provision for deferred tax in respect of prior year              | –                      | (49)           | –              |
| – land appreciation tax   | 29,074                 | 41,157         | 35,149         |
| – over provision for land appreciation tax in respect of prior year     | (19,798)               | –              | (15,134)       |
| – effect of tax deduction for land appreciation tax                     | (5,602)                | (8,619)        | (5,004)        |
| – others  | 347                    | 651            | 24             |
|   | <u>101,292</u>         | <u>183,484</u> | <u>104,432</u> |

**32 Earnings per share**

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share ("EPS") for the Relevant Periods:

|   | Year ended 31 December |                    |                |
|---|------------------------|--------------------|----------------|
|   | 2013                   | 2014               | 2015           |
|   | RMB'000                | RMB'000            | RMB'000        |
| <b>Basic earnings per share is based on</b>                     |                        |                    |                |
| Profit net of tax attributable to equity holders of the Company | <u>184,546</u>         | <u>258,295</u>     | <u>94,118</u>  |
|   | Number of shares       |                    |                |
|   | Year ended 31 December |                    |                |
|   | 2013                   | 2014               | 2015           |
|   | '000                   | '000               | '000           |
| Fully paid ordinary shares at 31 December                       | 1,961,335              | 1,961,335          | 196,133        |
| Effect of share consolidation                                   | <u>(1,765,202)</u>     | <u>(1,765,202)</u> | —              |
| Weighted average number of ordinary shares                      | <u>196,133</u>         | <u>196,133</u>     | <u>196,133</u> |
| Basic earnings per share (RMB cents)                            | <u>94.10</u>           | <u>131.69</u>      | <u>47.99</u>   |

On 27 November 2015, the shareholders of the Company approved of the proposed share consolidation of every ten existing shares in the capital of the Company into one ordinary share ("Share Consolidation"). The Share Consolidation was completed on 8 December 2015 and the number of ordinary shares was reduced to 196,133,152.

Basic EPS is calculated on the Group's profit for the reporting period attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the reporting period taking into account of the completion of the Share Consolidation on 8 December 2015.

Diluted EPS is same as basic EPS as there are no dilutive potential ordinary shares as at 31 December 2013, 2014 and 2015.



**33 Commitments****(a) Operating lease commitments – as lessee**

The Group has entered into various lease agreements for office premises and employees' accommodation. These leases have remaining non-cancellable lease terms of between 1 to 21 years. Minimum lease payments recognised as an expense in profit or loss for the years ended 31 December 2013, 2014 and 2015 amounted to RMB3,694,000, RMB2,970,000 and RMB2,922,000 respectively.

Future minimum rental payable under non-cancellable operating leases (excluding land use rights) at the end of the reporting period are as follows:

|   | Group          |              |              | Company        |            |          |
|---|----------------|--------------|--------------|----------------|------------|----------|
|   | At 31 December |              |              | At 31 December |            |          |
|   | 2013           | 2014         | 2015         | 2013           | 2014       | 2015     |
|   | RMB'000        | RMB'000      | RMB'000      | RMB'000        | RMB'000    | RMB'000  |
| Not later than one year                           | 1,386          | 2,044        | 2,630        | 469            | 115        | –        |
| Later than one year but not later than five years | 3,069          | 2,465        | 1,385        | 1,877          | –          | –        |
| After five years                                  | <u>6,148</u>   | <u>–</u>     | <u>–</u>     | <u>6,148</u>   | <u>–</u>   | <u>–</u> |
|   | <u>10,603</u>  | <u>4,509</u> | <u>4,015</u> | <u>8,494</u>   | <u>115</u> | <u>–</u> |

**(b) Capital commitments**

At the end of each reporting period, the Group's capital commitments for expenditure which have not been provided for in the Financial Information were as follows:

|  | At 31 December |                |                |
|--|----------------|----------------|----------------|
|  | 2013           | 2014           | 2015           |
|  | RMB'000        | RMB'000        | RMB'000        |
| Development expenditures authorised and contracted for | <u>594,608</u> | <u>218,695</u> | <u>688,733</u> |

**34 Contingent liabilities**

At the end of each reporting period, the contingent liabilities of the Group were as follows:

|  | At 31 December |                |                |
|--|----------------|----------------|----------------|
|  | 2013           | 2014           | 2015           |
|  | RMB'000        | RMB'000        | RMB'000        |
| Guarantees given to banks in connection with banking facilities granted to third parties | <u>576,113</u> | <u>189,835</u> | <u>840,869</u> |

The Group arranges with various domestic banks in the PRC to provide loan and mortgage facilities to its customers of the development properties prior to the transfer of land title deeds. In line with the consumer banking practices in the PRC, these banks require the Group to provide guarantees in respect of these loans including the principal, interest and other incidental costs. The Group is required to maintain certain amounts of cash in designated bank accounts which are pledged to the banks (see Note 18). If a purchaser defaults on a loan, the relevant mortgagee bank is entitled to deduct from the restricted cash account which is set aside when such loan is initially paid out.

These guarantees provided by the Group to the banks would be released by the banks upon receipt of the building ownership certificate of the respective properties from the customers when it is issued by the relevant authorities.

### **35 Business and geographical segments**

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

#### ***I. Property development***

Property development business refers to the development and sales of both commercial and residential property units in the PRC.

#### ***II. Housing construction***

Housing construction refers to the construction of resettlement houses in Zhengzhou city, Henan Province, the PRC.

#### ***III. Equipment manufacturing business***

Equipment manufacturing business refers to the business of designing, manufacturing and trading of clean room equipment, HVAC products, purifiers and etc.

The Group's Chairman monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Income taxes are managed on a group basis and are not allocated to operating segments.

There are no inter-segment sales or other transactions within the Group.

## Reconciliations of reportable revenues, profit or loss, assets and liabilities

|   | Year ended 31 December 2013 |                      |                         |                  |
|---|-----------------------------|----------------------|-------------------------|------------------|
|   | Development properties      | Housing construction | Equipment manufacturing | Total            |
|   | RMB'000                     | RMB'000              | RMB'000                 | RMB'000          |
| Revenue from external customers               | <u>646,330</u>              | <u>660,149</u>       | <u>70,474</u>           | <u>1,376,953</u> |
| Segments results                              | <u>170,479</u>              | <u>104,708</u>       | <u>10,517</u>           | 285,704          |
| Finance income                                | 2,819                       | 111                  | 13                      | 2,943            |
| Finance costs                                 | (4,075)                     | (149)                | (700)                   | <u>(4,924)</u>   |
| Profit before income tax                      |                             |                      |                         | 283,723          |
| Income tax expenses                           |                             |                      |                         | (101,292)        |
| Non-controlling interests                     |                             |                      |                         | <u>2,115</u>     |
| Profit attributable to owners of the Company  |                             |                      |                         | <u>184,546</u>   |
| Segment assets                                | <u>2,544,680</u>            | <u>674,793</u>       | <u>58,013</u>           | <u>3,277,486</u> |
| Segment liabilities                           | 1,149,710                   | 293,433              | 11,532                  | 1,454,675        |
| Loans and borrowings                          | <u>904,000</u>              | –                    | <u>8,564</u>            | <u>912,564</u>   |
| Total liabilities                             | <u>2,053,710</u>            | <u>293,433</u>       | <u>20,096</u>           | <u>2,367,239</u> |
| Other segment information                     |                             |                      |                         |                  |
| Capital expenditure                           | 5,715                       | 875                  | 151                     | 6,741            |
| Depreciation of property, plant and equipment | 3,790                       | 126                  | 2,138                   | 6,054            |
| Amortisation of intangible assets             | <u>184</u>                  | <u>3</u>             | <u>–</u>                | <u>187</u>       |

|   | Year ended 31 December 2014 |                      |                         |           |
|---|-----------------------------|----------------------|-------------------------|-----------|
|   | Development properties      | Housing construction | Equipment manufacturing | Total     |
|   | RMB'000                     | RMB'000              | RMB'000                 | RMB'000   |
| Revenue from external customers               | 899,287                     | 325,118              | 69,334                  | 1,293,739 |
| Segments results                              | 387,160                     | 65,112               | 8,198                   | 460,470   |
| Finance income                                | 3,153                       | 567                  | –                       | 3,720     |
| Finance costs                                 | (9,377)                     | (14)                 | (293)                   | (9,684)   |
| Profit before income tax                      |                             |                      |                         | 454,506   |
| Income tax expense                            |                             |                      |                         | (183,484) |
| Non-controlling interests                     |                             |                      |                         | (12,727)  |
| Profit attributable to owners of the Company  |                             |                      |                         | 258,295   |
| Segment assets                                | 2,618,082                   | 1,619,139            | 226,984                 | 4,464,205 |
| Segment liabilities                           | 1,248,868                   | 376,102              | 15,570                  | 1,640,540 |
| Loans and borrowings                          | 806,800                     | 676,132              | 167,646                 | 1,650,578 |
| Total liabilities                             | 2,055,668                   | 1,052,234            | 183,216                 | 3,291,118 |
| Other segment information                     |                             |                      |                         |           |
| Capital expenditure                           | 715                         | 221                  | 1,406                   | 2,342     |
| Depreciation of property, plant and equipment | 3,834                       | 164                  | 1,905                   | 5,903     |
| Amortisation of intangible assets             | 173                         | 5                    | –                       | 178       |

|   | Year ended 31 December 2015 |                      |                         |                  |
|---|-----------------------------|----------------------|-------------------------|------------------|
|   | Development properties      | Housing construction | Equipment manufacturing | Total            |
|   | RMB'000                     | RMB'000              | RMB'000                 | RMB'000          |
| Revenue from external customers               | <u>1,044,480</u>            | <u>113,287</u>       | <u>76,924</u>           | <u>1,234,691</u> |
| Segments results                              | <u>217,663</u>              | <u>(2,154)</u>       | <u>8,384</u>            | <u>223,893</u>   |
| Finance income                                | 41,893                      | 1,081                | –                       | 42,974           |
| Finance costs                                 | (44,687)                    | (3,647)              | (85)                    | (48,419)         |
| Profit before income tax                      |                             |                      |                         | 218,448          |
| Income tax expense                            |                             |                      |                         | (104,432)        |
| Share of loss in investment in joint-venture  |                             |                      |                         | (7,424)          |
| Non-controlling interests                     |                             |                      |                         | (12,474)         |
| Profit attributable to owners of the Company  |                             |                      |                         | <u>94,118</u>    |
| Segment assets                                | <u>3,107,334</u>            | <u>1,732,045</u>     | <u>290,483</u>          | <u>5,129,862</u> |
| Segment liabilities                           | 656,725                     | 910,212              | 29,716                  | 1,596,653        |
| Loans and borrowings                          | <u>1,412,100</u>            | <u>676,960</u>       | <u>165,857</u>          | <u>2,254,917</u> |
| Total liabilities                             | <u>2,068,825</u>            | <u>1,587,172</u>     | <u>195,573</u>          | <u>3,851,570</u> |
| Other segment information                     |                             |                      |                         |                  |
| Capital expenditure                           | 2,082                       | 89                   | 2,923                   | 5,094            |
| Depreciation of property, plant and equipment | 3,797                       | 290                  | 2,429                   | 6,516            |
| Amortisation of intangible assets             | <u>167</u>                  | <u>5</u>             | <u>–</u>                | <u>172</u>       |

**Geographical segment**

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

The following table presents revenue, capital expenditure and certain assets information regarding the Group's geographical segments as at and for the years ended 31 December 2013, 2014 and 2015.

|                                    | PRC       | Singapore | Other<br>countries | Total     |
|------------------------------------|-----------|-----------|--------------------|-----------|
|                                    | RMB'000   | RMB'000   | RMB'000            | RMB'000   |
| <b>Year ended 31 December 2013</b> |           |           |                    |           |
| Revenue                            | 1,315,279 | 44,833    | 16,841             | 1,376,953 |
| Total assets                       | 3,145,313 | 91,636    | 40,537             | 3,277,486 |
| Capital expenditure                | 6,607     | 81        | 53                 | 6,741     |
| <b>Year ended 31 December 2014</b> |           |           |                    |           |
| Revenue                            | 1,233,403 | 42,151    | 18,185             | 1,293,739 |
| Total assets                       | 4,384,202 | 46,601    | 33,402             | 4,464,205 |
| Capital expenditure                | 939       | 1,062     | 341                | 2,342     |
| <b>Year ended 31 December 2015</b> |           |           |                    |           |
| Revenue                            | 1,167,541 | 42,230    | 24,920             | 1,234,691 |
| Total assets                       | 5,041,689 | 56,160    | 32,013             | 5,129,862 |
| Capital expenditure                | 3,613     | 654       | 827                | 5,094     |

### 36 Acquisition of a subsidiary – Henan Tiandao Assets Management Co., Ltd (“Henan Tiandao”)

On 4 March 2013, the Group completed the acquisition of 51% equity interest in Henan Tiandao for a consideration of RMB103.2 million. Except for the development of the property on hand, Henan Tiandao did not carry out other operation for the period from 1 January 2013 to the date of acquisition. The directors of the Company concluded that the Group's revenue and profit after income tax would not be materially different had the acquisition occurred on 1 January 2013.

The following summarises the identifiable amounts of assets acquired and liabilities assumed at the date of acquisition:

|  | Note | Pre-<br>acquisition<br>carrying<br>amounts | Fair value<br>adjustments | Fair value on<br>date of<br>acquisition |
|--|------|--|---------------------------|---|
|  |      | RMB'000                                    | RMB'000                   | RMB'000                                 |
| Properties held for development  |      | 238,000                                    | 42,000                    | 280,000                                 |
| Deferred tax liability   | 11   | –  | (10,500)                  | (10,500)                                |
| Other payables   |      | (34,432)                                   | –                         | (34,432)                                |
| Total identifiable net assets  |      | 203,568                                    | 31,500                    | 235,068                                 |
| Non-controlling interests (based on their proportionate share of net assets) |      |  |                           | (115,183)                               |
| Net assets acquired  |      |  |                           | 119,885                                 |
| Purchase consideration in cash   |      |  |                           | (103,208)                               |
| Negative goodwill  |      |  |                           | 16,677                                  |

**Determination of fair value**

In determining the fair value of property held for development acquired in a business combination, an independent valuer had been engaged by the Group to undertake a valuation of the property at the date of the acquisition. The valuer used valuation methods which involved certain estimates.

The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The independent professional valuer had considered valuation techniques including direct comparison approach and residual method of valuation. The key assumptions used to determine the fair value of the property held for development include prevailing market costs of construction and estimated development costs.

The direct comparison approach involves the analysis of recent recorded transactions of comparable properties after making the necessary adjustments where appropriate for differences. The residual method of valuation is determined based on the gross development value less estimated costs to complete.

**Valuation technique and significant unobservable inputs**

The following table shows the Group's valuation technique used in measuring the fair value of property held for development acquired in a business combination, as well as the significant unobservable inputs used.

| <b>Valuation technique</b> | <b>Key unobservable inputs</b>   | <b>Inter-relationship between key unobservable inputs and fair value measurement</b>                         |
|----------------------------|--|--|
| Residual approach          | <ul style="list-style-type: none"> <li>Expected unit price as at 3 March 2013 of RMB7,800 psm to RMB8,100 psm</li> </ul> | A significant increase in expected unit price would result in a significantly higher fair value measurement. |

**37 Disposal and dilution of interests in a subsidiary**

On 27 December 2012, the Group entered into a sale and purchase agreement ("SPA") to sell its entire equity interest in Henan Jinwei Property Co., Ltd. ("Henan Jinwei") to a third party (the "Buyer"). The disposal was agreed amongst the parties to take place in the following stages:

**(a) Dilution of interest from 100% to 90% (Stage 1)**

Pursuant to the SPA, Henan Jinwei issued new shares to the Buyer such that after the share issuance, the latter owned 10% of the enlarged share capital of Henan Jinwei. Accordingly, the Group's interest in Henan Jinwei was diluted from 100% to 90% as at 31 December 2012.

The effects of the dilution of interests in the subsidiary in the financial year ended 31 December 2012 were as follows:

|   | <u>Carrying amount</u> |
|---|------------------------|
|   | RMB'000                |
| Development properties                                    | 122,687                |
| Cash and cash equivalents                                 | 10,009                 |
| Other payables and accruals                               | <u>(98,911)</u>        |
| Net assets before the dilution                            | 33,785                 |
| Equity interest retained                                  | <u>(30,406)</u>        |
| Net assets disposed                                       | 3,379                  |
| Gain on dilution recognised in equity                     | <u>6,622</u>           |
| Proceeds from issue of shares to non-controlling interest | <u>10,001</u>          |

**(b) Disposal of remaining 90% interests (Stage 2)**

During the year ended 31 December 2013, the Group completed the disposal of the remaining 90% equity interest in Henan Jinwei for a consideration of RMB84.5 million.

The effects of the disposal of the remaining 90% equity interests in the subsidiary are as follows:

|   | <u>Carrying amount</u> |
|---|------------------------|
|   | RMB'000                |
| Development properties                          | 106,222                |
| Cash and cash equivalents                       | 4                      |
| Other payables and accruals                     | <u>(72,474)</u>        |
| Net assets derecognised                         | 33,752                 |
| Less: Non-controlling interests                 | <u>(3,378)</u>         |
| Net assets disposed                             | 30,374                 |
| Cash proceeds from disposal                     | <u>(84,500)</u>        |
| Gain on disposal of the subsidiary <sup>^</sup> | <u>(54,126)</u>        |

<sup>^</sup> Gain on disposal of subsidiary recognised in profit or loss excludes the gain on dilution recognised in equity during the year ended 31 December 2012. Notwithstanding the fact that the dilution and disposal of Henan Jinwei took place in two stages, they formed part of a single linked transaction designed to sell the entire equity interests in Henan Jinwei to the Buyer. Accordingly, the gain on dilution of RMB 6,622,000 which formed part of the linked transaction was initially deferred in equity as at 31 December 2012. The amount was then reclassified to the consolidated statement of profit or loss for determining the overall gain on disposal of Henan Jinwei during the year ended 31 December 2013, when the Group lost control of Henan Jinwei. Consequently, the gain on disposal of Henan Jinwei recognised in the consolidated statement of profit or loss during the year ended 31 December 2013 amounted to RMB 60,748,000.



**38 Financial risk management****Overview**

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

**Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

**Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The carrying amount of financial assets in the statement of financial position represents the Group's and the Company's maximum exposure to credit risk, before taking into account any collateral held. The Group and the Company does not hold any collateral in respect of its financial assets.

**Trade and other receivables**

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is kept to the minimal.

**Exposure to credit risk**

The Group's trade and other receivables as at 31 December 2014 and 2015 include an amount due from its most significant customer, a PRC construction company, of RMB11,336,000 and RMB8,098,000 respectively.

At 31 December 2013, 2014 and 2015 the Group held an amount due from its non-controlling equity interest holder of RMB99,160,000, RMB99,160,000 and RMB99,160,000 and an amount due from a joint venture partner of nil, RMB99,000,000 and RMB99,000,000, respectively.

Except for these amounts, there were no other concentration of credit risk at the Group.

*Financial assets that are neither past due nor impaired*

Trade and other receivables that are neither past due nor impaired consisted of amounts owing by creditworthy debtors with good payment record with the Group. Cash balances are placed with reputable financial institutions which are regulated or companies with high credit ratings and no history of default.

Information regarding financial assets that are either past due or impaired is disclosed in Note 14 and Note 16.

**Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. Approximately 37.7%, 43.3% and 33.5%, the Group's loans and borrowings will mature in less than one year based on the carrying amounts reflected in the consolidated statement of financial position as at 31 December 2013, 2014, and 2015, respectively.

*Analysis of financial instruments by remaining contractual maturities*

The following are the contractual maturities of financial liabilities of the Group, including estimated interest payments and excluding the impact of netting arrangements:

|   | Carrying<br>amount | Cash flows                |                    |                        |
|---|--------------------|---------------------------|--------------------|------------------------|
|   |                    | Contractual<br>cash flows | Within<br>1 year   | Within<br>1 to 5 years |
|   | RMB'000            | RMB'000                   | RMB'000            | RMB'000                |
| <b>Group</b>                                |                    |                           |                    |                        |
| <b>31 December 2013</b>                     |                    |                           |                    |                        |
| <b>Non-derivative financial liabilities</b> |                    |                           |                    |                        |
| Trade and other payables <sup>^</sup>       | 858,773            | (858,773)                 | (858,773)          | —                      |
| Loans and borrowings                        | 912,564            | (965,958)                 | (357,178)          | (608,780)              |
|   | <u>1,771,337</u>   | <u>(1,824,731)</u>        | <u>(1,215,951)</u> | <u>(608,780)</u>       |

|   | Cash flows       |                        |                    |                     |
|---|------------------|------------------------|--------------------|---------------------|
|   | Carrying amount  | Contractual cash flows | Within 1 year      | Within 1 to 5 years |
|   | RMB'000          | RMB'000                | RMB'000            | RMB'000             |
| <b>31 December 2014</b>                     |                  |                        |                    |                     |
| <b>Non-derivative financial liabilities</b> |                  |                        |                    |                     |
| Trade and other payables <sup>^</sup>       | 815,966          | (821,366)              | (821,366)          | –                   |
| Loans and borrowings                        | <u>1,674,446</u> | <u>(1,867,249)</u>     | <u>(739,987)</u>   | <u>(1,127,262)</u>  |
|   | <u>2,490,412</u> | <u>(2,688,615)</u>     | <u>(1,561,353)</u> | <u>(1,127,262)</u>  |
| <b>31 December 2015</b>                     |                  |                        |                    |                     |
| <b>Non-derivative financial liabilities</b> |                  |                        |                    |                     |
| Trade and other payables <sup>^</sup>       | 795,755          | (838,603)              | (838,603)          | –                   |
| Loans and borrowings                        | <u>2,277,957</u> | <u>(2,500,098)</u>     | <u>(902,929)</u>   | <u>(1,597,169)</u>  |
|   | <u>3,073,712</u> | <u>(3,338,701)</u>     | <u>(1,741,532)</u> | <u>(1,597,169)</u>  |
| <b>Company</b>                              |                  |                        |                    |                     |
| <b>31 December 2013</b>                     |                  |                        |                    |                     |
| <b>Non-derivative financial liabilities</b> |                  |                        |                    |                     |
| Trade and other payables                    | 1,865            | (1,865)                | (1,865)            | –                   |
| Finance lease obligations                   | <u>12</u>        | <u>(13)</u>            | <u>(13)</u>        | <u>–</u>            |
|   | <u>1,877</u>     | <u>(1,878)</u>         | <u>(1,878)</u>     | <u>–</u>            |
| <b>31 December 2014</b>                     |                  |                        |                    |                     |
| <b>Non-derivative financial liabilities</b> |                  |                        |                    |                     |
| Trade and other payables                    | <u>5,418</u>     | <u>(5,418)</u>         | <u>(5,418)</u>     | <u>–</u>            |
| <b>31 December 2015</b>                     |                  |                        |                    |                     |
| <b>Non-derivative financial liabilities</b> |                  |                        |                    |                     |
| Trade and other payables                    | <u>36,388</u>    | <u>(36,388)</u>        | <u>(36,388)</u>    | <u>–</u>            |

<sup>^</sup> Excludes advance receipts from sale of properties and advance receipts from customers.

### **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Foreign currency risk**

The Group's property development, housing construction, and clean room equipment and air diffusion businesses are principally conducted in RMB and Singapore Dollars (SGD), which are the functional currencies of the respective subsidiaries of the Group. Most of the Group's monetary assets and liabilities are denominated in RMB and SGD. Accordingly, the directors consider the Group's exposure to foreign currency risk is not significant. The Group does not employ any financial instruments for hedging purposes.

RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demand and the Group may not be able to pay dividends in foreign currencies to its shareholders.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its floating rate loans and borrowings. The Group's policy is to obtain the most favourable interest rates available.

**Exposure to interest rate risk**

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments, as reported to the management, was as follows:

|   | Group          |             |             |
|---|----------------|-------------|-------------|
|   | At 31 December |             |             |
|   | 2013           | 2014        | 2015        |
|   | RMB'000        | RMB'000     | RMB'000     |
| <b>Fixed rate instruments</b>           |                |             |             |
| Amount due from a joint venture partner |                |             |             |
| – current                               | –              | 10,000      | 10,000      |
| – non-current                           | –              | 90,000      | 90,000      |
| Loans to third parties                  | –              | –           | 56,540      |
| Other secured loans                     | –              | (110,000)   | (540,000)   |
| Loans from third parties                | –              | –           | (285,650)   |
| Amounts due to directors                | –              | (30,000)    | –           |
|   | –              | (40,000)    | (669,110)   |
| <b>Variable rate instrument</b>         |                |             |             |
| Secured bank loans                      | (912,521)      | (1,540,578) | (1,711,729) |

*Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

*Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variable, in particular foreign currency rates, remain constant.

|                           | <u>Profit or loss</u>  |                        |
|---------------------------|------------------------|------------------------|
|                           | <u>100 bp increase</u> | <u>100 bp decrease</u> |
| <b>Group</b>              |                        |                        |
| <b>31 December 2013</b>   |                        |                        |
| Variable rate instruments | <u>(6,844)</u>         | <u>6,844</u>           |
| <b>31 December 2014</b>   |                        |                        |
| Variable rate instruments | <u>(11,554)</u>        | <u>11,554</u>          |
| <b>31 December 2015</b>   |                        |                        |
| Variable rate instruments | <u>(12,838)</u>        | <u>12,838</u>          |

**Capital management**

The primary objective of the 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 shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the Relevant Periods. The Company's PRC subsidiaries are required by the relevant laws and regulations of the PRC to contribute to and maintain a non-distributable statutory reserve fund for which the utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the subsidiaries for the Relevant Periods.

The Group monitors capital using an adjusted net debt to equity ratio, which is adjusted net debt divided by total capital plus net debt. The Group includes within net debt, trade and other payables, advance receipts from sale of properties, other liabilities, amounts due to related parties and loans and borrowings, less cash and cash equivalents. Capital consists of equity attributable to equity holders of the Company less the statutory reserve fund.

|   | Note | Group            |                  |                  |
|---|------|------------------|------------------|------------------|
|   |      | At 31 December   |                  |                  |
|   |      | 2013             | 2014             | 2015             |
|   |      | RMB'000          | RMB'000          | RMB'000          |
| Trade and other payables                        | 23   | 1,196,029        | 1,226,312        | 1,139,541        |
| Loans and borrowings                            | 22   | 912,521          | 1,650,578        | 2,254,683        |
| Finance lease obligations                       | 22   | 43               | –                | 234              |
| Less: Cash and cash equivalents                 | 18   | (534,208)        | (375,186)        | (305,595)        |
| Net debt  |      | 1,574,385        | 2,501,704        | 3,088,863        |
| Equity attributable to owners<br>of the Company |      | 797,179          | 1,047,292        | 1,140,023        |
| Less: Statutory and other reserves              | 21   | (56,263)         | (64,814)         | (80,627)         |
| Total capital                                   |      | 740,916          | 982,478          | 1,059,396        |
| <b>Capital and net debt</b>                     |      | <u>2,315,301</u> | <u>3,484,182</u> | <u>4,148,259</u> |
| <b>Gearing ratio</b>                            |      | <u>68%</u>       | <u>72%</u>       | <u>74%</u>       |

### *Fair value*

All financial assets and liabilities of the Group and the Company are carried at amounts not materially different from their fair values as at 31 December 2013, 2014 and 2015, except for the amounts due from/to related parties or other entities which have no fixed repayment terms. Given these terms, it is not meaningful to disclose the fair value of such balances.

#### *Determination of fair values*

##### Financial assets available-for-sale

The fair value of quoted securities classified as available-for-sale is determined by reference to the quoted bid price at the reporting date in an active market.

The fair value of other investments classified as available-for-sale is determined by discounting the contractual cash flow. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

##### Financial assets held for trading

The fair value of quoted securities classified as held for trading is determined by reference to the quoted bid price at the reporting date in an active market.

##### Non-current financial assets

Fair value is calculated using discounted cash flow models, with the discount rate determined based on benchmark rates for instruments with similar maturity and repricing plus a credit spread. In determining the applicable credit spread, reasonable efforts have been made to determine whether there has been a change in the credit risk associated with the financial asset.

##### Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

**39 Accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group believes the following critical accounting policies involve significant judgements and estimates used in the preparation of the Financial Information.

***Valuation of investment properties***

The fair values of investment properties are estimated based on valuations carried out by an external and independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuations reflect when appropriate, comparable sales of similar properties or estimated market values based on projection of income and expense streams over the period of leases, using market rates of return.

***Depreciation of and impairment loss on property, plant and equipment***

Property, plant and equipment are depreciated on a straight-line basis over their useful lives which are estimated to be between 2 to 50 years. The Group reviews the estimated useful lives of these assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The estimation of useful lives is based on assumptions about wear and tear, ageing, asset utilisation, anticipated use of the assets, technical standards and changes in demand as well as the Group's historical experience with similar assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase depreciation expense and decrease non-current assets.

***Assessment of estimated total construction costs of development properties***

Costs incurred to date are generally determined based on independent experts' certification of the value of work rendered by contractors/suppliers. The estimation of total project costs is based on historical experience and contractual arrangements with contractors/suppliers. The estimated total costs for each project is reviewed on a regular basis by the Group in order to determine whether any allowance for foreseeable loss is required to be set up. Actual costs could differ from the estimates.

The Group evaluates whether there is any objective evidence that the net realisable values of development properties fall short of their carrying values. The Group estimates the level of allowances based on valuation reports obtained from reputable independent third party valuers or recent market transactions involving comparable properties and the estimated total project costs for each project.

The required level of allowances could change significantly as a result of changes in market conditions or government policies or when actual costs differ from the estimated costs.

***Impairment loss on trade receivables***

The Group evaluates whether there is any objective evidence that trade receivables are impaired, and determine the amount of impairment loss as a result of the inability of the debtors to make the required payments. The Group bases the estimates on the ageing of the trade receivables balance, credit-worthiness of the debtors and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

***Revenue from construction contracts***

The Group recognises contract revenue to the extent of contract costs incurred where it is probable those costs will be recoverable or based on the percentage of completion method depending on whether the outcome of the contract can be measured reliably. The percentage of completion is measured by reference to surveys of work performed for each contract.

Significant judgement is required in determining the stage of completion, the estimated total contract revenue and estimated total contract cost, as well as the recoverability of the contract cost incurred.

Estimation of total contract revenue also includes an estimation of the variation works that are recoverable from the customers. In making the judgement, the Group relies on past experience and/or the work of relevant professionals.

The estimation of total contract costs is based on historical experience and contractual arrangements with contractors/suppliers. The estimated total costs for each project is reviewed on a regular basis by the Group in order to determine the cost to be recognised in profit or loss at each reporting date and to assess whether any allowance for foreseeable loss is required to be set up. Actual costs could differ from the estimates.

***Income taxes***

Significant judgement is required in determining the taxability of certain income and deductibility of certain expenses during the estimation of the provision for income taxes and deferred tax liabilities/assets.

The Group exercises significant judgement to determine that the deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

***Provision for LAT***

The Group has estimated, made and included in tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated. Significant judgment is required in determining the level of provision, as the calculation of which depends on the ultimate tax determination. Given the uncertainties of the calculation basis of LAT as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated at the end of the reporting period. Any increase or decrease in the actual outcomes/estimates will impact the income tax provision in the period in which such determination is made.



**40 Information of statutory financial statements of the subsidiaries**

The statutory financial statements of the following companies now comprising the Group for each of the three years ended 31 December 2013, 2014 and 2015, or since their respective dates of acquisition/ establishment, where this is a shorter period, were prepared in accordance with either HKFRSs issued by the HKICPA or the relevant accounting rules and regulations applicable to enterprises in the PRC or other countries and were audited during the Relevant Period by the respective statutory auditors as indicated below:

| Name of company   | Financial period  | Statutory auditors   |
|---|---|--|
| Xie Tong International Pte. Ltd. (formerly known as "Kyodo-Allied International Pte. Ltd.")<br>協同國際私人有限公司 | Year ended 31 December 2014                                 | KPMG LLP, Singapore  |
| Xie Tong Technology Pte. Ltd. (formerly known as "Kyodo-Allied Technology Pte. Ltd.")<br>協同科技私人有限公司       | Years ended 31 December 2013 and 2014                       | KPMG LLP, Singapore  |
| Eindec Technology (Malaysia) Sdn. Bhd (formerly known as "Kyodo-Allied (Malaysia) Sdn. Bhd")              | Years ended 31 December 2013 and 2014                       | KPMG LLP, Malaysia   |
| Eindec (Shanghai) Co., Ltd.<br>優多商貿(上海)有限公司   | Years ended 31 December 2013 and 2014                       | Shanghai LSC Certified Public Accountants Co., Ltd.<br>上海勝章會計師事務所有限公司  |
| Weiye Holdings (Hong Kong) Limited<br>偉業控股(香港)有限公司  | Years ended 31 December 2013 and 2014                       | Albert Hing Man Lee  |
| Hainan Hongji Weiye Property Development Co., Ltd.<br>海南宏基偉業房地產開發有限公司                                     | Years ended 31 December 2013<br>Year ended 31 December 2014 | Hainan Tianqin Certified Public Accountants<br>海南天勤會計師事務所<br>Henan Zhongpeng Accounting Firm Co., Ltd.<br>河南中鵬會計師事務所有限公司 |
| Jinwei (Henan) Trading Company Limited<br>金偉(河南)商貿有限公司  | Years ended 31 December 2013 and 2014                       | Henan Zhongpeng Accounting Firm Co., Ltd.<br>河南中鵬會計師事務所有限公司  |

| Name of company   | Financial period                      | Statutory auditors  |
|---|---------------------------------------|---|
| Hainan Hongji Weiye Consulting Management Co., Ltd.<br>海南宏基偉業諮詢管理有限公司   | Year ended 31 December 2013           | Hainan Tianqin Certified Public Accountants<br>海南天勤會計師事務所   |
|   | Year ended 31 December 2014           | Henan Zhongpeng Accounting Firm Co., Ltd.<br>河南中鵬會計師事務所有限公司 |
| Henan Weiye Construction Development Group Co., Ltd. (formerly known as "Henan Weiye Construction Investment Group Co., Ltd.")<br>河南偉業建設開發集團有限公司 (原名“河南偉業建設投資集團有限公司”) | Years ended 31 December 2013 and 2014 | Henan Zhongpeng Accounting Firm Co., Ltd.<br>河南中鵬會計師事務所有限公司 |
| Weiye Holdings Hainan Real Estate Co., Ltd<br>偉業控股海南地產有限公司  | Year ended 31 December 2013           | Hainan Tianqin Certified Public Accountants<br>海南天勤會計師事務所   |
|   | Year ended 31 December 2014           | Henan Zhongpeng Accounting Firm Co., Ltd.<br>河南中鵬會計師事務所有限公司 |
| Henan Huibang Property Co., Ltd.<br>河南薈邦置業有限公司  | Years ended 31 December 2013 and 2014 | Henan Zhongpeng Accounting Firm Co., Ltd.<br>河南中鵬會計師事務所有限公司 |
| Xinxiang Weiye Property Co., Ltd.<br>新鄉偉業置地有限公司   | Years ended 31 December 2013 and 2014 | Henan Zhongpeng Accounting Firm Co., Ltd.<br>河南中鵬會計師事務所有限公司 |
| Henan Xingwei Property Co., Ltd<br>河南興偉置業有限公司   | Years ended 31 December 2013 and 2014 | Henan Zhongpeng Accounting Firm Co., Ltd.<br>河南中鵬會計師事務所有限公司 |
| Henan Tiandao Assets Management Co., Ltd.<br>河南天道資產管理有限公司   | Years ended 31 December 2013 and 2014 | Henan Zhongpeng Accounting Firm Co., Ltd.<br>河南中鵬會計師事務所有限公司 |

| Name of company  | Financial period             | Statutory auditors  |
|--|------------------------------|---|
| Hainan Zhongfang Investment Holdings Limited Company<br>海南中方投資有限公司     | Years ended 31 December 2013 | Hainan Tianqin Certified Public Accountants<br>海南天勤會計師事務所   |
|  | Year ended 31 December 2014  | Henan Zhongpeng Accounting Firm Co., Ltd.<br>河南中鵬會計師事務所有限公司 |
| Wanning Yingde Property Co., Ltd<br>萬寧英德置業有限公司                         | Years ended 31 December 2013 | Hainan Tianqin Certified Public Accountants<br>海南天勤會計師事務所   |
|  | Year ended 31 December 2014  | Henan Zhongpeng Accounting Firm Co., Ltd.<br>河南中鵬會計師事務所有限公司 |
| Wenchang Maoyuan Tourism Co., Ltd.<br>文昌市茂源旅業有限公司                      | Years ended 31 December 2013 | Hainan Tianqin Certified Public Accountants<br>海南天勤會計師事務所   |
|  | Year ended 31 December 2014  | Henan Zhongpeng Accounting Firm Co., Ltd.<br>河南中鵬會計師事務所有限公司 |
| Tunchang Hongji Weiye Property Development Co., Ltd.<br>屯昌宏基偉業地產發展有限公司 | Years ended 31 December 2013 | Hainan Tianqin Certified Public Accountants<br>海南天勤會計師事務所   |
|  | Year ended 31 December 2014  | Henan Zhongpeng Accounting Firm Co., Ltd.<br>河南中鵬會計師事務所有限公司 |
| Tunchang Yajing Property Co., Ltd.<br>屯昌雅境置業有限公司                       | Years ended 31 December 2013 | Hainan Tianqin Certified Public Accountants<br>海南天勤會計師事務所   |
|  | Year ended 31 December 2014  | Henan Zhongpeng Accounting Firm Co., Ltd.<br>河南中鵬會計師事務所有限公司 |

As the date of this report, statutory audits of all subsidiaries of the Group for the year ended 31 December 2015 have not been completed.

## C SUBSEQUENT EVENTS

### (i) Listing of the ordinary shares of a subsidiary

In September 2015, the directors of the Company proposed to seek for listing of the ordinary shares of a subsidiary, Eindec Corporation Pte. Ltd. ("Eindec Corporation") on Catalist. Eindec Corporation, together with its subsidiaries in Malaysia, the PRC and Singapore, is mainly operating the Group's equipment manufacturing business. SGX approved the application on 16 October 2015. The listing and the quotation of the ordinary shares of Eindec Corporation on Catalist took place on 15 January 2016. A total of 35,800,000 new ordinary shares of Eindec Corporation were issued at S\$0.21 each to the public in Singapore and professional or institutional investors, representing 33.2% of the enlarged issued capital of Eindec Corporation. A total net proceeds of S\$4.55 million (equivalent to RMB21.0 million) has been raised after deduction of the relevant listing fees.

**(ii) Collaboration agreement for a development project**

On 14 September 2015, a subsidiary of the Group, Henan Weiye Construction Development Group Co., Ltd. ("Henan Weiye"), entered into a collaboration agreement with a third party, Shenzhen Huibang Investment Management Co., Ltd ("Shenzhen Huibang") in connection with the development of the land-use rights on a parcel of land located in Shenzhen, the PRC, to be granted to a wholly owned subsidiary of Shenzhen Huibang, Shenzhen City Longda Weiye Development Investment Co., Ltd ("Shenzhen Longda"). Shenzhen Longda is incorporated in December 2014 for the sole purpose of property development of the project. Shenzhen Longda had no operation since its incorporation till 31 December 2015.

Pursuant to the agreement, Henan Weiye shall inject a total cash of RMB300.0 million into Shenzhen Longda for a 30% equity interest in Shenzhen Longda. In November 2015, Henan Weiye paid an advance deposit of RMB35 million to Shenzhen Huibang. The deposit will eventually form part of the capital injection to Shenzhen Longda. The directors expect the transaction will be completed, subject to certain conditions set out in the collaboration agreement, in 2016.

**D SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS**

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to 31 December 2015. No dividend or distribution has been declared or made by any companies comprising the Group in respect of any period subsequent to 31 December 2015.

Yours faithfully,

*Certified Public Accountants*  
Hong Kong

The information set forth in this appendix does not form part of the accountants' report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this listing document, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this listing document and the accountants' report set forth in Appendix I to this listing document.

#### A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted consolidated net tangible assets of Weiye Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") is prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is set out below to illustrate the effect of the proposed listing by way of introduction of the Company (the "Listing") on the consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2015, as if the Listing had taken place on 31 December 2015.

The pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Listing been completed as at 31 December 2015 or at any future date.

|  | Consolidated<br>net tangible<br>assets of<br>the Group<br>attributable to<br>the equity<br>holders of the<br>Company<br>as of<br>31 December<br>2015 | Estimated<br>listing<br>expenses | Unaudited<br>pro forma<br>adjusted<br>consolidated<br>net tangible<br>assets<br>attributable<br>to the equity<br>holders of<br>the Company | Unaudited<br>pro forma<br>adjusted<br>consolidated<br>net tangible<br>assets<br>attributable<br>to the equity<br>holders of<br>the Company<br>per share |
|--|--|----------------------------------|--|---|
|  | RMB'000<br>Note 1  | RMB'000<br>Note 2                | RMB'000  | RMB<br>Note 3   |
| Based on weighted average<br>number of ordinary shares of<br>196,133,152 | <u>1,140,023</u>   | <u>(10,412)</u>                  | <u>1,129,611</u>   | <u>5.76</u>   |

Notes:

- (1) The consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2015 is based on the Group's consolidated equity attributable to owners of the Company as at that date, as shown in the Accountants' Report, the text of which is set out in Appendix I to this listing document.
- (2) The estimated listing expenses mainly include professional fees payable to the sponsor, the Company's legal advisers and reporting accountants and other listing related expenses, which are expected to be incurred by the Group subsequent to 31 December 2015.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per share is arrived at after the adjustments as described in note 2 above and is based on weighted average number of ordinary shares as at 31 December 2015, considering the impact of share consolidation completed on 8 December 2015.
- (4) No adjustment has been made to the unaudited pro forma consolidated net tangible assets to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2015, including but not limited to the proposed listing of Eidec Group on Catalist on 15 January 2016. Had such proposed listing of Eidec Group been completed on 31 December 2015, our unaudited pro forma adjusted net tangible assets would have been increased by approximately RMB0.03 million, and our unaudited pro forma adjusted net tangible assets per share would remain RMB5.76.

*The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this listing document.*

**B INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**



8th Floor  
Prince's Building  
10 Chater Road  
Central  
Hong Kong

29 March 2016

**TO THE DIRECTORS OF WEIYE HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Weiyee Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 31 December 2015 and related notes as set out in Part A of Appendix II to the listing document dated 29 March 2016 (the "Listing Document") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the listing document.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed listing by way of introduction of the Company (the "Listing") on the Group's financial position as at 31 December 2015 as if the Listing had taken place at 31 December 2015. As part of this process, information about the Group's financial position as at 31 December 2015 has been extracted by the Directors from the Group's historical financial statements included in the Accountants' Report as set out in Appendix I to the listing document.

**Directors' Responsibilities for the Pro Forma Financial Information**

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

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

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

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

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

**Opinion**

In our opinion:

- a) the pro forma financial information has been properly compiled on the basis stated;
- b) such basis is consistent with the accounting policies of the Group, and
- c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

*Certified Public Accountants*  
Hong Kong



*The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this listing document received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of value of the property interests of the Group as at 31 December 2015.*



16th Floor  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

**29 March 2016**

The Directors  
Weiye Holdings Limited  
11th Floor  
No. 50 Yingxie Road  
Jinshui District  
Zhengzhou  
Henan Province  
The PRC

Dear Sirs,

#### **INSTRUCTIONS, PURPOSE AND DATE OF VALUATION**

In accordance with your instructions for us to value the properties in which Weiye Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC") and Republic of Singapore (as more particularly described in the attached valuation certificates), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such properties as at 31 December 2015.

#### **DEFINITION OF MARKET VALUE**

Our valuation of each of the properties represent its Market Value. The definition of Market Value adopted in The HKIS Valuation Standards 2012 Edition follows the International Valuation Standards published by the International Valuation Standards Council ("IVSC"). Market Value is defined by the IVSC as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

#### **VALUATION BASIS AND ASSUMPTION**

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as a typical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Unless otherwise stated, in the course of our valuation of the properties in the PRC, we have assumed that the transferable land use rights of the properties for their specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully settled. We have relied on the information provided by the Group and the advice provided by Grandall Law Firm (Shanghai), the Group's legal adviser, regarding the title to each of the properties. In valuing the properties, we have assumed that the grantee or the user has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates, approvals and licenses, in accordance with the information provided by the Group are set out in the notes of the respective valuation certificates.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoing of an onerous nature which could affect their values.

### **METHOD OF VALUATION**

In valuing the properties in Group I, which are properties held by the Group for investment in the PRC, we have adopted the investment approach by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties, or where appropriate, direct comparison method by making reference to comparable sales transactions as available in the relevant market.

In valuing the property in Group II which is the property held by the Group under development for investment in the PRC, and the properties in Group V and Group VI which are held by the Group under development or for future development respectively in the PRC, we have valued on the basis that each of these properties will be developed and completed in accordance with the Group's latest development proposals provided to us, if any. We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development. The "market value when completed at the date of valuation" represents our opinion of the selling price of the proposed development assuming that it were completed at the date of valuation.

In valuing the property in Group III, which is the property contracted to be acquired by the Group for investment in the PRC, we have been advised by the Group that the Building Ownership Certificates of the property have not been obtained yet and we usually ascribe no commercial value to the property.

In valuing the properties in Group IV, which are properties held by the Group for sale in the PRC, we have used the direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market.

In valuing the property in Group VII, which is the property contracted to be acquired by the Group for future development in the PRC, we have been advised by the Group that the State-owned Land Use Right Certificate of the property has not been obtained at valuation date, and we usually ascribe no commercial value to the property.

In valuing the properties in Group VIII, which are leased and occupied by the Group in the PRC and Singapore, we consider that the properties have no commercial value due mainly to the prohibition against assignment and subletting or otherwise to the lack of substantial profit rents.

### **SOURCE OF INFORMATION**

We have been provided with extracts of the title documents relating to the properties in the PRC. However, we have not carried out searches to verify the ownership of the properties or to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group and its legal adviser, Grandall Law Firm (Shanghai) (國浩律師(上海)事務所) regarding the title to each of the properties and the interests of the Group in the properties. We have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, number of car parking spaces, particulars of occupancy, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on the information provided to us and are therefore only approximations. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

### **TITLE INVESTIGATION**

We have been provided with extracts of documents in relation to the title to the properties in the PRC, but no searches have been made in respect of the properties. We have not searched the ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC and we have therefore relied on the advice given by the Group and its legal adviser regarding the Group's interests in the PRC properties.

### **SITE INSPECTION**

Our Guangzhou office valuer Mr. Victor Li inspected the exterior and, whenever possible, the interior of the properties located in Henan Province in February, 2016. Mr. Victor Li has over 2 years experience in valuation of various kinds of properties in China. Our Shenzhen Office valuer Mr. Sixuan Gao inspected the exterior and, whenever possible, the interior of the properties located in Hainan Province in November, 2015. Mr. Sixuan Gao has over 3 years experience in valuation of various kinds of properties in China. However, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the area shown on the documents handed to us are correct.

**CURRENCY**

Unless otherwise stated, all money amounts stated in this valuation report are in Renminbi ("RMB"), the official currency of the PRC.

We enclose herewith a summary of valuations and our valuation certificates.

Yours faithfully,  
for and on behalf of  
**DTZ Debenham Tie Leung Limited**  
**Andrew K.F. Chan**  
Registered Professional Surveyor (GP)  
Registered China Real Estate Appraiser  
MSc., M.H.K.I.S.  
*Senior Director*

*Note:* Mr. Andrew K.F. Chan is a Registered Professional Surveyor who has over 28 years of experience in the valuation of the properties in the PRC.

## SUMMARY OF VALUATIONS

## Group I – Properties held by the Group for investment in the PRC

| Property   | Market value in<br>existing state as at<br>31 December 2015<br>(RMB) | Interest<br>attributable<br>to the Group<br>(%) | Market value in<br>existing state<br>attributable to<br>the Group as at<br>31 December<br>2015<br>(RMB) |
|--|--|---|---|
| 1. Various units of Weiye Ru Guo Ai,<br>No. 50 Yingxie Road,<br>Jinshui District,<br>Zhengzhou,<br>Henan Province,<br>the PRC                                  | 36,000,000   | 100   | 36,000,000  |
| 2. Various units of Block No. 1 of<br>Weiye Costa Rhine,<br>Taiyanghe Hotspring Resorts,<br>Xinglong District,<br>Wanning,<br>Hainan Province,<br>the PRC      | 48,000,000   | 100   | 48,000,000  |
| 3. Various units of<br>Block No. 12 of Weiye Oxygen Cube B,<br>east of Huandong 2nd Road,<br>Tuncheng Town,<br>Tunchang County,<br>Hainan Province,<br>the PRC | 11,000,000   | 100   | 11,000,000  |
| <b>Sub-total:</b>  | <b>95,000,000</b>  |   | <b>95,000,000</b>   |

## Group II – Property held by the Group under development for investment in the PRC

| <u>Property</u>  | <u>Market value in<br/>existing state as at<br/>31 December 2015</u><br>(RMB) | <u>Interest<br/>attributable<br/>to the Group</u><br>(%) | <u>Market value in<br/>existing state<br/>attributable to the<br/>Group as at<br/>31 December<br/>2015</u><br>(RMB) |
|--|---|--|---|
| 4. The under construction development known as Weiye Rhine Coast, Fengjia Bay, Huiwen Town, Wenchang, Hainan Province, the PRC | 55,000,000  | 100  | 55,000,000  |
| <b>Sub-total:</b>  | <u>55,000,000</u>   |  | <u>55,000,000</u>   |

## Group III – Property contracted to be acquired by the Group for investment in the PRC

| <u>Property</u>  | <u>Market value in<br/>existing state as at<br/>31 December 2015</u><br>(RMB) | <u>Interest<br/>attributable<br/>to the Group</u><br>(%) | <u>Market value in<br/>existing state<br/>attributable to the<br/>Group as at<br/>31 December<br/>2015</u><br>(RMB) |
|--|---|--|---|
| 5. Various units of Tower C of Weiye International Square, north of Shangdu Road, east of Xinyi Road, Zhengdong New District, Zhengzhou, Henan Province, the PRC | No<br>Commercial<br>Value   | 100  | No<br>Commercial<br>Value   |
| <b>Sub-total:</b>  | <u>No<br/>Commercial<br/>Value</u>  |  | <u>No<br/>Commercial<br/>Value</u>  |

## Group IV – Completed properties held by the Group for Sale in the PRC

| Property  | Market value in<br>existing state as at<br>31 December 2015<br>(RMB) | Interest<br>attributable<br>to the Group<br>(%) | Market value in<br>existing state<br>attributable to<br>the Group as at<br>31 December<br>2015<br>(RMB) |
|---|--|---|---|
| 6. Various units of Weiye Tiandao<br>Tianheshuiian,<br>west of Yangqiao Road,<br>north of Ruifeng Road,<br>Zhongmu County,<br>Zhengzhou,<br>Henan Province,<br>the PRC                                  | 18,000,000   | 51  | 9,180,000   |
| 7. Various units of Weiye Tiandao<br>International,<br>west of Yangqiao Road,<br>north of Ruifeng Road,<br>Zhongmu County,<br>Zhengzhou,<br>Henan Province,<br>the PRC                                  | 696,000,000  | 51  | 354,960,000   |
| 8. Various units of<br>Weiye Xiangdi Bay,<br>Jinyao Road,<br>Jinming District,<br>Kaifeng,<br>Henan Province,<br>the PRC  | 30,000,000   | 100   | 30,000,000  |
| 9. Various units of Block Nos. 9, 11, 12,<br>13, 16, 22, 24, 25 and 27 of<br>Phases II to IV of<br>Weiye Central Park,<br>Pingyuan Road,<br>Hongqi District,<br>Xinxiang,<br>Henan Province,<br>the PRC | 209,000,000  | 100   | 209,000,000   |
| 10. Various units of<br>Weiye West International Plaza,<br>East of Lanyangbei Road,<br>northern district,<br>Danzhou,<br>Hainan Province,<br>the PRC  | 27,000,000   | 100   | 27,000,000  |

| Property  | Market value in<br>existing state as at<br>31 December 2015<br>(RMB) | Interest<br>attributable<br>to the Group<br>(%) | Market value in<br>existing state<br>attributable to<br>the Group as at<br>31 December<br>2015<br>(RMB) |
|---|--|---|---|
| 11. Various units of Block No. 2 to No. 10 of Weiye Costa Rhine, Taiyanghe Hotspring Resorts, Xinglong District, Wanning, Hainan Province, the PRC                        | 102,000,000  | 100   | 102,000,000   |
| 12. Various units of Block No. 1, No. 3 and No. 4 of Phase II of Weiye Oxygen Cube A, east of Huandong 2nd Road, Tuncheng Town, Tunchang County, Hainan Province, the PRC | 135,000,000  | 100   | 135,000,000   |
| 13. Various units of Block No. 5 to No. 10 of Phase I of Weiye Oxygen Cube A, east of Huandong 2nd Road, Tuncheng Town, Tunchang County, Hainan Province, the PRC         | 215,000,000  | 100   | 215,000,000   |
| 14. Various units of Block No. 11 to No. 13 of Weiye Oxygen Cube B, east of Huandong 2nd Road, Tuncheng Town, Tunchang County, Hainan Province, the PRC                   | 39,000,000   | 100   | 39,000,000  |
| <b>Sub-total:</b>   | <b>1,471,000,000</b>   |   | <b>1,121,140,000</b>  |



## Group V – Properties held by the Group under development in the PRC

| Property  | Market value in<br>existing state as at<br>31 December 2015<br>(RMB) | Interest<br>attributable<br>to the Group<br>(%) | Market value in<br>existing state<br>attributable to<br>the Group as at<br>31 December<br>2015<br>(RMB) |
|---|--|---|---|
| 15. The under construction development known as Block No. 29 of Phase IV of Weiye Central Park, Pingyuan Road, Hongqi District, Xinxiang, Henan Province, the PRC                   | 208,000,000  | 100   | 208,000,000   |
| 16. The under construction development known as Phase V of Weiye Central Park, Pingyuan Road, Hongqi District, Xinxiang, Henan Province, The PRC                                    | 120,000,000  | 100   | 120,000,000   |
| 17. The under construction development known as portion of Weiye Paris Impression, north of Xueyuan Road, east of Zhanlixi Road, Zhongmu County, Zhengzhou, Henan Province, the PRC | 80,000,000   | 100   | 80,000,000  |
| 18. The under construction development known as No. 17 of Phase III of Weiye Oxygen Cube A, east of Huandong 2nd Road, Tuncheng Town, Tunchang County, Hainan Province, the PRC     | 16,000,000   | 100   | 16,000,000  |
| <b>Sub-total:</b>   | <b>424,000,000</b>   |   | <b>424,000,000</b>  |

## Group VI – Properties held by the Group for future development in the PRC

| Property   | Market value in<br>existing state as at<br>31 December 2015<br>(RMB) | Interest<br>attributable<br>to the Group<br>(%) | Market value in<br>existing state<br>attributable to<br>the Group as at<br>31 December<br>2015<br>(RMB) |
|--|--|---|---|
| 19. Development site for portion of Weiye Paris Impression, north of Xueyuan Road, east of Zhanlixu Road, Zhongmu County, Zhengzhou, Henan Province, the PRC                         | 71,000,000   | 100   | 71,000,000  |
| 20. Development site for proposed commercial development of Weiye Paris Impression, north of Xueyuan Road, east of Zhanlixu Road, Zhongmu County, Zhengzhou, Henan Province, the PRC | 197,000,000  | 100   | 197,000,000   |
| 21. Development site of Hanwei Project, west of Gaozhuang Road, north of Yongchang Road, Zhongmu County, Zhengzhou, Henan Province, the PRC  | 260,000,000  | 51  | 132,600,000   |
| 22. Development site for Block No. 28 of Phase V of Weiye Central Park, Pingyuan Road, Hongqi District, Xinxiang, Henan Province, the PRC  | 44,000,000   | 100   | 44,000,000  |
| <b>Sub-total:</b>  | <b>572,000,000</b>   |   | <b>444,600,000</b>  |

## Group VII – Property contracted to be acquired by the Group for future development in the PRC

| Property  | Market value in existing state as at 31 December 2015<br>(RMB) | Interest attributable to the Group<br>(%) | Market value in existing state attributable to the Group as at 31 December 2015<br>(RMB) |
|---|--|---|--|
| 23. Development site for a proposed residential development, South of Jingyi Road, east of Xinzhuang Road, Zhengzhou, Henan Province, the PRC | No<br>Commercial<br>Value                                      | 51.28                                     | No<br>Commercial<br>Value  |
| <b>Sub-total:</b>   | <b>No<br/>Commercial<br/>Value</b>                             |   | <b>No<br/>Commercial<br/>Value</b>   |

## Group VIII – Properties leased and occupied by the Group in the PRC

| Property   | Market value in existing state as at 31 December 2015<br>(RMB) | Interest attributable to the Group<br>(%) | Market value in existing state attributable to the Group as at 31 December 2015<br>(RMB) |
|--|--|---|--|
| 24. Unit 110013, 11/F, Block No. 5 north of Shangchengdong Road, west of Shangmao Road, Jinshui District, Zhengzhou, Henan Province, the PRC | No<br>Commercial<br>Value                                      | 100                                       | No<br>Commercial<br>Value  |
| 25. Unit 110020, 11/F, Block No. 5 north of Shangchengdong Road, west of Shangmao Road, Jinshui District, Zhengzhou, Henan Province, the PRC | No<br>Commercial<br>Value                                      | 100                                       | No<br>Commercial<br>Value  |
| 26. Unit 110021, 11/F, Block No. 5 north of Shangchengdong Road, west of Shangmao Road, Jinshui District, Zhengzhou, Henan Province, the PRC | No<br>Commercial<br>Value                                      | 100                                       | No<br>Commercial<br>Value  |

| Property  | Market value in existing state as at 31 December 2015 | Interest attributable to the Group | Market value in existing state attributable to the Group as at 31 December 2015 |
|---|---|------------------------------------|---|
|   | (RMB)   | (%)                                | (RMB)   |
| 27. Unit 5, Block No. 19,<br>No. 9 Jingnan 3rd Road,<br>Economic and Technology<br>Development Zone,<br>Zhengzhou,<br>Henan Province,<br>the PRC              | No<br>Commercial<br>Value                             | 100                                | No<br>Commercial<br>Value   |
| 28. 3 units, west of Village Committee of<br>Er Shi Li Pu,<br>Baisha Town,<br>Zhongmu County,<br>Zhengzhou,<br>Henan Province,<br>the PRC                     | No<br>Commercial<br>Value                             | 100                                | No<br>Commercial<br>Value   |
| 29. A unit of<br>Zhongmu Industrial Zone<br>Administration Committee,<br>No. 119 Zhengkai Avenue,<br>Zhengzhou,<br>Henan Province,<br>the PRC                 | No<br>Commercial<br>Value                             | 100                                | No<br>Commercial<br>Value   |
| 30. 5/F of Henan Yijia Environmental<br>Protection Co., Ltd,<br>No. 6 Yongxing Road,<br>Yanghuai Industrial Zone,<br>Zhengzhou,<br>Henan Province,<br>the PRC | No<br>Commercial<br>Value                             | 100                                | No<br>Commercial<br>Value   |
| 31. Unit 703 and Unit 704,<br>7/F, No. 9 Yongxing Road,<br>Jinshui District,<br>Zhengzhou,<br>Henan Province,<br>the PRC                                      | No<br>Commercial<br>Value                             | 100                                | No<br>Commercial<br>Value   |

| Property   | Market value in                          | Interest                     | Market value in   |
|--|--|------------------------------|---|
|  | existing state as at<br>31 December 2015 | attributable<br>to the Group | existing state<br>attributable to<br>the Group as at<br>31 December<br>2015 |
|  | (RMB)                                    | (%)                          | (RMB)   |
| 32. A unit of Block No. 14,<br>No. 150 Huozhan Street,<br>Guancheng Huizu District,<br>Zhengzhou,<br>Henan Province,<br>the PRC                                | No<br>Commercial<br>Value                | 100                          | No<br>Commercial<br>Value   |
| 33. 10 units of Block No. 14,<br>No. 150 Huozhan Street,<br>Guancheng Huizu District,<br>Zhengzhou,<br>Henan Province,<br>the PRC                              | No<br>Commercial<br>Value                | 100                          | No<br>Commercial<br>Value   |
| 34. Unit 110019, 11/F, Block No. 5 north of<br>Shangchengdong Road,<br>west of Shangmao Road,<br>Jinshui District,<br>Zhengzhou,<br>Henan Province,<br>the PRC | No<br>Commercial<br>Value                | 100                          | No<br>Commercial<br>Value   |
| 35. Unit 110002, 11/F, Block No. 5 north of<br>Shangchengdong Road,<br>west of Shangmao Road,<br>Jinshui District,<br>Zhengzhou,<br>Henan Province,<br>the PRC | No<br>Commercial<br>Value                | 100                          | No<br>Commercial<br>Value   |
| 36. Unit 110001, 11/F, Block No. 5 north of<br>Shangchengdong Road,<br>west of Shangmao Road,<br>Jinshui District,<br>Zhengzhou,<br>Henan Province,<br>the PRC | No<br>Commercial<br>Value                | 100                          | No<br>Commercial<br>Value   |

| Property   | Market value in                          | Interest                     | Market value in   |
|--|--|------------------------------|---|
|  | existing state as at<br>31 December 2015 | attributable<br>to the Group | existing state<br>attributable to<br>the Group as at<br>31 December<br>2015 |
|  | (RMB)                                    | (%)                          | (RMB)   |
| 37. Unit 110003, 11/F, Block No. 5 north of Shangchengdong Road, west of Shangmao Road, Jinshui District, Zhengzhou, Henan Province, the PRC | No<br>Commercial<br>Value                | 100                          | No<br>Commercial<br>Value   |
| 38. Unit 110015, 11/F, Block No. 5 north of Shangchengdong Road, west of Shangmao Road, Jinshui District, Zhengzhou, Henan Province, the PRC | No<br>Commercial<br>Value                | 100                          | No<br>Commercial<br>Value   |
| 39. Unit 110011, 11/F, Block No. 5 north of Shangchengdong Road, west of Shangmao Road, Jinshui District, Zhengzhou, Henan Province, the PRC | No<br>Commercial<br>Value                | 100                          | No<br>Commercial<br>Value   |
| 40. 11/F of Block No. 5, Ru Guo Ai, No. 50 Yingxie Road, Jinshui District, Zhengzhou, Henan Province, the PRC                                | No<br>Commercial<br>Value                | 100                          | No<br>Commercial<br>Value   |
| 41. 4 units, No. 1 Wansheng Road, Jinming District, Kaifeng, Henan Province, the PRC   | No<br>Commercial<br>Value                | 100                          | No<br>Commercial<br>Value   |

| Property   | Market value in<br>existing state as at<br>31 December 2015 | Interest<br>attributable<br>to the Group | Market value in<br>existing state<br>attributable to<br>the Group as at<br>31 December<br>2015 |
|--|---|--|--|
|  | (RMB)   | (%)                                      | (RMB)  |
| 42. 3 units, No. 1 Dong'an Alley,<br>No. 250 Pingyuan Road,<br>Hongqi District,<br>Xinxiang,<br>Henan Province,<br>the PRC                 | No<br>Commercial<br>Value                                   | 100                                      | No<br>Commercial<br>Value  |
| 43. Unit C, 22/F, Dihao Building,<br>No. 2 Longkunbei Road,<br>Haikou,<br>Hainan Province,<br>the PRC                                      | No<br>Commercial<br>Value                                   | 100                                      | No<br>Commercial<br>Value  |
| 44. Unit 1302, 6B, Yi Hai Ge,<br>Shiji Haian,<br>Shiji Avenue,<br>Meilan District,<br>Haikou,<br>Hainan Province,<br>the PRC               | No<br>Commercial<br>Value                                   | 100                                      | No<br>Commercial<br>Value  |
| 45. Unit 17E, Block No. 5, Zhidi Garden,<br>No. 2 Mingzhu Road,<br>Jinmao District,<br>Haikou,<br>Hainan Province,<br>the PRC              | No<br>Commercial<br>Value                                   | 100                                      | No<br>Commercial<br>Value  |
| 46. Unit 23A, Block No. 5, Zhidi Garden,<br>No. 2 Mingzhu Road,<br>Jinmao District,<br>Haikou,<br>Hainan Province,<br>the PRC              | No<br>Commercial<br>Value                                   | 100                                      | No<br>Commercial<br>Value  |
| 47. Unit S405-C, Investment and Services<br>Centre Haikou Bonded Area,<br>No. 168 Nanhai Avenue,<br>Haikou,<br>Hainan Province,<br>the PRC | No<br>Commercial<br>Value                                   | 100                                      | No<br>Commercial<br>Value  |

| Property   | Market value in existing state as at 31 December 2015 | Interest attributable to the Group | Market value in existing state attributable to the Group as at 31 December 2015 |
|--|---|------------------------------------|---|
|  | (RMB)   | (%)                                | (RMB)   |
| 48. 6/F and 7/F, Yi Hai Building, No. 47 south of Wuxi Road, Haidian Island, Hai Kou, Hainan Province, the PRC | No Commercial Value                                   | 100                                | No Commercial Value   |
| 49. Unit 804, D2, Meilisha Garden, No. 78 Wuxi Road, Haidian Island, Haikou, Hainan Province, the PRC          | No Commercial Value                                   | 100                                | No Commercial Value   |
| 50. No. 114 Xinjian 3rd Road, Tuichang County, Hainan Province, the PRC  | No Commercial Value                                   | 100                                | No Commercial Value   |
| 51. No. 115 Xinjian 3rd Road, Tuichang County, Hainan Province, the PRC  | No Commercial Value                                   | 100                                | No Commercial Value   |
| 52. No. 87 Wenjianxi Road, Mayuanpo, Wencheng Town, Wenchang, Hainan Province, the PRC                         | No Commercial Value                                   | 100                                | No Commercial Value   |
| 53. Unit 2502, 25/F, Tongmao Building, No. 357 Songlin Road, Pudong New District, Shanghai, the PRC            | No Commercial Value                                   | 100                                | No Commercial Value   |



| Property  | Market value in<br>existing state as at<br>31 December 2015<br>(RMB) | Interest<br>attributable<br>to the Group<br>(%) | Market value in<br>existing state<br>attributable to<br>the Group as at<br>31 December<br>2015<br>(RMB) |
|---|--|---|---|
| 54. 13/F, Office Building No. 2,<br>Cultural and Innovative Industrial Zone,<br>Shenzhen Broadcasting,<br>Film and Television Group,<br>Longhua Office,<br>Longhua New District,<br>Shenzhen,<br>Guangdong Province,<br>the PRC | No<br>Commercial<br>Value  | 100   | No<br>Commercial<br>Value   |
| 55. Unit #01-06,<br>8 Pandan Crescent<br>Singapore 128464   | No<br>Commercial<br>Value  | 100   | No<br>Commercial<br>Value   |
| <b>Sub-total:</b>   | <b>No<br/>commercial<br/>Value</b>                                   |   | <b>No<br/>commercial<br/>Value</b>  |
| <b>Grand-total:</b>   | <b>2,617,000,000</b>   |   | <b>2,139,740,000</b>  |

## VALUATION CERTIFICATE

## Group I – Properties held by the Group for investment in the PRC

| Property   | Description and tenure   | Particulars of occupancy  | Market value in existing state as at 31 December 2015                           |
|--|--|---|---|
| 1. Various units of Weiye Ru Guo Ai, No. 50 Yingxie Road, Jinshui District, Zhengzhou, Henan Province, the PRC | The property comprised 5 retail units of Weiye Ru Guo Ai completed in 2007.<br><br>The property has a total gross floor area of approximately 2,384.46 sq m and a respective total site area of 357.63 sq m. | As at the valuation date, the property was subject to various tenancies at a total monthly rent of approximately RMB87,546 with the latest tenancy due to expire on 10 July 2023. | RMB36,000,000<br><br>(100% interest attributable to the Group<br>RMB36,000,000) |
| 中國河南省鄭州市金水區英協路50號偉業如果·愛若干個單元   | The property is held with land use rights for a term due to expire on 27 August 2074 for residential use.  |   |   |

## Notes:

- (1) According to five State-owned Land Use Rights Certificates listed below, the land use rights of the property have been vested in 河南偉業建設投資集團有限公司 (Henan Weiye Construction Investment Co., Ltd.) with details as follows:

| Certificate No. | Date of issue | Use         | Expiry date of land use term | Respective site area<br>(sq m) |
|-----------------|---------------|-------------|------------------------------|--------------------------------|
| (2012)7388      | 19 March 2012 | Residential | 27 August 2074               | 16.24                          |
| (2012)7387      | 19 March 2012 | Residential | 27 August 2074               | 45.75                          |
| (2012)7384      | 19 March 2012 | Residential | 27 August 2074               | 70.25                          |
| (2012)7377      | 19 March 2012 | Residential | 27 August 2074               | 108.89                         |
| (2012)7391      | 19 March 2012 | Residential | 27 August 2074               | 116.50                         |
| <b>Total</b>    |               |             |                              | <b><u>357.63</u></b>           |

- (2) According to five Building Ownership Certificates issued on 11 March 2013, the building ownership of the property with a total gross area of 2,384.46 sq m has been vested in 河南偉業建設開發集團有限公司 (Henan Weiye Construction Development Group Co., Ltd.) with a land use term due to expire on 27 August 2074. Gross floor area details are as below:

| Certificate No. | Location   | Use    | Gross floor area       |
|-----------------|--|--------|------------------------|
| 1301044808      | No. 1, 1/F of Block No. 5, No. 50 Yingxie Road, Jinshui District   | retail | 108.29                 |
| 1301044809      | No. 12A, 2/F of Block No. 5, No. 50 Yingxie Road, Jinshui District | retail | 305.05                 |
| 1301044811      | No. 12B, 2/F of Block No. 5, No. 50 Yingxie Road, Jinshui District | retail | 468.37                 |
| 1301044810      | No. 13, 2/F of Block No. 5, No. 50 Yingxie Road, Jinshui District  | retail | 726.00                 |
| 1301044807      | No. 14, 2/F of Block No. 5, No. 50 Yingxie Road, Jinshui District  | retail | 776.75                 |
| <b>Total</b>    |  |        | <b><u>2,384.46</u></b> |

- (3) According to Approval Letter for Enterprise Name Modification issued by Henan Administration of Industry and Commerce on 18 May 2012, the name of 河南偉業建設投資集團有限公司 (Henan Weiye Construction Investment Group Co., Ltd.) was approved to change to be 河南偉業建設開發集團有限公司 (Henan Weiye Construction Development Group Co., Ltd.).
- (4) According to Business License No.410000100005759 dated 30 October 1999, 河南偉業建設開發集團有限公司 (Henan Weiye Construction Development Group Co., Ltd.) was established as a limited liability company with a registered capital of RMB200,000,000.
- (5) We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:
- (i) The State-owned Land Use Rights Certificates and the Building Ownership Certificates of the property are valid, legal and enforceable under the PRC laws;
  - (ii) 河南偉業建設開發集團有限公司 (Henan Weiye Construction Development Group Co., Ltd.) is the sole legal owner of the property;
  - (iii) The property is subject to a mortgage Henan Weiye Construction Development Group Co., Ltd. cannot freely transfer, lease and/or mortgage the property without prior consent from the mortgagee; and
  - (iv) 河南偉業建設開發集團有限公司 (Henan Weiye Construction Development Group Co., Ltd.) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, the Group has to discharge the mortgage or obtain the mortgagee's consent in advance.
- (6) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

|  |     |
|--|-----|
| State-owned Land Use Rights Certificate          | Yes |
| Approval Letter for Enterprise Name Modification | Yes |
| Building Ownership Certificate                   | Yes |
| Business License                                 | Yes |

## VALUATION CERTIFICATE

## Group I – Properties held by the Group for investment in the PRC

| Property  | Description and tenure   | Particulars of occupancy | Market value in existing state as at 31 December 2015 |           |          |        |          |              |                 |   |  |
|---|--|--------------------------|---|-----------|----------|--------|----------|--------------|-----------------|---|--|
| 2. Various units of Block No. 1 of Weiye Costa Rhine, Taiyanghe Hotspring Resorts, Xinglong District, Wanning, Hainan Province, the PRC<br><br>中國海南省萬寧市興隆太陽河溫泉旅遊度假區萊茵半島1號樓若干個單元 | <p>The property comprises 90 tourist apartment units and a retail unit of Weiye Costa Rhine with a total gross floor area of 4,997.41 sq m completed in 2013.</p> <p>Weiye Costa Rhine is an apartment hotel development erected on a parcel of land with a site area of approximately 49,453.81 sq m.</p> <p>The gross floor area details of the property are as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Use</th> <th style="text-align: center;">Approximate gross floor area (sq m)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Apartment</td> <td style="text-align: center;">3,564.00</td> </tr> <tr> <td style="text-align: center;">Retail</td> <td style="text-align: center;">1,433.41</td> </tr> <tr> <td style="text-align: center;"><b>Total</b></td> <td style="text-align: center;"><b>4,997.41</b></td> </tr> </tbody> </table> <p>The property is held with land use rights for a term due to expire on 31 December 2063 for tourism use.</p> | Use                      | Approximate gross floor area (sq m)                   | Apartment | 3,564.00 | Retail | 1,433.41 | <b>Total</b> | <b>4,997.41</b> | As at the valuation date, the property was subject to a tenancy at a total annual rent of approximately RMB2,000,000 due to expire on 31 December 2016. | RMB48,000,000<br><br>(100% interest attributable to the Group RMB48,000,000) |
| Use   | Approximate gross floor area (sq m)  |                          |   |           |          |        |          |              |                 |   |  |
| Apartment   | 3,564.00   |                          |   |           |          |        |          |              |                 |   |  |
| Retail  | 1,433.41   |                          |   |           |          |        |          |              |                 |   |  |
| <b>Total</b>  | <b>4,997.41</b>  |                          |   |           |          |        |          |              |                 |   |  |

## Notes:

- (1) According to State-owned Land Use Rights Certificate No. (2011)401001 issued by Wanning People's Government on 25 March 2011, the land use rights of a parcel of land with a site area of 49,453.81 sq m have been vested in 萬寧英德置業有限公司 (Wanning Yingde Property Co., Ltd.) for a term due to expire on 31 December 2063 for tourism use.
- (2) According to Building Ownership Certificate issued on 11 June 2015, the building ownership with a total gross area of 4,997.41 sq m has been vested in 萬寧英德置業有限公司 (Wanning Yingde Property Co., Ltd.) with a land use term due to expire on 31 December 2063.
- (3) According to Surveying Report No. (2015)1506143 dated 10 May 2015, the property comprising 90 apartment units and a retail unit has a total of gross floor area of 4,997.41 sq m.

- (4) According to Business License No. 469006000011958 dated 17 December 2009, 萬寧英德置業有限公司 (Wanning Yingde Property Co., Ltd) was established as a limited liability company with a registered capital of RMB200,000,000.
- (5) We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:
- (i) The State-owned Land Use Rights Certificate and the Building Ownership Certificate of the property are valid, legal and enforceable under the PRC laws;
  - (ii) 萬寧英德置業有限公司 (Wanning Yingde Property Co., Ltd) is the sole legal owner of the property; and
  - (iii) 萬寧英德置業有限公司 (Wanning Yingde Property Co., Ltd) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, the Group has to discharge the mortgage or obtain the mortgagee's consent in advance.
- (6) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

|   |     |
|---|-----|
| State-owned Land Use Rights Certificate | Yes |
| Building Ownership Certificate          | Yes |
| Surveying Report                        | Yes |
| Business License                        | Yes |

## VALUATION CERTIFICATE

## Group I – Properties held by the Group for investment in the PRC

| Property  | Description and tenure  | Particulars of occupancy   | Market value in existing state as at 31 December 2015                           |
|---|---|--|---|
| 3. Various units of Block No. 12 of Weiye Oxygen Cube B, east of Huandong 2nd Road, Tuncheng Town, Tunchang County, Hainan Province, the PRC<br><br>中國海南省屯昌縣屯城鎮環東二路東側氧立方B 12號樓若干個單元 | The property comprises 30 residential units of Block No. 12 of Weiye Oxygen Cube B completed in 2013.<br><br>Oxygen Cube B is a residential development erected on a parcel of land with a site area of approximately 12,977.20 sq m.<br><br>The property has a total gross floor area of approximately 2,078.28 sq m.<br><br>The property is held with land use rights for a term due to expire on 16 December 2079 for residential use. | As at the valuation date, the property was subject to a tenancy at an annual rent of approximately RMB189,600 due to expire on 30 June 2017. | RMB11,000,000<br><br>(100% interest attributable to the Group<br>RMB11,000,000) |

## Notes:

- (1) According to State-owned Land Use Rights Certificate No. (2010)13-00075 issued by Tunchang People's Government on 23 April 2010, the land use rights of a parcel of land with a site area of 12,977.20 sq m have been vested in 屯昌雅境置業有限公司 (Tunchang Yajing Property Co., Ltd.) for a term due to expire on 16 December 2079 for residential use.
- (2) According to Building Ownership Certificate No. 13870 dated 18 November 2013, the building ownership with a total gross floor area of 7,994.68 sq m has been vested in 屯昌雅境置業有限公司 (Tunchang Yajing Property Co., Ltd.).  
  
As advised by the Group, the property comprises a portion of the gross floor area as stated in the Building Ownership Certificate mentioned above.
- (3) According to Surveying Report No. 5235, the property comprising 30 residential units has a total gross floor area of 2,078.28 sq m.
- (4) According to Business License No.46902600008544 dated 10 April 2015, 屯昌雅境置業有限公司 (Tunchang Yajing Property Co., Ltd.) was established as a limited liability company with a registered capital of RMB100,000,000.
- (5) We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:
  - (i) The State-owned Land Use Rights Certificate and the Building Ownership Certificate of the property are valid, legal and enforceable under the PRC laws;
  - (ii) 屯昌雅境置業有限公司 (Tunchang Yajing Property Co., Ltd.) is the sole legal owner of the property;
  - (iii) The property is subject to a mortgage Tunchang Yajing Property Co., Ltd cannot freely transfer, lease and/or mortgage the property without prior consent from the mortgagee; and
  - (iv) 屯昌雅境置業有限公司 (Tunchang Yajing Property Co., Ltd.) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, the Group has to discharge the mortgage or obtain the mortgagee's consent in advance.
- (6) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:
 

|  |     |
|--|-----|
| State-owned Land Use Right Certificate | Yes |
| Building Ownership Certificate         | Yes |
| Surveying Report                       | Yes |
| Business License                       | Yes |

## VALUATION CERTIFICATE

## Group II – Property held by the Group under development for investment in the PRC

| Property   | Description and tenure   | Particulars of occupancy   | Market value in existing state as at 31 December 2015                        |
|--|--|--|--|
| 4. The under construction development known as Weiye Rhine Coast, Fengjia Bay, Huiwen Town, Wenchang, Hainan Province, the PRC | Rhine Coast is an apartment hotel development which is developing on a site comprising 3 parcels of land with a total site area of approximately 15,136 sq m.<br><br>Upon completion, the property will comprise a total gross floor area of approximately 15,478.99 sq m with details as follows: | As at the date of valuation the property was under construction. | RMB55,000,000<br><br>(100% interest attributable to the Group RMB55,000,000) |

中國海南省文昌市  
會文鎮馮家灣偉業萊  
茵海岸在建工程

| Use          | Approximate gross floor area (sq m) |
|--------------|-------------------------------------|
| Apartment    | 10,321.49                           |
| Ancillary    | 2,722.21                            |
| Basement     | 2,435.29                            |
| <b>Total</b> | <b>15,478.99</b>                    |

As advised by the Group, the property is scheduled for completion in 2016.

The property is held with land use rights for terms due to expire on 8 September 2064 for tourist use and 2 February 2066 for tourist and commercial use respectively.

(See note (1) below)

## Notes:

- (1) According to three State-owned Land Use Rights Certificates listed below, the land use rights of three parcels of land with a total site area of 15,136.0 sq m have been vested in 文昌市茂源旅業有限公司 (Wenchang Maoyuan Tourism Co., Ltd.) with details as follows:

| Certificate No. | Date of issue    | Use        | Expiry date of land use term | Site area (sq m) |
|-----------------|------------------|------------|------------------------------|------------------|
| W0401638        | 13 December 2000 | Tourist    | 2 February 2066              | 6,664.2          |
| W0401992        | 14 December 2010 | Tourist    | 8 September 2064             | 1,976.8          |
| W0402361        | 14 January 2011  | Commercial | 2 February 2066              | 6,495.0          |
| <b>Total</b>    |                  |            |                              | <b>15,136.0</b>  |

- (2) According to Planning Permit for Construction Works No. (2011)A024 dated 29 March 2011, the construction works with a total gross floor area of 15,495.30 sq m are in compliance with the urban planning requirements and have been approved.
- (3) According to Commencement Permit for Construction Works No. 460022201104250101 dated 25 April 2011, the construction works with a total planned gross floor area of 15,495.3 sq m are in compliance with the requirements for works commencement and have been permitted.

- (4) According to Commodity Housing Pre-sales Permit No. (2012)018 dated 22 October 2014 issued by Housing and Urban Construction Bureau of Wenchang, the construction works with a total gross floor area of 10,392.64 sq m were permitted to pre-sales.
- (5) According to Surveying Report issued by Wenchang City Real Estate Survey and Drawing Centre on 23 August 2013, the total gross floor area of the property is 15,478.99 sq m.
- (6) As advised by the Group, the construction cost expended as at 31 December 2015 was approximately RMB26,000,000, the outstanding construction cost as at 31 December 2015 was approximately RMB37,000,000. In the course of our valuation, we have taken into account such amount in our valuation.
- (7) The market value of the property when completed as at 31 December 2015 was RMB123,000,000.
- (8) According to Business License No. 469005000017795 dated 6 August 2009, 文昌市茂源旅業有限公司 (Wenchang Maoyuan Tourism Co., Ltd.) was established as a limited liability company with a registered capital of RMB680,000.
- (9) We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:
- (i) The State-owned Land Use Rights Certificates of the property are valid, legal and enforceable under the PRC laws.
  - (ii) 文昌市茂源旅業有限公司 (Wenchang Maoyuan Tourism Co., Ltd.) is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property; and
  - (iii) 文昌市茂源旅業有限公司 (Wenchang Maoyuan Tourism Co., Ltd.) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, the Group has to discharge the mortgage or obtain the mortgagee's consent in advance.
- (10) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

|  |     |
|--|-----|
| State-owned Land Use Rights Certificate    | Yes |
| Planning Permit for Construction Works     | Yes |
| Commencement Permit for Construction Works | Yes |
| Commodity Housing Pre-sales Permit         | Yes |
| Surveying Report                           | Yes |
| Business License                           | Yes |



## VALUATION CERTIFICATE

## Group III – Property contracted to be acquired by the Group for investment in the PRC

| Property  | Description and tenure   | Particulars of occupancy  | Market value in existing state as at 31 December 2015 |        |          |        |          |              |                  |  |  |
|---|--|---|---|--------|----------|--------|----------|--------------|------------------|--|--|
| 5. Various units of Tower C of Weiye International Square, north of Shangdu Road, east of Xinyi Road, Zhengdong New District, Zhengzhou, Henan Province, the PRC<br><br>中國河南省鄭州市鄭東新區商都路北，心怡路東，偉業國際廣場C棟若干個單元   | The property comprises 30 retail units and 104 office units of Tower C of the proposed development known as Weiye International Square.<br><br>Weiye International Square is a complex development with 3 office towers and a commercial podium developing on a parcel of land with a site area of approximately 13,333.33 sq m.<br><br>Gross floor area details of the property are as follows: | As at the valuation date, the superstructure of the property was completed and the interior construction was being conducted. | No Commercial Value<br><br>(See Note 1 Below)         |        |          |        |          |              |                  |  |  |
|   | <table border="1"> <thead> <tr> <th>Use</th> <th>Approximate gross floor area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>3,448.85</td> </tr> <tr> <td>Office</td> <td>9,141.96</td> </tr> <tr> <td><b>Total</b></td> <td><b>12,590.81</b></td> </tr> </tbody> </table>  | Use   | Approximate gross floor area (sq m)                   | Retail | 3,448.85 | Office | 9,141.96 | <b>Total</b> | <b>12,590.81</b> |  |  |
| Use   | Approximate gross floor area (sq m)  |   |   |        |          |        |          |              |                  |  |  |
| Retail  | 3,448.85   |   |   |        |          |        |          |              |                  |  |  |
| Office  | 9,141.96   |   |   |        |          |        |          |              |                  |  |  |
| <b>Total</b>  | <b>12,590.81</b>   |   |   |        |          |        |          |              |                  |  |  |
|   | As advised by the Group, the property is scheduled for completion in 2016.   |   |   |        |          |        |          |              |                  |  |  |
|   | As advised by group, the property is held with land use rights for a term due to expire on 9 October 2050 for commercial and business use.   |   |   |        |          |        |          |              |                  |  |  |
| <i>Notes:</i>   |  |   |   |        |          |        |          |              |                  |  |  |
| (1) We have been advised by the Group that the Building Ownership Certificate of the property have not been obtained yet and we usually ascribe no commercial value to the property. Had Building Ownership Certificates been issued to the property, the market value of the property in its existing state as at 31 December 2015 would be RMB236,000,000.  |  |   |   |        |          |        |          |              |                  |  |  |
| (2) According to 134 Commodity House Purchase and Sales Contracts entered into between 河南金偉置業有限公司 (Henan Jinwei Property Co., Ltd.) and 河南偉業建設開發集團有限公司 (Henan Weiye Construction Development Group Co., Ltd.), the property comprising 30 retail units with a total gross floor area of 3,448.85 sq m and 104 office units with a total gross floor area of 9,141.96 sq m was purchased by 河南偉業建設開發集團有限公司 (Henan Weiye Construction Development Group Co., Ltd.) at a total consideration of RMB45,030,404. |  |   |   |        |          |        |          |              |                  |  |  |
| (3) According to Business License No. 410000100005759 dated 30 October 1999, 河南偉業建設開發集團有限公司 (Henan Weiye Construction Development Group Co., Ltd.) was established as a limited liability company with a registered capital of RMB200,000,000.  |  |   |   |        |          |        |          |              |                  |  |  |
| (4) We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:  |  |   |   |        |          |        |          |              |                  |  |  |
| (i) The Commodity House Purchase and Sales Contracts are legal, valid and binding on both parties.  |  |   |   |        |          |        |          |              |                  |  |  |
| (5) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:   |  |   |   |        |          |        |          |              |                  |  |  |
| Commodity House Purchase and Sales Contract   |  | Yes   |   |        |          |        |          |              |                  |  |  |
| Business License  |  | Yes   |   |        |          |        |          |              |                  |  |  |

## VALUATION CERTIFICATE

## Group IV – Completed properties held by the Group for sale in the PRC

| Property  | Description and tenure  | Particulars of occupancy                           | Market value in existing state as at 31 December 2015                      |        |        |             |          |              |                 |  |  |
|---|---|--|--|--------|--------|-------------|----------|--------------|-----------------|--|--|
| 6. Various units of Weiye Tiandao Tianheshuian west of Yangqiao Road, north of Ruifeng Road, Zhongmu County, Zhengzhou, Henan Province, the PRC<br><br>中國河南省鄭州市中牟縣楊橋路西側, 瑞豐路北側, 偉業天道天河水岸若干個單元 | The property comprises 10 residential units and 3 retail units of Weiye Tiandao Tianheshuian.<br><br>Weiye Tiandao Tianheshuian is a residential development erected on a parcel of land with a site area of approximately 21,671.24 sq m.<br><br>The property has a total gross floor area of approximately 1,697.06 sq m with details as follows: | As at the valuation date, the property was vacant. | RMB18,000,000<br><br>(51% interest attributable to the Group RMB9,180,000) |        |        |             |          |              |                 |  |  |
|   | <table border="1"> <thead> <tr> <th>Use</th> <th>Approximate gross floor area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>255.75</td> </tr> <tr> <td>Residential</td> <td>1,441.31</td> </tr> <tr> <td><b>Total</b></td> <td><b>1,697.06</b></td> </tr> </tbody> </table>   | Use  | Approximate gross floor area (sq m)  | Retail | 255.75 | Residential | 1,441.31 | <b>Total</b> | <b>1,697.06</b> |  |  |
| Use   | Approximate gross floor area (sq m)   |  |  |        |        |             |          |              |                 |  |  |
| Retail  | 255.75  |  |  |        |        |             |          |              |                 |  |  |
| Residential   | 1,441.31  |  |  |        |        |             |          |              |                 |  |  |
| <b>Total</b>  | <b>1,697.06</b>   |  |  |        |        |             |          |              |                 |  |  |
|   | The property is held with land use rights for a term due to expire on 21 September 2081 for residential use.  |  |  |        |        |             |          |              |                 |  |  |

## Notes:

- According to State-owned Land Use Rights Certificate No. (2011)215 issued by People's Government of Zhongmu County on 6 September 2011, the land use rights of a parcel of land with a site area of 21,671.24 sq m have been vested in 河南天道資產管理有限公司 (Henan Tiandao Assets Management Co., Ltd.) for a term due to expire on 21 September 2081 for residential use.
- According to Grant Contract of State-owned Land Use Rights No. (2011)0054 entered into between Zhongmu County Land Resources Bureau and 河南天道資產管理有限公司 (Henan Tiandao Assets Management Co., Ltd.) on 21 June 2011, the land use rights of Lot No. BS02-06-01-11-(2) comprising a site area of approximately 21,671.242 sq m have been granted to 河南天道資產管理有限公司 (Henan Tiandao Asset Management Co., Ltd.) at a premium of RMB19,742,502.
- According to Planning Permit for Construction Use of Land No. 410122201214019 issued by People's Government of Zhongmu County, the proposed construction land use of the property complies with the town planning requirements and permit for construction of a site area of 21,671.242 sq m.
- According to Planning Permit for Construction Works No. 410122201227020 dated 11 January 2013 issued by Baisha Management Committee of Planning Bureau, the construction works with a total gross floor area of 78,986.56 sq m are in compliance with the construction works requirements and have been approved.
- According to Commencement Permit for Construction Works No. 41012220131101-116 dated 1 November 2013 issued by Baisha Management Committee of Construction of Environment Protection Bureau, the construction works with a total gross floor area of 78,986.56 sq m are in compliance with the requirements for works commencement and have been permitted.
- According to Commodity Housing Pre-sales Permit No. (2014)ZM140060 issued by Real Estate Management Administration of Zhongmu on 19 December 2014, the construction works with a total gross floor area of 58,476.36 sq m comprising retail and residential units were permitted for pre-sales.  
  
As advised by the Group, the property comprises a portion of the gross floor area as stated in the Commodity Housing Pre-sales Permit mentioned above.
- According to seven Zhongmu Housing Gross Floor Area Preliminary Survey Reports Nos. YFW0001043, YFW001049, YFW0010146, YFW0010150, YFW0010148, YFW001009 and YFW001077, the property has a total gross floor area of 1,697.06 sq m.

- (8) According to the information provided by the Group, various residential and retail units of the property with a total gross floor area of approximately 558.16 sq m have been pre-sold for a consideration of RMB3,654,206. In the course of our valuation, we have taken into account the above contracted selling price of the pre-sold portion.
- (9) According to Business License No. 410122000005526(1-1) dated 19 March 2010, 河南天道資產管理有限公司 (Henan Tiandao Assets management Co., Ltd.) was established as a limited liability company with a registered capital of RMB10,000,000.
- (10) We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:
- (i) The State-owned Land Use Rights Certificate of the property is valid, legal and enforceable under the PRC laws;
  - (ii) 河南天道資產管理有限公司 (Henan Tiandao Assets Management Co., Ltd.) is the sole legal owner of the property; and
  - (iii) 河南天道資產管理有限公司 (Henan Tiandao Assets Management Co., Ltd.) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, the Group has to discharge the mortgage or obtain the mortgagee's consent in advance.
- (11) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

|  |     |
|--|-----|
| Grant Contract of State-owned Land Use Rights              | Yes |
| State-owned Land Use Rights Certificate                    | Yes |
| Planning Permit for Construction Use of Land               | Yes |
| Planning Permit for Construction Works                     | Yes |
| Commencement Permit for Construction Works                 | Yes |
| Zhongmu Housing Gross Floor Area Preliminary Survey Report | Yes |
| Commodity Housing Pre-sales Permit                         | Yes |
| Business License   | Yes |

## VALUATION CERTIFICATE

## Group IV – Completed properties held by the Group for sale in the PRC

| Property  | Description and tenure  | Particulars of occupancy | Market value in existing state as at 31 December 2015 |        |           |           |           |        |          |  |           |              |                  |  |  |
|---|---|--------------------------|---|--------|-----------|-----------|-----------|--------|----------|--|-----------|--------------|------------------|--|--|
| 7. Various units of Weiye Tiandao International, west of Yangqiao Road, north of Ruifeng Road, Zhongmu County, Zhengzhou, Henan Province, the PRC<br><br>中國河南省鄭州市中牟縣楊橋路西側，瑞豐路北側，偉業天道國際若干個單元 | <p>The property comprises 231 office units, 525 apartment units, 21 retail units and 632 carpark units of Weiye Tiandao International.</p> <p>Weiye Tiandao International is office and apartment development erected on one parcel of land with a total site area of approximately 20,995.64 sq m.</p> <p>The property has a total gross floor area of approximately 85,729.86 sq m with details as follows:</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Approximate gross floor area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Office</td> <td>24,698.77</td> </tr> <tr> <td>Apartment</td> <td>28,382.76</td> </tr> <tr> <td>Retail</td> <td>8,935.35</td> </tr> <tr> <td>Non-civil air defense carpark (632 lots)</td> <td>23,712.98</td> </tr> <tr> <td><b>Total</b></td> <td><b>85,729.86</b></td> </tr> </tbody> </table> | Use                      | Approximate gross floor area (sq m)                   | Office | 24,698.77 | Apartment | 28,382.76 | Retail | 8,935.35 | Non-civil air defense carpark (632 lots) | 23,712.98 | <b>Total</b> | <b>85,729.86</b> | As at the valuation date, the property was vacant. | RMB696,000,000<br><br>(51% interest attributable to the Group<br>RMB354,960,000) |
| Use   | Approximate gross floor area (sq m)   |                          |   |        |           |           |           |        |          |  |           |              |                  |  |  |
| Office  | 24,698.77   |                          |   |        |           |           |           |        |          |  |           |              |                  |  |  |
| Apartment   | 28,382.76   |                          |   |        |           |           |           |        |          |  |           |              |                  |  |  |
| Retail  | 8,935.35  |                          |   |        |           |           |           |        |          |  |           |              |                  |  |  |
| Non-civil air defense carpark (632 lots)  | 23,712.98   |                          |   |        |           |           |           |        |          |  |           |              |                  |  |  |
| <b>Total</b>  | <b>85,729.86</b>  |                          |   |        |           |           |           |        |          |  |           |              |                  |  |  |
|   | <p>The property is held with land use rights for a term due to expire on 21 December 2051 for commercial use.</p>   |                          |   |        |           |           |           |        |          |  |           |              |                  |  |  |

*Notes:*

- (1) According to State-owned Land Use Rights Certificate No. (2011)216 issued by People's Government of Zhongmu County on 6 September 2011, the land use rights of a parcel of land with a site area of 20,995.64 sq m have been vested in 河南天道資產管理有限公司 (Henan Tiandao Assets Management Co., Ltd.) for a term due to expire on 21 September 2051 for commercial use.
- (2) According to Grant Contract of State-owned Land Use Rights No. (2011)0053 entered into between Zhongmu County Land Resources Bureau and 河南天道資產管理有限公司 (Henan Tiandao Assets Management Co., Ltd.) on 21 June 2011, the land use rights of Lot No. BS02-06-01-11-(1) comprising a site area of approximately 20,995.64 sq m have been granted to 河南天道資產管理有限公司 (Henan Tiandao Assets Management Co., Ltd.) at a premium of RMB20,470,749.
- (3) According to Planning Permit for Construction Use of Land No. 410122201214010 issued by People's Government of Zhongmu County on 24 September 2012, the proposed construction land use of the property complies with the town planning requirements and permit for construction of a site of 20,995.6702 sq m.
- (4) According to Planning Permit for Construction Works No. 410122201327003 dated 10 September 2013 issued by Baisha Management Committee of Planning Bureau, the construction works of a total gross floor area of 110,777.84 sq m are in compliance with the construction works requirements and have been approved.
- (5) According to Commencement Permit for Construction Works No. 410105201503050101 dated 5 March 2015 issued by Zhengdong New District Management Committee of Construction of Environment Protection Bureau, the construction works with a total gross floor area of 110,777.84 sq m are in compliance with the requirements for works commencement and have been permitted.

- (6) According to two Zhongmu Housing Gross Floor Area Preliminary Survey Reports Nos. YFW001230 and YFW001248, the property comprising office apartment retail and ancillary has a total gross floor area of 82,590.19 sq m.
- (7) According to three Construction Works Completion Acceptance Letters Nos. XQ201503250101(D), XQ201503250201(D) and XQ201503250301(D), the construction works with a total gross floor area of 110,352.51 sq m have been confirmed to the delivery standard.
- (8) According to two Commodity Housing Pre-sales Permits No. (2015)ZM150024 and (2015)ZM 150025 issued by Real Estate Management Administration of Zhongmu on 3 August 2015, the construction works with a total gross floor area of 80,220.77 sq m comprising office and retail units were permitted for pre-sales.

As advised by the Group, the property comprises a portion of the gross floor area as stated in the Commodity Housing Pre-sales Permits mentioned above.

- (9) According to the information provided by the Group, various office, apartment and retail units of the property with a total gross floor area of approximately 9,947.58 sq m have been pre-sold for a consideration of RMB76,391,058. In the course of our valuation, we have taken into account the above contracted selling price of the pre-sold portion.
- (10) According to Business License No. 410122000005526(1-1) dated 19 March 2010, 河南天道資產管理有限公司 (Henan Tiandao Assets management co., Ltd.) was established as a limited liability company with a registered capital of RMB10,000,000.
- (11) We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:—
- (i) The State-owned Land Use Rights Certificate of the property is valid, legal and enforceable under the PRC laws;
- (ii) 河南天道資產管理有限公司 (Henan Tiandao Assets management Co., Ltd.) is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property; and
- (iii) 河南天道資產管理有限公司 (Henan Tiandao Assets management Co., Ltd.) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, the Group has to discharge the mortgage or obtain the mortgagee's consent in advance.
- (12) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

|  |     |
|--|-----|
| Grant Contract of State-owned Land Use Rights              | Yes |
| State-owned Land Use Rights Certificate                    | Yes |
| Planning Permit for Construction Land                      | Yes |
| Planning Permit for Construction Works                     | Yes |
| Commencement Permit for Construction Works                 | Yes |
| Zhongmu Housing Gross Floor Area Preliminary Survey Report | Yes |
| Construction Works Completion Acceptance Letter            | Yes |
| Commodity Housing Pre-sales Permit                         | Yes |
| Business License   | Yes |

## VALUATION CERTIFICATE

## Group IV – Completed properties held by the Group for sale in the PRC

| Property  | Description and tenure  | Particulars of occupancy                           | Market value in existing state as at 31 December 2015                        |
|---|---|--|--|
| 8. Various units of Weiye Xiangdi Bay,<br>Jinyao Road,<br>Jinming District,<br>Kaifeng,<br>Henan Province,<br>the PRC | The property comprises 47 residential units and 7 carpark units of Weiye Xiangdi Bay.<br><br>Weiye Xiangdi Bay is a residential development erected on two parcels of land with a total site area of approximately 106,271.02 sq m. | As at the valuation date, the property was vacant. | RMB30,000,000<br><br>(100% interest attributable to the Group RMB30,000,000) |

中國河南省開封市  
金明區金耀路偉業香  
堤灣若干個單元

The property has a total gross floor area of approximately 6,119.99 sq m with details as follows:

| Use                                | Approximate gross floor area (sq m) |
|------------------------------------|-------------------------------------|
| Residential                        | 5,874.99                            |
| Civil air defense carpark (7 lots) | 245                                 |
| <b>Total</b>                       | <b>6,119.99</b>                     |

The property is held with land use rights for terms due to expire on 27 October 2049 and 27 October 2079 for commercial and residential use respectively.

## Notes:

- (1) According to two Real Estate Title Certificates issued by Kaifeng People's Government, the land use rights of two parcels of land with a total site area of 106,270.94 sq m have been vested in 河南蒼邦置業有限公司 (Henan Huibang Property Co., Ltd.) for terms due to expire on 27 October 2049 and 27 October 2079 for commercial and residential use respectively, with details as follows:

| Certificate No. | Date of issue    | Use                        | Site area (sq m)  |
|-----------------|------------------|----------------------------|-------------------|
| 235499          | 29 October 2009  | Commercial and residential | 45,994.88         |
| 235500          | 25 February 2014 | Commercial and residential | 60,276.14         |
| <b>Total</b>    |                  |                            | <b>106,271.02</b> |

- (2) According to two Grant Contracts of State-owned Land Use Rights entered into between Kaifeng Land Resources Bureau and 河南薈邦置業有限公司 (Henan Huibang Property Co., Ltd.), the land use rights comprising a total site area of approximately 106,978.70 sq m have been granted to 河南薈邦置業有限公司 (Henan Huibang Property Co., Ltd.) with details as follows:

| <u>Contract No.</u> | <u>Site area</u><br>(sq m) | <u>Land use</u>            | <u>Land use term</u>                          | <u>Plot ratio</u> | <u>Land premium</u><br>(RMB) |
|---------------------|----------------------------|----------------------------|---|-------------------|------------------------------|
| 2007-43             | 60,983.80                  | Commercial and residential | Commercial: 40 years<br>Residential: 70 years | 2.1               | 60,983,800                   |
| 2007-44             | 45,994.90                  | Commercial and residential | Commercial: 40 years<br>Residential: 70 years | 2.1               | 56,573,727                   |
| <b>Total</b>        | <b>106,978.70</b>          |                            |   |                   | <b>117,557,527</b>           |

- (3) According to Planning Permit for Construction Use of Land No. 2008062 issued by Kaifeng Construction Committee on 17 September 2008, the construction site of land with a site area of 106,979.00 sq m are in compliance with the urban planning requirements and have been approved.

- (4) According to 17 Planning Permits for Construction Works Nos. (2011)033 to (2011)042 and Nos. (2013)088 to (2013)094 dated 18 February 2011 and 25 April 2013 respectively, the construction works with a total planned floor area of approximately 152,147.05 sq m are in compliance with the urban planning requirements and have been approved.

As advised by the Group, the property comprises a portion of the gross floor area as stated in the Planning Permits for Construction Works mentioned above.

- (5) According to four Commencement Permits for Construction Works Nos. 410204201104080201, 410204201104080104, 410204201104080301 and 410204201308140301 dated 8 April 2011 and 14 August 2013 respectively, the construction works with a total planned gross floor area of 157,986.00 sq m are in compliance with the requirements for works commencement and have been permitted.

As advised by the Group, the property comprises a portion of the gross floor area as stated in the Commencement Permits for Construction Works mentioned above.

- (6) According to six Commodity Housing Pre-sales Permits Nos. (2011)091, (2011)097, (2014)070, (2014)008, (2013)076 and (2013)058 issued by Real Estate Management Administration of Kaifeng, the construction works with a total gross floor area of 130,563.07 sq m comprising retail and residential units were permitted for pre-sales.

As advised by the Group, the property comprises a portion of the gross floor area as stated in the Commodity Housing Pre-sales Permits mentioned above.

- (7) According to two Completion Examination and Acceptance Forms Nos. J201308-0019 and J201308-0020 dated 12 August 2013, the construction works with a total gross floor area of 8,269.09 sq m have been completed and with approval for register.

- (8) According to Surveying Report issued by Kaifeng Planning Survey Design and Research Institute, the property comprising residential units has a total gross floor area of 5,874.99 sq m.

- (9) According to the information provided by the Group, various residential and carpark units of the property with a total gross floor area of approximately 5,099.93 sq m have been pre-sold for a consideration of RMB24,855,018. In the course of our valuation, we have taken into account the above contracted selling price of the pre-sold portion.

- (10) According to Business License No. 410000100010215 dated 2 March 2007, 河南薈邦置業有限公司 (Henan Huibang Property Co., Ltd.) was established as a limited liability company with a registered capital of RMB 20,000,000.

- (11) We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:-

- (i) The Real Estate Title Certificates of the property are valid, legal and enforceable under the PRC laws;
- (ii) 河南薈邦置業有限公司 (Henan Huibang Property Co., Ltd.) is the sole legal owner of the property;
- (iii) A portion of the property is subject to a mortgage. Under such mortgage contract, Henan Huibang Property Co., Ltd cannot lease, transfer, mortgage and dispose of the property without prior consent from the mortgagee; and
- (iv) 河南薈邦置業有限公司 (Henan Huibang Property Co., Ltd.) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, the Group has to discharge the mortgage or obtain the mortgagee's consent in advance.

- (12) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

|   |     |
|---|-----|
| Grant Contract of State-owned Land Use Rights | Yes |
| Real Estate Title Certificate                 | Yes |
| Planning Permit for Construction Use of Land  | Yes |
| Planning Permit for Construction Works        | Yes |
| Commencement Permit for Construction Works    | Yes |
| Commodity Housing Pre-sales Permit            | Yes |
| Completion Examination and Acceptance Form    | Yes |
| Surveying Report                              | Yes |
| Business License                              | Yes |



## VALUATION CERTIFICATE

## Group IV – Completed properties held by the Group for sale in the PRC

| Property  | Description and tenure  | Particulars of occupancy                           | Market value in existing state as at 31 December 2015                              |             |           |        |          |              |       |              |                  |  |  |
|---|---|--|--|-------------|-----------|--------|----------|--------------|-------|--------------|------------------|--|--|
| 9. Various units of Block Nos. 9, 11, 12, 13, 16, 22, 24, 25 and 27 of Phases II to IV of Weiye Central Park, Pingyuan Road, Hongqi District, Xinxiang, Henan Province, the PRC<br><br>中國河南省新鄉市紅旗區平原路偉業中央公園II至IV期 9, 11, 12, 13, 16, 22, 24, 25, 27 號樓若干個單元 | The property comprises 174 residential units, 23 retail units and a storage room situated at Block Nos. 9, 11, 12, 13, 16, 22, 24, 25 and 27 of Phases II to IV of Weiye Central Park completed in the period between 2010 and 2015.<br><br>Weiye Central Park is a development with residential, apartment and retail units erected on three parcels of land with a total site area of approximately 178,885.51 sq m.<br><br>The property has a total gross floor area of approximately 32,995.68 sq m worth details as follows: | As at the valuation date, the property was vacant. | RMB209,000,000<br><br>(100% interest attributable to the Group)<br>RMB209,000,000) |             |           |        |          |              |       |              |                  |  |  |
|   | <table border="1"> <thead> <tr> <th>Use</th> <th>Approximate gross floor area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>28,835.17</td> </tr> <tr> <td>Retail</td> <td>4,131.24</td> </tr> <tr> <td>Storage room</td> <td>29.27</td> </tr> <tr> <td><b>Total</b></td> <td><b>32,995.68</b></td> </tr> </tbody> </table>   | Use  | Approximate gross floor area (sq m)  | Residential | 28,835.17 | Retail | 4,131.24 | Storage room | 29.27 | <b>Total</b> | <b>32,995.68</b> |  |  |
| Use   | Approximate gross floor area (sq m)   |  |  |             |           |        |          |              |       |              |                  |  |  |
| Residential   | 28,835.17   |  |  |             |           |        |          |              |       |              |                  |  |  |
| Retail  | 4,131.24  |  |  |             |           |        |          |              |       |              |                  |  |  |
| Storage room  | 29.27   |  |  |             |           |        |          |              |       |              |                  |  |  |
| <b>Total</b>  | <b>32,995.68</b>  |  |  |             |           |        |          |              |       |              |                  |  |  |
|   | The property is held with land use rights for terms due to expire on 5 January 2077 and 5 January 2047 for residential and commercial use respectively.   |  |  |             |           |        |          |              |       |              |                  |  |  |

## Notes:

- (1) According to three State-owned Land Use Rights Certificates issued by Xinxiang People's Government, the land use rights of a total site area of 178,885.51 sq m have been vested in 新鄉偉業置地有限公司 (Xinxiang Weiye Property Co., Ltd) with details as follows:

| Certificate No. | Date of issue    | Use                        | Expiry date of land use term                                    | Site area (sq m)  |
|-----------------|------------------|----------------------------|---|-------------------|
| (2010)020345    | 22 December 2010 | Commercial and residential | Commercial:<br>5 January 2047<br>Residential:<br>5 January 2077 | 82,368.40         |
| (2011)02014     | 9 November 2011  | Commercial and residential | Commercial:<br>5 January 2047<br>Residential:<br>5 January 2077 | 68,204.70         |
| (2015)02018     | 26 June 2015     | Commercial and residential | Commercial:<br>5 January 2047<br>Residential:<br>5 January 2077 | 28,312.41         |
| <b>Total</b>    |                  |                            |   | <b>178,885.51</b> |

- (2) According to Grant Contract of State-owned Land Use Rights No. 2006-77 and its supplements entered into between Xinxiang Land and Resources Bureau and 河南偉業建設投資有限公司 (Henan Weiye Construction Investment Co., Ltd.) on 29 December 2006, the land use rights comprising a site area of approximately 205,517.55 sq m have been granted to 河南偉業建設投資有限公司 (Henan Weiye Construction Investment Co., Ltd.) at a premium of RMB188,048,360.

According to Supplementary Agreements of Grant Contract of State-owned Land Use Rights No. 2006-77-2 dated 11 April 2007, the land use rights owner has been changed to 新鄉偉業置地有限公司 (Xinxiang Weiye Property Co., Ltd). The site area has been changed into 178,886.30 sq m at a premium of RMB176,863,235.

- (3) According to Planning Permit for Construction Use of Land No. 20070011 issued by Xinxiang Urban Planning Bureau on 28 February 2007, the construction sites of land with a total site area of 249,004.99 sq m are in compliance with the urban planning requirements and have been approved.
- (4) According to two Planning Permits for Construction Works Nos. 410700201300039 and 410700201000046 dated 31 May 2013 and 24 May 2010 respectively, the construction works with a total gross floor area of approximately 148,942.19 sq m are in compliance with the construction works requirements and have been approved.

As advised by the Group, Block No. 11 and No. 22 comprise a portion of the gross floor area as stated in the Planning Permits for Construction Works mentioned above.

- (5) According to two Commencement Permits for Construction Works No. 440700201005270101 and No. 410700201310150101 dated 27 May 2010 and 15 October 2013 respectively, the construction works with a total gross floor area of approximately 69,857.00 sq m are in compliance with the requirement of work commencement and was permitted to be developed.

As advised by the Group, Block No. 11 and No. 22 comprise a portion of the gross floor area as stated in the Commencement Permit for Construction Works mentioned above.

- (6) According to eight Commodity Housing Pre-sales Permits Nos. 2010219, 2010220, 2012300, 2012301, 2012372, 2013140, 2013595 and 2014020 issued by Real Estate Management Administration of Xinxiang, the construction works with a total gross floor area of approximately 168,257.54 sq m comprising residential and retail units were permitted for pre-sales.
- (7) According to six Completion Examination and Acceptance Forms Nos. J201509-0000, J201509-0001, J201509-0007, 2013-089, 2014-079 and 2014-080, the construction works with a total gross floor area of 251,618.00 sq m have been completed and with approval for register.

As advised by the Group, the property comprises a portion of the gross floor area as stated in the Completion Examination and Acceptance Form mentioned above.

- (8) According to Surveying Report issued by Xinxiang Planning Survey Design and Research Institute, the property has a total gross floor area of 32,995.68 sq m.
- (9) According to the information provided by the Group, various residential and retail units of the property with a total gross floor area of approximately 11,587.91 sq m have been pre-sold for a consideration of RMB68,543,623. In the course of our valuation, we have taken into account the above contracted selling price of the pre-sold portion.
- (10) According to Business License No. 410791100020583 dated 3 April 2007, 新鄉偉業置地有限公司 (Xinxiang Weiye Property Co., Ltd) was established as a limited liability company with a registered capital of RMB75,000,000.

- (11) We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:

- (i) The State-owned Land Use Rights Certificates of the property are valid, legal and enforceable under the PRC laws;
- (ii) 新鄉偉業置地有限公司 (Xinxiang Weiye Property Co., Ltd.) is the sole legal owner of the property;
- (iii) A portion of the property is subject to a mortgage. Under such mortgage contract, Xinxiang Weiye Property Co., Ltd cannot lease, transfer, mortgage and dispose of the property without prior consent from the mortgagee; and
- (iv) 新鄉偉業置地有限公司 (Xinxiang Weiye Property Co., Ltd.) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, the Group has to discharge the mortgage or obtain the mortgagee's consent in advance.

- (12) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

|   |     |
|---|-----|
| Grant Contract of State-owned Land Use Rights | Yes |
| State-owned Land Use Rights Certificate       | Yes |
| Planning Permit for Construction Use of Land  | Yes |
| Planning Permits for Construction Works       | Yes |
| Commencement Permit for Construction Works    | Yes |
| Commodity Housing Pre-sales Permit            | Yes |
| Completion Examination and Acceptance Form    | Yes |
| Surveying Report                              | Yes |
| Business License                              | Yes |

## VALUATION CERTIFICATE

## Group IV – Completed properties held by the Group for sale in the PRC

| Property   | Description and tenure  | Particulars of occupancy                           | Market value in existing state as at 31 December 2015                           |
|--|---|--|---|
| 10. Various units of Weiye West International Plaza, east of Lanyangbei Road, northern district Nada District, Danzhou, Hainan Province, the PRC | The property comprises 61 residential units of Weiye West International Plaza completed in 2012.<br><br>Weiye West International Plaza is a residential development erected on a parcel of land with a site area of approximately 20,003.40 sq m. | As at the valuation date, the property was vacant. | RMB27,000,000<br><br>(100% interest attributable to the Group<br>RMB27,000,000) |
| 中國海南省儋州市那大北部片區蘭洋北路東側偉業西城國際廣場若干個單元  | The property has a total gross floor area of approximately 5,905.60 sq m.<br><br>The property is held with land use rights for a term due to expire on 8 July 2079 for residential use.   |  |   |

## Notes:

- (1) According to State-owned Land Use Right Certificate No. (2009)1127 issued by Danzhou People's Government on 4 September 2009, the land use rights of a parcel of land with a site area of 20,003.40 sq m have been vested in 海南中方投資有限公司 (Hainan Zhongfang Investment Holdings Co., Ltd.) for residential use due to expire on 8 July 2079.
- (2) According to five Building Ownership Certificates listed below, the building ownership with a total gross floor area of 56,205.05 sq m have been vested in 海南中方投資有限公司 (Hainan Zhongfang Investment Holdings Co., Ltd) with details as follows:

| Certificate No. | Location   | Use         | Gross floor area (sq m) |
|-----------------|--|-------------|-------------------------|
| 110085          | Block No. 1 of West International Plaza, Lot C-03-07, Block C-03, East of Lanyangbei Road, Nada District | Residential | 8,115.06                |
| 110084          | Block No. 2 of West International Plaza, Lot C-03-07, Block C-03, East of Lanyangbei Road, Nada District | Residential | 9,791.09                |
| 110086          | Block No. 3 of West International Plaza, Lot C-03-07, Block C-03, East of Lanyangbei Road, Nada District | Residential | 9,160.56                |
| 110097          | Block No. 4 of West International Plaza, Lot C-03-07, Block C-03, East of Lanyangbei Road, Nada District | Residential | 19,977.78               |
| 110093          | Block No. 5 of West International Plaza, Lot C-03-07, Block C-03, East of Lanyangbei Road, Nada District | Residential | 9,160.56                |
| <b>Total</b>    |  |             | <b>56,205.05</b>        |

As advised by the Group, the property comprises a portion of the gross floor area as stated in the Building Ownership Certificates mentioned above.

- (3) According to five Surveying Reports No. 2012-085 to No. 2015-089, the property comprising 61 residential units has a total gross floor area of 5,905.60 sq m.
- (4) According to the information provided by the Group, various residential units of the property with a total gross floor area of approximately 4,533.19 sq m have been pre-sold for a consideration of RMB19,925,177. In the course of our valuation, we have taken into account the above contracted selling price of the pre-sold portion.
- (5) According to Business License No. 460000000210453 dated 22 June 2009, 海南中方投資有限公司 (Hainan Zhongfang Investment Co., Ltd) was established as a limited liability company with a registered capital of RMB10,000,000.
- (6) We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:
- (i) The State-owned Land Use Rights Certificate and Building Ownership Certificates of the property are valid, legal and enforceable under the PRC laws;
  - (ii) 海南中方投資有限公司 (Hainan Zhongfang Investment Co., Ltd) is the sole legal owner of the property; and
  - (iii) 海南中方投資有限公司 (Hainan Zhongfang Investment Co., Ltd.) has the right to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, the Group has to discharge the mortgage or obtain the mortgagee's consent in advance.
- (7) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

|   |     |
|---|-----|
| State-owned Land Use Rights Certificate | Yes |
| Building Ownership Certificate          | Yes |
| Surveying Report                        | Yes |
| Business License                        | Yes |

## VALUATION CERTIFICATE

## Group IV – Completed properties held by the Group for sale in the PRC

| Property  | Description and tenure  | Particulars of occupancy   | Market value in existing state as at 31 December 2015                             |
|---|---|--|---|
| 11. Various units of Block No. 2 to No. 10 of Weiye Costa Rhine, Taiyanghe Hotspring Resorts, Xinglong District, Wanning, Hainan Province, the PRC<br><br>中國海南省萬寧市興隆太陽河溫泉旅遊度假區萊茵半島2號樓至10號樓若干個單元 | The property comprises 196 apartment units of Weiye Costa Rhine completed in 2013.<br><br>Weiye Costa Rhine is an apartment hotel development erected on a parcel of land with a site area of approximately 49,453.81 sq m.<br><br>The property has a total gross floor area of approximately 9,599.87 sq m.<br><br>The property is held with land use rights for a term due to expire on 31 December 2063 for tourism use. | As at the valuation date, a portion of the property was temporarily occupied by a third party and the rest of the property was vacant. | RMB102,000,000<br><br>(100% interest attributable to the Group<br>RMB102,000,000) |

## Notes:

- (1) According to State-owned Land Use Rights Certificate No. (2011)401001 issued by Zhengzhou People's Government on 25 March 2011, the land use rights of a parcel of land with a site area of 49,453.81 sq m have been vested in 萬寧英德置業有限公司 (Wanning Yingde Property Co., Ltd) for a term due to expire on 31 December 2063 for tourism use.
- (2) According to nine Building Ownership Certificates listed below, the building ownership with a total gross floor area of 27,056.73 sq m have been vested in 萬寧英德置業有限公司 (Wanning Yingde Property Co., Ltd) with details as follows:

| Certificate No. | Date of issue | Use             | Location                          | Gross floor area<br>(sq m) |
|-----------------|---------------|-----------------|-----------------------------------|----------------------------|
| 1502146         | 11 June 2015  | Apartment hotel | Block No. 2 of Weiye Costa Rhine  | 2,959.49                   |
| 1502147         | 11 June 2015  | Apartment hotel | Block No. 3 of Weiye Costa Rhine  | 2,959.49                   |
| 1502148         | 11 June 2015  | Apartment hotel | Block No. 4 of Weiye Costa Rhine  | 4,067.49                   |
| 1502149         | 11 June 2015  | Apartment hotel | Block No. 5 of Weiye Costa Rhine  | 4,532.21                   |
| 1502150         | 11 June 2015  | Apartment hotel | Block No. 6 of Weiye Costa Rhine  | 3,347.60                   |
| 1501638         | 15 May 2015   | Apartment hotel | Block No. 7 of Weiye Costa Rhine  | 2,297.10                   |
| 1501639         | 15 May 2015   | Apartment hotel | Block No. 8 of Weiye Costa Rhine  | 2,298.33                   |
| 1501640         | 15 May 2015   | Apartment hotel | Block No. 9 of Weiye Costa Rhine  | 2,298.24                   |
| 1501641         | 15 May 2015   | Apartment hotel | Block No. 10 of Weiye Costa Rhine | 2,296.78                   |
| <b>Total</b>    |               |                 |                                   | <b>27,056.73</b>           |

As advised by the Group, the property comprises a portion of the gross floor area as stated in the Building Ownership Certificates mentioned above.

- (3) According to nine Surveying Reports Nos. (2015)1506144 to 1506148 and Nos. (2015)05136 to 05139, the property comprising 116 apartment units has a total gross floor area of 9,599.87 sq m.
- (4) According to the information provided by the Group, various apartment units of the property with a total gross floor area of approximately 4,619.41 sq m have been pre-sold for a consideration of RMB50,495,842. In the course of our valuation, we have taken into account the above contracted selling price of the pre-sold portion.
- (5) According to Business License No. 469006000011958 dated 17 December 2009, 萬寧英德置業有限公司 (Wanning Yingde Property Co., Ltd) was established as a limited liability company with a registered capital of RMB200,000,000.
- (6) We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:
- (i) The State-owned Land Use Rights Certificate and the Building Ownership Certificates of the property are valid, legal and enforceable under the PRC laws;
  - (ii) 萬寧英德置業有限公司 (Wanning Yingde Property Co., Ltd) is the sole legal owner of the property; and
  - (iii) 萬寧英德置業有限公司 (Wanning Yingde Property Co., Ltd.) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, the Group has to discharge the mortgage or obtain the mortgagee's consent in advance.
- (7) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

|   |     |
|---|-----|
| State-owned Land Use Rights Certificate | Yes |
| Building Ownership Certificate          | Yes |
| Surveying Report                        | Yes |
| Business License                        | Yes |

## VALUATION CERTIFICATE

## Group IV – Completed properties held by the Group for sale in the PRC

| Property  | Description and tenure   | Particulars of occupancy                           | Market value in existing state as at 31 December 2015                             |             |           |        |          |              |                  |  |  |
|---|--|--|---|-------------|-----------|--------|----------|--------------|------------------|--|--|
| 12. Various units of Block No. 1, No. 3 and No. 4 of Phase II of Weiye Oxygen Cube A, east of Huandong 2nd Road, Tuncheng Town, Tunchang County, Hainan Province, the PRC<br><br>中國海南省屯昌縣屯城鎮環東二路東側偉業氧立方A二期1、3、4號若干個單元 | The property comprises 476 residential units and 22 retail units situated at Block No. 1, No. 3 and No. 4 completed in 2015.<br><br>Weiye Oxygen Cube A is a residential development erected on a parcel of land with a site area of approximately 54,810.70 sq m.<br><br>The property has a total gross floor area of approximately 27,090.50 sq m with details as follows: | As at the valuation date, the property was vacant. | RMB135,000,000<br><br>(100% interest attributable to the Group<br>RMB135,000,000) |             |           |        |          |              |                  |  |  |
|   | <table border="1"> <thead> <tr> <th>Use</th> <th>Approximate gross floor area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>24,945.10</td> </tr> <tr> <td>Retail</td> <td>2,145.40</td> </tr> <tr> <td><b>Total</b></td> <td><b>27,090.50</b></td> </tr> </tbody> </table>  | Use  | Approximate gross floor area (sq m)   | Residential | 24,945.10 | Retail | 2,145.40 | <b>Total</b> | <b>27,090.50</b> |  |  |
| Use   | Approximate gross floor area (sq m)  |  |   |             |           |        |          |              |                  |  |  |
| Residential   | 24,945.10  |  |   |             |           |        |          |              |                  |  |  |
| Retail  | 2,145.40   |  |   |             |           |        |          |              |                  |  |  |
| <b>Total</b>  | <b>27,090.50</b>   |  |   |             |           |        |          |              |                  |  |  |
|   | The property is held with land use rights for a term due to expire on 30 June 2080 for residential use.  |  |   |             |           |        |          |              |                  |  |  |

## Notes:

- (1) According to State-owned Land Use Rights Certificate No. (2010)13-00506 issued by People's Government of Tunchang County (屯昌縣人民政府) on 23 November 2010, the land use rights of a parcel of land with a site area of 54,810.70 sq m has been vested in 屯昌宏基偉業地產發展有限公司 (Tunchang Hongji Weiye Property Development Co., Ltd.) for a term due to expire on 30 June 2080 for residential use.
- (2) According to Grant Contract of State-owned Land Use Rights No. 4690222010B03557 entered into between 屯昌縣國土環境資源局 (Tunchang County Land Resources Bureau) and 屯昌宏基偉業地產發展有限公司 (Tunchang Hongji Weiye Property Development Co., Ltd.) on 30 June 2010, the land use rights of Lot No. 10-003-03 comprising a site area of approximately 54,810.70 sq m have been granted to 屯昌宏基偉業地產發展有限公司 (Tunchang Hongji Weiye Property Development Co., Ltd.) at a premium of RMB61,000,000.
- (3) According to three Building Ownership Certificates dated 25 August 2015 listed below, the building ownership with a total gross floor area of 29,492.62 sq m have been vested in 屯昌宏基偉業地產發展有限公司 (Tunchang Hongji Weiye Property Development Co., Ltd.) with details as follow:

| Certificate No. | Location   | Use         | Gross floor area (sq m) |
|-----------------|--|-------------|-------------------------|
| 16381           | Block No. 1 of Weiye Oxygen Cube, Huandong 1st Road, Tuncheng Town, Tunchang County, Hainan Province | Residential | 14,003.92               |
| 16382           | Block No. 3 of Weiye Oxygen Cube, Huandong 1st Road, Tuncheng Town, Tunchang County, Hainan Province | Residential | 7,744.35                |
| 16383           | Block No. 4 of Weiye Oxygen Cube, Huandong 2nd Road, Tuncheng Town, Tunchang County, Hainan Province | Residential | 7,744.35                |
| <b>Total</b>    |  |             | <b>29,492.62</b>        |



(4) According to Planning Permit for Construction Use of Land No. (2010)0155 dated 27 July 2010 issued by Housing and Urban Construction Bureau of Tunchang, the proposed construction land use of the property complies with the town planning requirements and permit for construction with a site area of 54,810.70 sq m.

(5) According to Planning Permit for Construction Works No. (2011)0015 dated 25 January 2011 issued by Tunchang Housing and Urban Construction Bureau, the construction works with a total gross floor area of 108,033.87 sq m is approved.

As advised by the Group, the property comprises a portion of the gross floor area as stated in the Planning Permit for Construction Works mentioned above.

(6) According to Commencement Permit for Construction Works No. 2011009 dated 25 April 2011 issued by Tunchang Housing and Urban Construction Bureau, the construction works with a total gross floor area of 108,033.87 sq m is approved.

As advised by the Group, the property comprises a portion of the gross floor area as stated in the Commencement Permit for Construction Works mentioned above.

(7) According to Construction Works Completion Acceptance Letter No. QZJ1-013 dated 25 May 2015, the construction works of Blocks No.1 to No.4 of Phase 2 of Oxygen Town were conformed to the delivery standard with a total gross floor area of approximately 42,629.76 sq m.

As advised by the Group, the property comprises a portion of the gross floor area as stated in the Construction Works Completion Acceptance Letter mentioned above.

(8) According to Commodity Housing Pre-sales Permit No. (2013)10 dated 31 July 2015, the commercial housing of Blocks No.1 to No.4 was permitted to sale with a total gross floor area of approximately 42,868.88 sq m.

As advised by the Group, the property comprises a portion of the gross floor area as stated in the Commodity Housing Pre-sales Permit mentioned above.

(9) According to the information provided by the Group, various residential units of the property with a total gross floor area of approximately 4,934.96 sq m have been pre-sold for a consideration of RMB23,522,922. In the course of our valuation, we have taken into account the above contracted selling price of the pre-sold portion.

(10) According to Business License No. 46902600008938 dated 30 June 2011, 屯昌宏基偉業地產發展有限公司 (Tunchang Hongji Weiye Property Development Co., Ltd.) was established as a limited liability company with a registered capital of RMB100,000,000.

(11) We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:

- (i) The State-owned Land Use Rights Certificate and Building Ownership Certificates of the property are valid, legal and enforceable under the PRC laws;
- (ii) 屯昌宏基偉業地產發展有限公司 (Tunchang Hongji Weiye Property Development Co., Ltd.) is the sole legal owner of the property; and
- (iii) 屯昌宏基偉業地產發展有限公司 (Tunchang Hongji Weiye Property Development Co., Ltd.) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, the Group has to discharge the mortgage or obtain the mortgagee's consent in advance.

(12) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

|   |     |
|---|-----|
| State-owned Land Use Rights Certificate         | Yes |
| Grant Contract of State-owned Land Use Rights   | Yes |
| Planning Permit for Construction Use of Land    | Yes |
| Planning Permit for Construction Works          | Yes |
| Commencement Permit for Construction Works      | Yes |
| Construction Works Completion Acceptance Letter | Yes |
| Commodity Housing Pre-sales Permit              | Yes |
| Business License                                | Yes |

## VALUATION CERTIFICATE

## Group IV – Completed properties held by the Group for sale in the PRC

| Property  | Description and tenure  | Particulars of occupancy                           | Market value in existing state as at 31 December 2015                             |
|---|---|--|---|
| 13. Various units of Block No. 5 to No. 10 of Phase I of Weiye Oxygen Cube A, east of Huandong 2nd Road, Tuncheng Town, Tunchang County, Hainan Province, the PRC | The property comprises 455 residential units situated at Block No. 5 to No. 10 of Phase I of Weiye Oxygen Cube A completed in 2013.<br><br>Weiye Oxygen Cube A is a residential development erected on a parcel of land with a site area of approximately 54,810.70 sq m. | As at the valuation date, the property was vacant. | RMB215,000,000<br><br>(100% interest attributable to the Group<br>RMB215,000,000) |
| 中國海南省屯昌縣偉業屯城鎮環東二路東側氧立方A一期5號至10號樓若干個單元   | The property has a total gross floor area of approximately 41,600.18 sq m.<br><br>The property is held with land use rights for a term due to expire on 30 June 2080 for residential use.   |  |   |

## Notes:

- (1) According to State-owned Land Use Rights Certificate No. (2010)13-00506 issued by People's Government of Tunchang County (屯昌縣人民政府) on 23 November 2010, the land use rights of a parcel of land with a site area of 54,810.70 sq m has been vested in 屯昌宏基偉業地產發展有限公司 (Tunchang Hongji Weiye Property Development Co., Ltd.) for residential use due to expire on 30 June 2080.
- (2) According to Building Ownership Certificates issued on 18 October 2013 listed below, the building ownership with a total gross floor area of 52,188.84 sq m have been vested in 屯昌宏基偉業地產發展有限公司 (Tunchang Hongji Weiye Property Development Co., Ltd.) with details as follow:

| Certificate No. | Location   | Use         | Gross floor area<br>(sq m) |
|-----------------|--|-------------|----------------------------|
| 13781           | Block No. 5 of Weiye Oxygen Cube, East of Huandong 2nd Road, Tuncheng Town, Tunchang County, Hainan Province | Residential | 7,608.52                   |
| 13786           | Block No. 6 of Weiye Oxygen Cube, East of Huandong 2nd Road, Tuncheng Town, Tunchang County, Hainan Province | Residential | 7,608.52                   |
| 13785           | Block No. 7 of Weiye Oxygen Cube, East of Huandong 2nd Road, Tuncheng Town, Tunchang County, Hainan Province | Residential | 7,608.52                   |
| 13784           | Block No. 8 of Weiye Oxygen Cube, East of Huandong 2nd Road, Tuncheng Town, Tunchang County, Hainan Province | Residential | 7,608.52                   |
| 13783           | Block No. 9 of Weiye Oxygen Cube, East of Huandong 2nd Road, Tuncheng Town, Tunchang County, Hainan Province | Residential | 10,877.38                  |

| Certificate No. | Location   | Use         | Gross floor area<br>(sq m) |
|-----------------|--|-------------|----------------------------|
| 13782           | Block No. 10 of Weiye Oxygen Cube,<br>East of Huandong 2nd Road,<br>Tuncheng Town, Tunchang County,<br>Hainan Province | Residential | 10,877.38                  |
| <b>Total</b>    |  |             | <b><u>52,188.84</u></b>    |

As advised by the Group, the property comprises a portion of the gross floor area as stated in the Building Ownership Certificates mentioned above.

- (3) According to six Surveying Reports No. B220 to No. B223 and No. B225 to No. B226, the property comprising 455 units has a total gross floor area of 41,600.18 sq m.
- (4) According to the information provided by the Group, various residential units of the property with a total gross floor area of approximately 5,536.23 sq m have been pre-sold for a consideration of RMB24,280,245. In the course of our valuation, we have taken into account the above contracted selling price of the pre-sold portion.
- (5) According to Business License No. 469026000008938 dated 30 June 2011, 屯昌宏基偉業地產發展有限公司 (Tunchang Hongji Weiye Property Development Co., Ltd.) was established as a limited liability company with a registered capital of RMB100,000,000.
- (6) We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:
- (i) The State-owned Land Use Rights Certificate and the Building Ownership Certificates of the property are valid, legal and enforceable under the PRC laws;
- (ii) 屯昌宏基偉業地產發展有限公司 (Tunchang Hongji Weiye Property Development Co., Ltd.) is the sole legal owner of the property; and
- (iii) 屯昌宏基偉業地產發展有限公司 (Tunchang Hongji Weiye Property Development Co., Ltd.) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, the Group has to discharge the mortgage or obtain the mortgagee's consent in advance.
- (7) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:
- |   |     |
|---|-----|
| State-owned Land Use Rights Certificate | Yes |
| Building Ownership Certificate          | Yes |
| Surveying Report                        | Yes |
| Business License                        | Yes |

## VALUATION CERTIFICATE

## Group IV – Completed properties held by the Group for sale in the PRC

| Property  | Description and tenure  | Particulars of occupancy                           | Market value in existing state as at 31 December 2015                           |
|---|---|--|---|
| 14. Various units of Block No. 11 to No. 13 of Weiye Oxygen Cube B, east of Huandong 2nd Road, Tuncheng Town, Tunchang County, Hainan Province, the PRC<br><br>中國海南省屯昌縣屯城鎮環東二路東側偉業氧立方B 11至13號樓若干個單元 | The property comprises 102 residential units situated at Block No. 11 to No. 13 of Weiye Oxygen Cube B completed in 2013.<br><br>Weiye Oxygen Cube B is a residential development erected on a parcel of land with a site area of approximately 12,977.20 sq m.<br><br>The property has a total gross floor area of approximately 7,534.64 sq m.<br><br>The property is held with land use rights for a term due to expire on 16 December 2079 for residential use. | As at the valuation date, the property was vacant. | RMB39,000,000<br><br>(100% interest attributable to the Group<br>RMB39,000,000) |

## Notes:

- (1) According to State-owned Land Use Rights Certificate No. (2010)13-00075 issued by Tunchang People's Government on 23 April 2010, the land use rights of the property with a site area of 12,977.2 sq m have been vested in 屯昌雅境置業有限公司 (Tunchang Yajing Property Co., Ltd.) for a term due to expire on 16 December 2079 for residential use.
- (2) According to three Building Ownership Certificates listed below, the ownership with a total gross area of 16,997.02 sq m has been vested in 屯昌雅境置業有限公司 (Tunchang Yajing Property Co., Ltd.) with details as follows:

| Certificate No. | Location  | Use         | Gross floor area (sq m) |
|-----------------|---|-------------|-------------------------|
| 13872           | Block No. 11 of Weiye Oxygen Cube, east of Huandong 2nd Road, Tuncheng Town, Tunchang County, Hainan Province | Residential | 5,078.22                |
| 13870           | Block No. 12 of Weiye Oxygen Cube, east of Huandong 2nd Road, Tuncheng Town, Tunchang County, Hainan Province | Residential | 7,994.68                |
| 13871           | Block No. 13 of Weiye Oxygen Cube, east of Huandong 2nd Road, Tuncheng Town, Tunchang County, Hainan Province | Residential | 3,924.12                |
| <b>Total</b>    |   |             | <b>16,997.02</b>        |

As advised by the Group, the property comprises a portion of the gross floor area as stated in the Building Ownership Certificates mentioned above.

- (3) According to three Surveying Reports No. 5233, No. 5235 and No. 5237, the property comprising 102 residential units has a total gross floor area of 7,534.64 sq m.
- (4) According to the information provided by the Group, various residential units of the property with a total gross floor area of approximately 579.10 sq m have been pre-sold for a consideration of RMB2,255,724. In the course of our valuation, we have taken into account the above contracted selling price of the pre-sold portion.
- (5) According to Business License No. 469026000008544 dated 10 April 2015, 屯昌雅境置業有限公司 (Tunchang Yajing Property Co., Ltd.) was established as a limited liability company with a registered capital of RMB100,000,000.

- (6) We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:—
- (i) The State-owned Land Use Rights Certificate and the Building Ownership Certificates of the property are valid, legal and enforceable under the PRC laws;
  - (ii) 屯昌雅境置業有限公司 (Tunchang Yajing Property Co., Ltd.) is the sole legal owner of the property;
  - (iii) 屯昌雅境置業有限公司 (Tunchang Yajing Property Co., Ltd.) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, the Group has to discharge the mortgage or obtain the mortgagee's consent in advance; and
  - (iv) A portion of the property is subject to a mortgage, Tunchang Yajing Property Co., Ltd cannot freely transfer, lease and/or mortgage the property without prior consent from the mortgagee.
- (7) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

|   |     |
|---|-----|
| State-owned Land Use Rights Certificate | Yes |
| Building Ownership Certificate          | Yes |
| Surveying Report                        | Yes |
| Business License                        | Yes |

## VALUATION CERTIFICATE

## Group V – Properties held by the Group under development in the PRC

| Property  | Description and tenure   | Particulars of occupancy | Market value in existing state as at 31 December 2015 |           |           |        |           |  |           |           |          |              |                         |  |  |
|---|--|--------------------------|---|-----------|-----------|--------|-----------|--|-----------|-----------|----------|--------------|-------------------------|--|--|
| 15. The under development known as Block No. 29 of Phase IV Weiye Central Park, Pingyuan Road, Hongqi District, Xinxiang, Henan Province, the PRC<br><br>中國河南省新鄉市<br>紅旗區平原路<br>偉業中央公園四期<br>29號樓在建工程 | <p>The property comprises a proposed apartment building namely Block No. 29 of Phase IV of Weiye Central Park developing on a parcel of land with a site area of approximately 82,368.40 sq m.</p> <p>Upon completion, the property will comprise a total planned gross floor area of approximately 79,438.75 sq m with details as follows:</p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th style="text-align: left;">Use</th> <th style="text-align: right;">Approximate gross floor area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Apartment</td> <td style="text-align: right;">50,012.60</td> </tr> <tr> <td>Retail</td> <td style="text-align: right;">13,657.83</td> </tr> <tr> <td>Non-civil air defense carpark (242 lots)</td> <td style="text-align: right;">12,860.40</td> </tr> <tr> <td>Ancillary</td> <td style="text-align: right;">2,907.92</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b><u>79,438.75</u></b></td> </tr> </tbody> </table> | Use                      | Approximate gross floor area (sq m)                   | Apartment | 50,012.60 | Retail | 13,657.83 | Non-civil air defense carpark (242 lots) | 12,860.40 | Ancillary | 2,907.92 | <b>Total</b> | <b><u>79,438.75</u></b> | As at the valuation date, the property was under construction. | RMB208,000,000<br><br>(100% interest attributable to the Group RMB208,000,000) |
| Use   | Approximate gross floor area (sq m)  |                          |   |           |           |        |           |  |           |           |          |              |                         |  |  |
| Apartment   | 50,012.60  |                          |   |           |           |        |           |  |           |           |          |              |                         |  |  |
| Retail  | 13,657.83  |                          |   |           |           |        |           |  |           |           |          |              |                         |  |  |
| Non-civil air defense carpark (242 lots)  | 12,860.40  |                          |   |           |           |        |           |  |           |           |          |              |                         |  |  |
| Ancillary   | 2,907.92   |                          |   |           |           |        |           |  |           |           |          |              |                         |  |  |
| <b>Total</b>  | <b><u>79,438.75</u></b>  |                          |   |           |           |        |           |  |           |           |          |              |                         |  |  |

As advised by the Group, the property is scheduled for completion in 2016.

The property is held with land use rights for terms due to expire on 5 January 2077 and 5 January 2047 for residential and commercial use respectively.

*Notes:*

- (1) According to State-owned Land Use Rights Certificates No. (2010)020345 issued by Xinxiang People's Government dated 22 December 2010, the land use rights of a site area of 82,368.40 sq m have been vested in 新鄉偉業置地有限公司 (Xinxiang Weiye Property Co., Ltd.) for residential use due to expire on 5 January 2077 and for commercial use due to expire on 5 January 2047.
- (2) According to Grant Contract of State-owned Land Use Rights No. 2006-77 and its supplements entered into between Xinxiang Land and Resources Bureau and 河南偉業建設投資有限公司 (Henan Weiye Construction Investment Co., Ltd.) on 29 December 2006, the land use rights comprising a site area of approximately 205,517.55 sq m have been granted to 河南偉業建設投資有限公司 (Henan Weiye Construction Investment Co., Ltd.) at a premium of RMB188,048,360.  
  
According to Supplementary Agreement of Grant Contract of State-owned Land Use Rights No. 2006-77-2 dated 11 April 2007, the land use rights owner has been changed into 新鄉偉業置地有限公司 (Xinxiang Weiye Property Co., Ltd). The site area has been changed into 178,886.3 sq m at a premium of RMB176,863,231.
- (3) According to Planning Permit for Construction Use of Land No. 20070011 issued by the Xinxiang City Planning Bureau on 28 February 2007, the proposed construction land use of the property complies with the town planning requirements and permit for construction of a site area of 249,004.99 sq m.
- (4) According to Planning Permits for Construction Work No. 410700201300046 dated 28 June 2013, the construction works with a gross floor area of approximately 78,396.99 sq m are in compliance with the construction works requirements and have been approved.
- (5) According to Commencement Permit for Construction Works No. 410700201310280101 dated 28 October 2013 respectively, the construction works with a total gross floor area of 79,635.00 sq m were in compliance with the requirement of work commencement and was permitted to be developed.
- (6) According to Commodity Housing Pre-sales Permit No. 2014057 dated 25 May 2015, the commercial housing with a total gross floor area of 63,670.43 sq m was permitted for pre-sales.
- (7) According to Housing Gross Floor Area Preliminary Survey Reports issued by Xinxiang Real Estate Advisory and Survey Service Centre, the property has a total gross floor area of 79,438.75 sq m.
- (8) As advised by the Group, the construction cost expended as at 31 December 2015 was approximately RMB100,000,000, the outstanding construction cost as at 31 December 2015 was approximately RMB92,000,000. In the course of our valuation, we have taken into account such amount in our valuation.
- (9) The market value of the property when completed as at 31 December 2015 was RMB403,000,000.
- (10) According to the information provided by the Group, various residential and apartment units of the property with a total gross floor area of approximately 29,870.57 sq m have been pre-sold for a consideration of RMB145,393,392. In the course of our valuation, we have taken into account the above contracted selling price of the pre-sold portion.
- (11) According to Business License No. 410791100020583 dated 3 April 2007, 新鄉偉業置地有限公司 (Xinxiang Weiye Property Co., Ltd) was established as a limited liability company with a registered capital of RMB 75,000,000.
- (12) We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:–
  - (i) The State-owned Land Use Rights Certificate of the property is valid, legal and enforceable under the PRC laws;
  - (ii) 新鄉偉業置地有限公司 (Xinxiang Weiye Property Co., Ltd) is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property;
  - (iii) A portion of the property is subject to a mortgage. Under such mortgage contract, Xinxiang Weiye Property Co., Ltd cannot lease, transfer, mortgage and dispose of the property without prior consent from the mortgagee; and
  - (iv) 新鄉偉業置地有限公司 (Xinxiang Weiye Property Co., Ltd.) has the right to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, the Group has to discharge the mortgage or obtain the mortgagee's consent in advance.

- (13) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

|  |     |
|--|-----|
| Grant Contract of State-owned Land Use Rights      | Yes |
| State-owned Land Use Rights Certificate            | Yes |
| Planning Permit for Construction Use of Land       | Yes |
| Planning Permit for Construction Works             | Yes |
| Commencement Permit for Construction Works         | Yes |
| Commodity Housing Pre-sales Permits                | Yes |
| Housing Gross Floor Area Preliminary Survey Report | Yes |
| Business License                                   | Yes |



## VALUATION CERTIFICATE

## Group V – Properties held by the Group under development in the PRC

| Property   | Description and tenure  | Particulars of occupancy | Market value in existing state as at 31 December 2015 |             |           |        |          |          |          |                    |           |           |          |              |                   |  |   |
|--|---|--------------------------|---|-------------|-----------|--------|----------|----------|----------|--------------------|-----------|-----------|----------|--------------|-------------------|--|---|
| 16. The under construction development known as Phase of Weiye Central Park, Pingyuan Road, Hongqi District, Xinxiang, Henan Province, the PRC | <p>The property comprises five proposed residential buildings of Phase V of Weiye Central Park developing on a parcel of land with a site area of approximately 28,312.41 sq m.</p> <p>Upon completion, the property will comprise a total planned gross floor area of approximately 110,297.18 sq m with details as follows:</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Approximate gross floor area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>72,916.21</td> </tr> <tr> <td>Retail</td> <td>3,456.05</td> </tr> <tr> <td>Basement</td> <td>5,279.17</td> </tr> <tr> <td>Carpark (841 lots)</td> <td>26,120.16</td> </tr> <tr> <td>Ancillary</td> <td>2,525.59</td> </tr> <tr> <td><b>Total</b></td> <td><b>110,297.18</b></td> </tr> </tbody> </table> | Use                      | Approximate gross floor area (sq m)                   | Residential | 72,916.21 | Retail | 3,456.05 | Basement | 5,279.17 | Carpark (841 lots) | 26,120.16 | Ancillary | 2,525.59 | <b>Total</b> | <b>110,297.18</b> | As at the valuation date, the property was under construction. | RMB120,000,000<br><br>(100% interest attributable to the Group<br>RMB120,000,000) |
| Use  | Approximate gross floor area (sq m)   |                          |   |             |           |        |          |          |          |                    |           |           |          |              |                   |  |   |
| Residential  | 72,916.21   |                          |   |             |           |        |          |          |          |                    |           |           |          |              |                   |  |   |
| Retail   | 3,456.05  |                          |   |             |           |        |          |          |          |                    |           |           |          |              |                   |  |   |
| Basement   | 5,279.17  |                          |   |             |           |        |          |          |          |                    |           |           |          |              |                   |  |   |
| Carpark (841 lots)   | 26,120.16   |                          |   |             |           |        |          |          |          |                    |           |           |          |              |                   |  |   |
| Ancillary  | 2,525.59  |                          |   |             |           |        |          |          |          |                    |           |           |          |              |                   |  |   |
| <b>Total</b>   | <b>110,297.18</b>   |                          |   |             |           |        |          |          |          |                    |           |           |          |              |                   |  |   |
| 中國河南省新鄉市<br>紅旗區平原路偉業中<br>央公園五期在建工程   |   |                          |   |             |           |        |          |          |          |                    |           |           |          |              |                   |  |   |

As advise by the Group, the property is scheduled for completion in 2016.

The property is held with land use rights for terms due to expire on 5 January 2047 and 5 January 2077 for commercial and residential use respectively.

## Notes:

- According to State-owned land use rights Certificate No. (2015)02018 issued by People's Government of Xinxiang on 26 June 2015, the land use rights of a parcel of land with a site area of 28,312.41 sq m have been vested in 新鄉偉業置地有限公司 (Xinxiang Weiye Property Co., Ltd.) for residential use due to expire on 5 January 2077 and for commercial use due to expire on 5 January 2047.
- According to Grant Contract of State-owned Land Use Rights No. 2006-77 entered into between Xinxiang Land and Resources Bureau and 河南偉業建設投資有限公司 (Henan Weiye Construction Investment Co., Ltd.) on 29 December 2006, the land use rights comprising a site area of approximately 205,517.55 sq m have been granted to 河南偉業建設投資有限公司 (Henan Weiye Construction Investment Co., Ltd.) at a premium of RMB188,048,360.  
  
According to Supplementary Agreement of Grant Contract of State-owned Land Use Rights No. 2006-77-2 dated 11 April 2007, the Land use right owner has been changed into 新鄉偉業置地有限公司 (Xinxiang Weiye Property Co., Ltd). The site area has been changed into 178,886.30 sq m at a premium of RMB176,863,235.
- According to Planning Permit for Construction Use of Land No. 20070011 issued by Xinxiang Urban Planning Bureau, the construction sites of land with a total site area of 249,004.99 sq m are in compliance with the urban planning requirements and have been approved.
- According to Planning Permit for Construction Works No. 410700201500029 dated 5 August 2015, the construction works with a total gross floor area of approximately 110,686.84 sq m are in compliance with the construction works requirements and have been approved.
- According to Commencement Permit for Construction Works Nos. 410700201509090101 dated 9 September 2015, the construction works with a total gross floor area of 110,686.00 sq m were in compliance with the requirement of work commencement and we permitted to be developed.

- (6) According to five Commodity Housing Pre-sales Permits Nos. 20150170, 20150174, 20150173, 20150172 and 20150171 dated 20 November 2015, the construction works with a total gross floor area of 76,372.26 sq m comprising retail and residential units were permitted for pre-sales.
- (7) According to five Housing Gross Floor Area Preliminary Survey Reports issued by Xinxiang Real Estate Advisory and Survey Center, the property has a total gross floor area of 84,177.02 sq m.
- (8) According to the Group, the construction cost expended as at 31 December 2015 was approximately RMB18,316,760, the outstanding construction cost as at 31 December 2015 was approximately RMB216,240,600. In the course of our valuation, we have taken into account such amount in our valuation.
- (9) The market value of the property when completed as at 31 December 2015 was RMB506,000,000.
- (10) According to the information provided by the Group, various residential units of the property with a total gross floor area of approximately 23,856.14 sq m have been pre-sold for a consideration of RMB114,136,018. In the course of our valuation, we have taken into account the above contracted selling price of the pre-sold portion.
- (11) According to Business License No. 410791100020583 dated 3 April 2007, 新鄉偉業置地有限公司 (Xinxiang Weiye Property Co., Ltd) was established as a limited liability company with a registered capital of RMB75,000,000.
- (12) We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:
- (i) The State-owned Land Use Rights Certificates of the property are valid, legal and enforceable under the PRC laws;
  - (ii) 新鄉偉業置地有限公司 (Xinxiang Weiye Property Co., Ltd.) is the sole legal land user of the property.
  - (iii) A portion of the property is subject to a mortgage. Under such mortgage contract, Xinxiang Weiye Property Co., Ltd cannot lease, transfer, mortgage and dispose of the property without prior consent from the mortgagee; and
  - (iv) 新鄉偉業置地有限公司 (Xinxiang Weiye Property Co., Ltd.) has the right to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, the Group has to discharge the mortgage or obtain the mortgagee's consent in advance.
- (13) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

|   |     |
|---|-----|
| Grant Contract of State-owned Land Use Rights       | Yes |
| State-owned Land Use Rights Certificate             | Yes |
| Planning Permit for Construction Use of Land        | Yes |
| Planning Permit for Construction Works              | Yes |
| Commencement Permit for Construction Works          | Yes |
| Commodity Housing Pre-sales Permit                  | Yes |
| Housing Gross Floor Area Preliminary Survey Reports | Yes |
| Business Licence                                    | Yes |

## VALUATION CERTIFICATE

## Group V – Properties held by the Group under development in the PRC

| Property           | Description and tenure  | Particulars of occupancy  | Market value in existing state as at 31 December 2015 |                                     |             |           |        |          |                    |           |           |        |              |                  |   |   |
|--------------------|---|---|---|-------------------------------------|-------------|-----------|--------|----------|--------------------|-----------|-----------|--------|--------------|------------------|---|---|
| 17.                | <p>The under construction development known as portion of Weiye Paris Impression, north of Xueyuan Road, east of Zhanlixi Road, Zhongmu County, Zhengzhou, Henan Province, the PRC</p> <p>中國河南省鄭州市中牟縣學苑路北，占李西路東側，偉業巴黎印象在建工程部分</p> | <p>The property comprises five proposed residential building of Weiye Paris Impression developing on two parcels of land with a total site area of approximately 40,368.01 sq m.</p> <p>Upon completion, the property will comprise a total planned gross floor area of approximately 72,831.21 sq m with details as follows:</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Approximate gross floor area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>54,386.66</td> </tr> <tr> <td>Retail</td> <td>4,482.82</td> </tr> <tr> <td>Carpark (362 lots)</td> <td>13,264.64</td> </tr> <tr> <td>Ancillary</td> <td>697.09</td> </tr> <tr> <td><b>Total</b></td> <td><b>72,831.21</b></td> </tr> </tbody> </table> | Use   | Approximate gross floor area (sq m) | Residential | 54,386.66 | Retail | 4,482.82 | Carpark (362 lots) | 13,264.64 | Ancillary | 697.09 | <b>Total</b> | <b>72,831.21</b> | <p>As at the valuation date, the property was under construction.</p> | <p>RMB80,000,000</p> <p>(100% interest attributable to the Group RMB80,000,000)</p> |
| Use                | Approximate gross floor area (sq m)   |   |   |                                     |             |           |        |          |                    |           |           |        |              |                  |   |   |
| Residential        | 54,386.66   |   |   |                                     |             |           |        |          |                    |           |           |        |              |                  |   |   |
| Retail             | 4,482.82  |   |   |                                     |             |           |        |          |                    |           |           |        |              |                  |   |   |
| Carpark (362 lots) | 13,264.64   |   |   |                                     |             |           |        |          |                    |           |           |        |              |                  |   |   |
| Ancillary          | 697.09  |   |   |                                     |             |           |        |          |                    |           |           |        |              |                  |   |   |
| <b>Total</b>       | <b>72,831.21</b>  |   |   |                                     |             |           |        |          |                    |           |           |        |              |                  |   |   |
|                    | <p>As advised by the Group, the property is scheduled for completion in 2017.</p> <p>The property is held with land use rights for terms due to expire on 4 November 2082 and 16 January 2085 for residential use.</p>            |   |   |                                     |             |           |        |          |                    |           |           |        |              |                  |   |   |

## Notes:

- (1) In October 2014, Jinwei (Henan) Trading Limited Company (金偉(河南)商貿有限公司) ("Jinwei (Henan)") and a third party construction contractor, Zhengzhou Shijizhongxin Zhiye Co. Ltd. (鄭州世紀中信置業有限公司) ("Shijizhongxin"), entered into a cooperation agreement (the "Cooperation Agreement") in relation to the joint development of three parcels of land held by Zhengzhou Daimashi Enterprise Co., Ltd. (鄭州黛瑪仕實業有限公司) ("Zhengzhou Daimashi"). Salient terms of the Cooperation Agreement include: (i) Jinwei (Henan) and Shijizhongxin will jointly acquire the equity interests in Zhengzhou Daimashi; (ii) Shijizhongxin will undertake the project construction according to the specification and time frame given by Jinwei (Henan) and bear all the costs of construction, while Jinwei (Henan) will undertake the marketing and sales of the properties; (iii) Shijizhongxin is entitled to sell all properties under the project to Jinwei (Henan) based on a pre-determined price per sq. m. payable according to the construction progress; and (iv) Jinwei (Henan) is entitled to all proceeds from the sales and pre-sales of the properties to third parties under the project.

Accordingly, in October 2014, Jinwei (Henan) acquired 65% equity interest in Zhengzhou Daimashi from Chen Xiuna (陳秀娜), an Independent Third Party, for a consideration of RMB140 million, which consideration was arrived at following arm's length negotiations on a willing-buyer, willing-seller basis, and taking into account the estimated market value of the land-use rights held by Zhengzhou Daimashi. As confirmed by PRC legal advisers, the acquisition has been properly and legally completed and settled. In January 2015, 65% equity interest in Zhengzhou Daimashi was transferred internally from Jinwei (Henan) to Henan Weiye. Meanwhile, the rights and obligations of Jinwei (Henan) under the Cooperation Agreement were assigned and novated to Henan Weiye. The remaining 35% equity interests in Zhengzhou Daimashi are being held as to 27.5% by Liu Gairong (劉改榮) on trust for Shijizhongxin and as to 7.5% by Chen Xiuna (陳秀娜). Each of Liu Gairong (劉改榮) and Shijizhongxin, being a substantial shareholder of Zhengzhou Daimashi, is the connected person at the subsidiary level.

Given the arrangements under the Cooperation Agreement, Group's share of assets and liabilities and profit or loss in Zhengzhou Daimashi is not in proportion to the equity interests in Zhengzhou Daimashi held by Henan Weiye and other minority holders.

- (2) According to two State-owned Land Use Rights Certificates issued by Zhongmu People's Government, the land use rights of two parcels of land with a total site area of 40,368.01 sq m have been vested in 鄭州黛瑪仕實業有限公司 (Zhengzhou Daimashi Enterprise Co., Ltd) with details as follows:

| <u>Certificate No.</u> | <u>Uses</u> | <u>Expiry date</u> | <u>Date of issue</u> | <u>Site area</u><br><u>sq m</u> |
|------------------------|-------------|--------------------|----------------------|---------------------------------|
| (2014)208              | Residential | 16 January 2085    | 29 December 2014     | 12,423.00                       |
| (2013)026              | Residential | 4 November 2082    | 5 February 2013      | 27,945.01                       |
| <b>Total</b>           |             |                    |                      | <b><u>40,368.01</u></b>         |

- (3) According to two Grant Contracts of State-owned Land Use Rights entered into between Zhongmu County Land Resources Bureau and 鄭州黛瑪仕實業有限公司 (Zhengzhou Daimashi Enterprise Co., Ltd), the land use rights comprising a total site area of approximately 40,368.01 sq m have been granted to 鄭州黛瑪仕實業有限公司 (Zhengzhou Daimashi Enterprise Co., Ltd) with details as follows:

| <u>Contract No.</u>       | <u>Site area</u><br><u>(sq m)</u> | <u>Use</u>  | <u>Land use term</u>     | <u>Plot ratio</u> | <u>Date of issue</u> | <u>Land premium</u><br><u>(RMB)</u> |
|---------------------------|-----------------------------------|-------------|--------------------------|-------------------|----------------------|-------------------------------------|
| 410122-CR-2014-0345-11598 | 12,423.00                         | Residential | Residential:<br>70 years | 3                 | 16 October 2014      | 48,536,661                          |
| 410122-CR-2012-0040-1890  | 27,945.01                         | Residential | Residential:<br>70 years | 3                 | 4 September 2012     | 30,599,786                          |
| <b>Total</b>              | <b><u>40,368.01</u></b>           |             |                          |                   |                      | <b><u>79,136,447</u></b>            |

- (4) According to two Planning Permits for Construction Use of Land Nos. (2015)022 and (2015)021 dated 9 April 2015, the construction sites of land with a total site area of 40,287.43 sq m are in compliance with the urban planning requirements and have been approved.
- (5) According to two Planning Permits for Construction Works Nos. (2015)017 and (2015)019 dated 5 June 2015 and 1 July 2015, the construction works with a total planned floor area of approximately 73,247.32 sq m are in compliance with the urban planning requirements and have been approved.
- (6) According to two Commencement Permits for Construction Works Nos. 410122201507150101 and 410122201507280101 dated 15 July 2015 and 28 July 2015, the construction works with a total planned gross floor area of 73,247.32 sq m are in compliance with the requirements for works commencement and have been approved.
- (7) According to Commodity Housing Pre-sales Permits No. (2015)ZM150043 issued by Real Estate Management Administration of Zhongmu on 6 November 2015, the construction works with a total gross floor area of 29,035.56 sq m comprising retail and residential units were permitted for pre-sales.
- (8) According to six Housing Gross Floor Area Preliminary Survey Reports issued by Zhongmu Zhengxin Real Estate Survey Team, the property has a total gross floor area of 59,566.57 sq m.
- (9) As advised by the Group, the construction cost expended as at 31 December 2015 was approximately 48,250,000, the outstanding construction cost as at 31 December 2015 was approximately RMB157,610,000. In the course of our valuation, we have taken into account such amount in our valuation.
- (10) The market value of the property when completed as at 31 December 2015 was RMB387,000,000.
- (11) According to the information provided by the Group, various residential and retail units of the property with a total gross floor area of approximately 21,626.10 sq m have been pre-sold for a consideration of RMB133,042,841. In the course of our valuation, we have taken into account the above contracted selling price of the pre-sold portion.
- (12) According to Business License No. 410100400001297(1-1) dated 1 November 2006, 鄭州黛瑪仕實業有限公司 (Zhengzhou Daimashi Enterprise Co., Ltd) was established as a limited liability company with a registered capital of RMB31,000,000.

- (13) We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:–
- (i) The Cooperation Agreement is legal, valid and binding on all parties;
  - (ii) The State-owned Land Use Rights Certificates of the property are valid, legal and enforceable under the PRC laws;
  - (iii) 鄭州黛瑪仕實業有限公司 (Zhengzhou Daimashi Enterprise Co., Ltd) is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property;
  - (iv) 鄭州黛瑪仕實業有限公司 (Zhengzhou Daimashi Enterprise Co., Ltd.) has the right to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, the Group has to discharge the mortgage or obtain the mortgagee's consent in advance.
- (14) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

|  |     |
|--|-----|
| Cooperation Agreement                              | Yes |
| Grant Contract of State-owned Land Use Rights      | Yes |
| State-owned Land Use Rights Certificate            | Yes |
| Planning Permit for Construction Use of Land       | Yes |
| Planning Permit for Construction Works             | Yes |
| Commencement Permit for Construction Works         | Yes |
| Commodity Housing Pre-sales Permit                 | Yes |
| Housing Gross Floor Area Preliminary Survey Report | Yes |
| Business License                                   | Yes |

## VALUATION CERTIFICATE

## Group V – Properties held by the Group under development in the PRC

| Property  | Description and tenure   | Particulars of occupancy                                       | Market value in existing state as at 31 December 2015                        |
|---|--|--|--|
| 18. The under construction development known as No. 17 of Phase III of Weiye Oxygen Cube A, east of Huandong 2nd Road, Tuncheng Town, Tunchang County, Hainan Province, the PRC | The property comprises proposed residential building namely Block No. 17 of Phase III of Weiye Oxygen Cube A developing on a parcel of land with a site area of approximately 54,810.70 sq m.<br><br>Upon completion, the property will comprise a total planned gross floor area of approximately 16,323.75 sq m with the details as follows: | As at the valuation date, the property was under construction. | RMB16,000,000<br><br>(100% interest attributable to the Group RMB16,000,000) |
|   | <b>Approximate gross floor area</b>  |  |  |
|   | <b>Use</b>   | <b>(sq m)</b>  |  |
| 中國海南省屯昌縣屯城鎮環東二路東側偉業氧立方A三期17號樓 在建工程  | Residential  | 10,699.08  |  |
|   | Retail   | 3,583.44   |  |
|   | Basement   | 2,041.23   |  |
|   | <b>Total</b>   | <b>16,323.75</b>   |  |

As advised by the Group, the property is scheduled to be completed in 2016.

The property is held with land use rights for a term due to expire on 30 June 2080 for residential use.

## Notes:

- (1) According to State-owned Land Use Rights Certificate No. (2010)13-00506 issued by People's Government of Tunchang County (屯昌縣人民政府) on 23 November 2010, the land use rights of a parcel of land with a site area of 54,810.70 sq m has been vested in 屯昌宏基偉業地產發展有限公司 (Tunchang Hongji Weiye Property Development Co., Ltd.) for residential use due to expire on 30 June 2080.
- (2) According to Grant Contract of State-owned Land Use Rights No. 4690222010B03557 entered into between 屯昌縣國土環境資源局 (Tunchang County Land Resources Bureau) and 屯昌宏基偉業地產發展有限公司 (Tunchang Hongji Weiye Property Development Co., Ltd.) on 30 June 2010, the land use rights of Lot No. 10-003-03 comprising a site area of approximately 54,810.70 sq m have been granted to 屯昌宏基偉業地產發展有限公司 (Tunchang Hongji Weiye Property Development Co., Ltd.) at a premium of RMB61,000,000.
- (3) According to Planning Permit for Construction Use of Land No. (2010)0155 dated 27 July 2010 issued by Housing and Urban Construction Bureau of Tunchang, the proposed construction land use of the property complies with the town planning requirements and permit for construction of a site area of 54,810.70 sq m.
- (4) According to Planning Permit for Construction Works No. (2011)0015 dated 25 January 2011 issued by Tunchang Housing and Urban Construction Bureau, the construction works with a total gross floor area of 108,033.87 sq m is approved.

As advised by the Group, the property comprises a portion of the gross floor area as stated in the Planning Permit for Construction Works mentioned above.

- (5) According to Commencement Permit for Construction Works No. 2011009 dated 25 April 2011 issued by Tunchang Housing and Urban Construction Bureau, the construction works with a total gross floor area of 108,033.87 sq m is approved.

As advised by the Group, the property comprises a portion of the gross floor area as stated in the Commencement Permit for Construction Works mentioned above.

- (6) As advised by the Group, the construction cost expended as at 31 December 2015 was approximately RMB7,000,000, the outstanding construction cost as at 31 December 2015 was approximately RMB48,000,000. In the course of our valuation, we have taken into account such amount in our valuation.
- (7) The market value of the property when completed as at 31 December 2015 was RMB89,000,000.
- (8) According to Business License No. 469026000008938 dated 30 June 2011, 屯昌宏基偉業地產發展有限公司 (Tunchang Hongji Weiye Property Development Co., Ltd.) was established as a limited liability company with a registered capital of RMB100,000,000.
- (9) We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:
- (i) The State-owned Land Use Rights Certificates of the property are valid, legal and enforceable under the PRC laws;
- (ii) 屯昌宏基偉業地產發展有限公司 (Tunchang Hongji Weiye Property Development Co., Ltd.) is the sole legal land user and has obtained the relevant certificates and approval from the government in respect of the construction of the property; and
- (iii) 屯昌宏基偉業地產發展有限公司 (Tunchang Hongji Weiye Property Development Co., Ltd.) has the right to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, the Group has to discharge the mortgage or obtain the mortgagee's consent in advance.
- (10) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

|   |     |
|---|-----|
| State-owned Land Use Rights Certificate       | Yes |
| Grant Contract of State-owned Land Use Rights | Yes |
| Planning Permit for Construction Use of Land  | Yes |
| Planning Permit for Construction Works        | Yes |
| Commencement Permit for Construction Works    | Yes |
| Business License                              | Yes |

## VALUATION CERTIFICATE

## Group VI – Properties held by the Group for future development in the PRC

| Property  | Description and tenure   | Particulars of occupancy      | Market value in existing state as at 31 December 2015                        |                                |           |        |          |           |       |                    |          |              |                  |  |  |
|---|--|-------------------------------|--|--------------------------------|-----------|--------|----------|-----------|-------|--------------------|----------|--------------|------------------|--|--|
| 19. Development site for portion of Weiye Paris Impression, north of Xueyuan Road, east of Zhanlixi Road<br>Zhongmu County, Zhengzhou, Henan Province, the PRC<br><br>中國河南省鄭州市中牟縣學苑路北，占李西路東側，偉業巴黎印象項目用地 | The property comprises the development site for portion of Weiye Paris Impression to be developed on two parcels of land with a total site area of approximately 40,368.01 sq m.<br><br>As advised by the Group, Weiye Paris Impression will be developed into a residential development with a planned total gross floor area of approximately 68,409.50 sq m. with details as follows:                               | The property was vacant site. | RMB71,000,000<br><br>(100% interest attributable to the Group RMB71,000,000) |                                |           |        |          |           |       |                    |          |              |                  |  |  |
|   | <table border="1"> <thead> <tr> <th>Use</th> <th>Approximate gross floor area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Residential Affordable housing</td> <td>44,242.30</td> </tr> <tr> <td>Retail</td> <td>2,646.26</td> </tr> <tr> <td>Ancillary</td> <td>68.72</td> </tr> <tr> <td>Carpark (393 lots)</td> <td>9,207.00</td> </tr> <tr> <td><b>Total</b></td> <td><b>68,409.50</b></td> </tr> </tbody> </table> | Use                           | Approximate gross floor area (sq m)  | Residential Affordable housing | 44,242.30 | Retail | 2,646.26 | Ancillary | 68.72 | Carpark (393 lots) | 9,207.00 | <b>Total</b> | <b>68,409.50</b> |  |  |
| Use   | Approximate gross floor area (sq m)  |                               |  |                                |           |        |          |           |       |                    |          |              |                  |  |  |
| Residential Affordable housing  | 44,242.30  |                               |  |                                |           |        |          |           |       |                    |          |              |                  |  |  |
| Retail  | 2,646.26   |                               |  |                                |           |        |          |           |       |                    |          |              |                  |  |  |
| Ancillary   | 68.72  |                               |  |                                |           |        |          |           |       |                    |          |              |                  |  |  |
| Carpark (393 lots)  | 9,207.00   |                               |  |                                |           |        |          |           |       |                    |          |              |                  |  |  |
| <b>Total</b>  | <b>68,409.50</b>   |                               |  |                                |           |        |          |           |       |                    |          |              |                  |  |  |
|   | The property is held with land use rights for terms due to expire on 4 November 2082 and 16 January 2085 for residential use.  |                               |  |                                |           |        |          |           |       |                    |          |              |                  |  |  |

## Notes:

- (1) In October 2014, Jinwei (Henan) Trading Limited Company (金偉(河南)商貿有限公司) ("Jinwei (Henan)") and a third party construction contractor, Zhengzhou Shijizhongxin Zhiye Co. Ltd. (鄭州世紀中信置業有限公司) ("Shijizhongxin"), entered into a cooperation agreement (the "Cooperation Agreement") in relation to the joint development of three parcels of land held by Zhengzhou Daimashi Enterprise Co., Ltd. (鄭州黛瑪仕實業有限公司) ("Zhengzhou Daimashi"). Salient terms of the Cooperation Agreement include: (i) Jinwei (Henan) and Shijizhongxin will jointly acquire the equity interests in Zhengzhou Daimashi; (ii) Shijizhongxin will undertake the project construction according to the specification and time frame given by Jinwei (Henan) and bear all the costs of construction, while Jinwei (Henan) will undertake the marketing and sales of the properties; (iii) Shijizhongxin is entitled to sell all properties under the project to Jinwei (Henan) based on a pre-determined price per sq. m. payable according to the construction progress; and (iv) Jinwei (Henan) is entitled to all proceeds from the sales and pre-sales of the properties to third parties under the project.

Accordingly, in October 2014, Jinwei (Henan) acquired 65% equity interest in Zhengzhou Daimashi from Chen Xiuna (陳秀娜), an Independent Third Party, for a consideration of RMB140 million, which consideration was arrived at following arm's length negotiations on a willing-buyer, willing-seller basis, and taking into account the estimated market value of the land-use rights held by Zhengzhou Daimashi. As confirmed by PRC legal advisers, the acquisition has been properly and legally completed and settled. In January 2015, 65% equity interest in Zhengzhou Daimashi was transferred internally from Jinwei (Henan) to Henan Weiye. Meanwhile, the rights and obligations of Jinwei (Henan) under the Cooperation Agreement were assigned and novated to Henan Weiye. The remaining 35% equity interests in Zhengzhou Daimashi are being held as to 27.5% by Liu Gairong (劉改榮) on trust for Shijizhongxin and as to 7.5% by Chen Xiuna (陳秀娜). Each of Liu Gairong (劉改榮) and Shijizhongxin, being a substantial shareholder of Zhengzhou Daimashi, is the connected person at the subsidiary level.

Given the arrangements under the Cooperation Agreement, Group's share of assets and liabilities and profit or loss in Zhengzhou Daimashi is not in proportion to the equity interests in Zhengzhou Daimashi held by Henan Weiye and other minority holders.



- (2) According to two State-owned Land Use Rights Certificates issued by Zhongmu People's Government, the land use rights of two parcels of land with a total site area of 40,368.01 sq m have been vested in 鄭州黛瑪仕實業有限公司 (Zhengzhou Daimashi Enterprise Co., Ltd) with the details as follows:

| <u>Certificate No.</u> | <u>Uses</u> | <u>Expiry Date</u> | <u>Date of issue</u> | <u>Site area</u>        |
|------------------------|-------------|--------------------|----------------------|-------------------------|
|                        |             |                    |                      | <b>sq m</b>             |
| (2014)208              | Residential | 16 January 2085    | 29 December 2014     | 12,423.00               |
| (2013)026              | Residential | 4 November 2082    | 5 February 2013      | 27,945.01               |
| <b>Total</b>           |             |                    |                      | <b><u>40,368.01</u></b> |

- (3) According to two Grant Contracts of State-owned Land Use Rights entered into between Zhongmu County Land Resources Bureau and 鄭州黛瑪仕實業有限公司 (Zhengzhou Daimashi Enterprise Co., Ltd), the land use rights comprising a total site area of approximately 40,368.01 sq m have been granted to 鄭州黛瑪仕實業有限公司 (Zhengzhou Daimashi Enterprise Co., Ltd) with the details as follows:

| <u>Contract No.</u>       | <u>Site area</u>        | <u>Land Use</u> | <u>Land Use Term year</u> | <u>Plot Ratio</u> | <u>Date of issue</u> | <u>Land Premium</u>      |
|---------------------------|-------------------------|-----------------|---------------------------|-------------------|----------------------|--------------------------|
|                           | (sq m)                  |                 |                           |                   |                      | (RMB)                    |
| 410122-CR-2014-0345-11598 | 12,423.00               | Residential     | Residential:<br>70 years  | 3                 | 16 October 2014      | 48,536,661               |
| 410122-CR-2012-0040-1890  | 27,945.01               | Residential     | Residential:<br>70 years  | 3                 | 4 September 2012     | 30,599,786               |
| <b>Total</b>              | <b><u>40,368.01</u></b> |                 |                           |                   |                      | <b><u>79,136,447</u></b> |

- (4) According to two Planning Permits for Construction Use of Land Nos. (2015)022 and (2015)021 dated 9 April 2015, the construction sites of land with a total site area of 40,287.43 sq m are in compliance with the urban planning requirements and have been approved.
- (5) According to Business License No. 410100400001297(1-1) dated 1 November 2006, 鄭州黛瑪仕實業有限公司 (Zhengzhou Daimashi Enterprise Co., Ltd) was established as a limited liability company with a registered capital of RMB31,000,000.
- (6) We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:—
- (i) The Cooperation Agreement is legal, valid and binding on all parties;
  - (ii) The State-owned Land Use Rights Certificates of the property are valid, legal and enforceable under the PRC laws; and
  - (iii) 鄭州黛瑪仕實業有限公司 (Zhengzhou Daimashi Enterprise Co., Ltd) is the sole legal land user of the property;
  - (iv) 鄭州黛瑪仕實業有限公司 (Zhengzhou Daimashi Enterprise Co., Ltd) has the right to freely lease, transfer, mortgage and dispose of the land use rights of the property provided that where any of the property has been mortgaged, the Group has to discharge the mortgage or obtain the mortgagee's consent in advance.
- (7) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

|   |     |
|---|-----|
| Cooperation Agreement                         | Yes |
| Grant Contract of State-owned Land Use Rights | Yes |
| State-owned Land Use Rights Certificate       | Yes |
| Planning Permit for Construction Use of Land  | Yes |
| Business License                              | Yes |

## VALUATION CERTIFICATE

## Group VI – Properties held by the Group for future development in the PRC

| Property   | Description and tenure  | Particulars of occupancy                           | Market value in existing state as at 31 December 2015                          |
|--|---|--|--|
| 20. Development site for proposed commercial development of Weiye Paris Impression, north of Xueyuan Road, east of Zhanlixi Road, Zhongmu County, Zhengzhou, Henan Province, the PRC | The property comprises the development site for the proposed commercial development of Weiye Paris Impression with a site area of 24,130.00 sq m.<br><br>As advised by the Group, the proposed commercial development of Weiye Paris Impression will be developed into a commercial development with a total gross floor area of 128,520.00 sq m with details as follows: | The property was vacant site.                      | RMB197,000,000<br><br>(100% interest attributable to the Group RMB197,000,000) |
| 中國河南省<br>鄭州市中牟縣學苑路<br>北，占李西路東側，<br>偉業巴黎印象<br>商業項目用地  | <b>Use</b>  | <b>Approximate<br/>gross floor area<br/>(sq m)</b> |  |
|  | Apartment   | 86,868.00  |  |
|  | Retail  | 9,652.00   |  |
|  | Carpark<br>(640 lots)   | 32,000.00  |  |
|  | <b>Total</b>  | <b>128,520.00</b>                                  |  |
|  | The property is held with land use rights for a term due to expire on 1 November 2052 for commercial use.   |  |  |

## Notes:

- (1) In October 2014, Jinwei (Henan) Trading Limited Company (金偉(河南)商貿有限公司) (“Jinwei (Henan)”) and a third party construction contractor, Zhengzhou Shijizhongxin Zhiye Co. Ltd. (鄭州世紀中信置業有限公司) (“Shijizhongxin”), entered into a cooperation agreement (the “Cooperation Agreement”) in relation to the joint development of three parcels of land held by Zhengzhou Daimashi Enterprise Co., Ltd. (鄭州黛瑪仕實業有限公司) (“Zhengzhou Daimashi”). Salient terms of the Cooperation Agreement include: (i) Jinwei (Henan) and Shijizhongxin will jointly acquire the equity interests in Zhengzhou Daimashi; (ii) Shijizhongxin will undertake the project construction according to the specification and time frame given by Jinwei (Henan) and bear all the costs of construction, while Jinwei (Henan) will undertake the marketing and sales of the properties; (iii) Shijizhongxin is entitled to sell all properties under the project to Jinwei (Henan) based on a pre-determined price per sq. m. payable according to the construction progress; and (iv) Jinwei (Henan) is entitled to all proceeds from the sales and pre-sales of the properties to third parties under the project.

Accordingly, in October 2014, Jinwei (Henan) acquired 65% equity interest in Zhengzhou Daimashi from Chen Xiuna (陳秀娜), an Independent Third Party, for a consideration of RMB140 million, which consideration was arrived at following arm's length negotiations on a willing-buyer, willing-seller basis, and taking into account the estimated market value of the land-use rights held by Zhengzhou Daimashi. As confirmed by PRC legal advisers, the acquisition has been properly and legally completed and settled. In January 2015, 65% equity interest in Zhengzhou Daimashi was transferred internally from Jinwei (Henan) to Henan Weiye. Meanwhile, the rights and obligations of Jinwei (Henan) under the Cooperation Agreement were assigned and novated to Henan Weiye. The remaining 35% equity interests in Zhengzhou Daimashi are being held as to 27.5% by Liu Gairong (劉改榮) on trust for Shijizhongxin and as to 7.5% by Chen Xiuna (陳秀娜). Each of Liu Gairong (劉改榮) and Shijizhongxin, being a substantial shareholder of Zhengzhou Daimashi, is the connected person at the subsidiary level.

Given the arrangements under the Cooperation Agreement, Group's share of assets and liabilities and profit or loss in Zhengzhou Daimashi is not in proportion to the equity interests in Zhengzhou Daimashi held by Henan Weiye and other minority holders.

- (2) According to State-owned Land Use Rights Certificate No. (2013)028 issued by Zhongmu People's Government on 5 February, the land use rights of a parcel of land with a site area of 24,130.00 sq m have been vested in 鄭州黛瑪仕實業有限公司 (Zhengzhou Daimashi Enterprise Co., Ltd) for commercial use due to expire on 1 November 2052.
- (3) According to Grant Contract of State-owned Land Use Rights No. 410122-CR-2012-0035-1862 entered into between Zhongmu County Land Resources Bureau and 鄭州黛瑪仕實業有限公司 (Zhengzhou Daimashi Enterprise Co., Ltd) on 4 September 2012, the land use rights of Lot No. 3-83 comprising a site area of approximately 24,130.00 sq m have been granted to 鄭州黛瑪仕實業有限公司 (Zhengzhou Daimashi Enterprise Co., Ltd) at a premium of RMB36,556,950.
- (4) According to Planning Permit for Construction Land No. (2014)005 dated 20 January 2014 the construction site of land with a site area of 24,130.16 sq m are in compliance with the urban planning requirements and have been approved.
- (5) According to Business License No. 410100400001297(1-1) dated 1 November 2006, 鄭州黛瑪仕實業有限公司 (Zhengzhou Daimashi Enterprise Co., Ltd.) was established as a limited liability company with a registered capital of RMB31,000,000.
- (6) We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:—
- (i) The Cooperation Agreement is legal, valid and binding on all parties;
  - (ii) The State-owned Land Use Rights Certificate of the property is valid, legal and enforceable under the PRC laws; and
  - (iii) 鄭州黛瑪仕實業有限公司 (Zhengzhou Daimashi Enterprise Co., Ltd.) is the sole legal land user of the property;
  - (iv) 鄭州黛瑪仕實業有限公司 (Zhengzhou Daimashi Enterprise Co., Ltd) has the right to freely lease, transfer, mortgage and dispose of the land use rights of the property provided that where any of the property has been mortgaged, the Group has to discharge the mortgage or obtain the mortgagee's consent in advance.
- (7) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

|   |     |
|---|-----|
| Cooperation Agreement                         | Yes |
| Grant Contract of State-owned Land Use Rights | Yes |
| State-owned Land Use Rights Certificate       | Yes |
| Planning Permit for Construction Use of Land  | Yes |
| Business License                              | Yes |

## VALUATION CERTIFICATE

## Group VI – Properties held by the Group for future development in the PRC

| Property  | Description and tenure   | Particulars of occupancy      | Market value in existing state as at 31 December 2015                            |
|---|--|-------------------------------|--|
| 21. Development site of Hanwei Project, west of Gaozhuang Road, north of Yongchang Road, Zhongmu County, Zhengzhou, Henan Province, the PRC<br><br>中國河南省<br>鄭州市中牟縣高莊路西側，永昌路北側漢偉項目用地   | The property comprises the development site for Hanwei Project with a site area of approximately 58,221.75 sq m.<br><br>As advised by the Group, Hanwei Project will be developed into a commercial development with a planned total gross floor area of approximately 203,770 sq m.<br><br>The property is held with land use rights for a term due to expire on 30 July 2053 for commercial use. | The property was vacant site. | RMB260,000,000<br><br>(51% interest attributable to the Group<br>RMB132,600,000) |
| <i>Notes:</i>   |  |                               |  |
| (1) According to State-owned Land Use Rights Certificate No. (2014)174 issued by People's Government of Zhongmu County on 24 October 2014, the land use rights of a parcel of land with a site area of 58,221.75 sq m has been vested in 河南漢方藥業有限責任公司 (Henan Hanfang Yaoye Co., Ltd.) for commercial use due to expire on 30 July 2053.   |  |                               |  |
| (2) According to the Grant Contract of State-owned Land Use Rights No. (2008)0004 entered into between Zhongmu County Land Resources Bureau and 河南漢方藥業有限責任公司 (Henan Hanfang Yaoye Co., Ltd) on 31 May 2013, the land use rights of Lot No. BS18-03-04 comprising a site area of approximately 58,221.75 sq m have been granted to 河南漢方藥業有限責任公司 (Henan Hanfang Yaoye Co., Ltd) at a premium of RMB114,405,739. |  |                               |  |
| (3) According to Business License No. 410100000013146(1-1) dated 20 June 2001, 河南漢方藥業有限責任公司 (Henan Hanfang Yaoye Co., Ltd) was established as a limited liability company with a registered capital of RMB5,000,000.  |  |                               |  |
| (4) We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:–   |  |                               |  |
| (i) The State-owned Land Use Rights Certificates of the property are valid, legal and enforceable under the PRC laws; and   |  |                               |  |
| (ii) 河南漢方藥業有限責任公司 (Henan Hanfang Yaoye Co., Ltd.) is the sole legal land user of the property; and  |  |                               |  |
| (iii) 河南漢方藥業有限責任公司 (Henan Hanfang Yaoye Co., Ltd) has the right to freely lease, transfer, mortgage and dispose of the land use rights of the property provided that where any of the property has been mortgaged, the Group has to discharge the mortgage or obtain the mortgagee's consent in advance.  |  |                               |  |
| (5) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:   |  |                               |  |
| Grant Contract of State-owned Land Use Rights   |  | Yes                           |  |
| State-owned Land Use Rights Certificate   |  | Yes                           |  |
| Business License  |  | Yes                           |  |

## VALUATION CERTIFICATE

## Group VI – Properties held by the Group for future development in the PRC

| Property  | Description and tenure  | Particulars of occupancy | Market value in existing state as at 31 December 2015 |           |           |        |          |  |          |              |                  |                               |  |
|---|---|--------------------------|---|-----------|-----------|--------|----------|--|----------|--------------|------------------|-------------------------------|--|
| 22. Development site for Block No. 28 of Phase V of Weiye Central Park, Pingyuan Road, Hongqi District, Xinxiang, Henan Province, the PRC<br><br>中國河南省<br>新鄉市紅旗區平原路<br>偉業中央公園五期<br>28號樓項目用地 | The property comprises the development site for proposed Block No. 28 of Phase V of Weiye Central Park which will be erected on a parcel of land with a site area of approximately 82,368.40 sq m.<br><br>Upon completion, the property will comprise a total planned gross floor area of approximately 30,182.00 sq m with the details as follows:<br><br><table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Use</th> <th style="text-align: center;">Approximate gross floor area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Apartment</td> <td style="text-align: right;">15,328.00</td> </tr> <tr> <td>Retail</td> <td style="text-align: right;">8,481.00</td> </tr> <tr> <td>Non-civil air defense carpark (182 lots)</td> <td style="text-align: right;">6,373.00</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b>30,182.00</b></td> </tr> </tbody> </table> | Use                      | Approximate gross floor area (sq m)                   | Apartment | 15,328.00 | Retail | 8,481.00 | Non-civil air defense carpark (182 lots) | 6,373.00 | <b>Total</b> | <b>30,182.00</b> | The property was vacant site. | RMB44,000,000<br><br>(100% interest attributable to the Group RMB44,000,000) |
| Use   | Approximate gross floor area (sq m)   |                          |   |           |           |        |          |  |          |              |                  |                               |  |
| Apartment   | 15,328.00   |                          |   |           |           |        |          |  |          |              |                  |                               |  |
| Retail  | 8,481.00  |                          |   |           |           |        |          |  |          |              |                  |                               |  |
| Non-civil air defense carpark (182 lots)  | 6,373.00  |                          |   |           |           |        |          |  |          |              |                  |                               |  |
| <b>Total</b>  | <b>30,182.00</b>  |                          |   |           |           |        |          |  |          |              |                  |                               |  |
|   | The property is held with land use rights for terms due to expire on 5 January 2077 and 5 January 2047 for residential and commercial use respectively.   |                          |   |           |           |        |          |  |          |              |                  |                               |  |

*Notes:*

- (1) According to State-owned Land Use Rights Certificates No. (2010)020345 issued by Xinxiang People's Government dated 22 December 2010, the land use rights of a site area of 82,368.40 sq m have been vested in 新鄉偉業置地有限公司 (Xinxiang Weiye Property Co., Ltd) for residential use due to expire on 5 January 2077 and for commercial use due to expire on 5 January 2047.

- (2) According to Grant Contract of State-owned Land Use Rights No. 2006-77 entered into between Xinxiang Land and Resources Bureau and 河南偉業建設投資有限公司 (Henan Weiye Construction Investment Co., Ltd.) on 29 December 2006, the land use rights comprising a site area of approximately 205,517.55 sq m have been granted to 河南偉業建設投資有限公司 (Henan Weiye Construction Investment Co., Ltd.) at a premium of RMB188,048,360.

According to Supplementary Agreement of Grant Contract of State-owned Land Use Rights No. 2006-77-2 dated 11 April 2007, the Land use right owner has been changed into 新鄉偉業置地有限公司 (Xinxiang Weiye Property Co., Ltd). The site area has been changed into 178,886.30 sq m at a premium of RMB176,863,235.

- (3) According to Planning Permit for Construction Use of Land No. 20070011 issued by Xinxiang Urban Planning Bureau, the construction sites of land with a total site area of 249,004.99 sq m are in compliance with the urban planning requirements and have been approved.
- (4) According to Business License No. 410791100020583 dated 3 April 2007, 新鄉偉業置地有限公司 (Xinxiang Weiye Property Co., Ltd.) was established as a limited liability company with a registered capital of RMB75,000,000.
- (5) We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:—
- (i) The State-owned Land Use Rights Certificate of the property is valid, legal and enforceable under the PRC laws;
  - (ii) 新鄉偉業置地有限公司 (Xinxiang Weiye Property Co., Ltd.) is the sole legal land user of the property;
  - (iii) A portion of the property is subject to a mortgage. Under such mortgage contract, Xinxiang Weiye Property Co., Ltd cannot lease, transfer, mortgage and dispose of the property without prior consent from the mortgagee; and
  - (iv) 新鄉偉業置地有限公司 (Xinxiang Weiye Property Co., Ltd.) has the right to freely lease, transfer, mortgage and dispose of the land use rights of the property provided that where any of the property has been mortgaged, the Group has to discharge the mortgage or obtain the mortgagee's consent in advance.
- (6) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

|   |     |
|---|-----|
| Grant Contract of State-owned Land Use Rights | Yes |
| State-owned Land Use Rights Certificate       | Yes |
| Planning Permit for Construction Use of Land  | Yes |
| Business License                              | Yes |

## VALUATION CERTIFICATE

## Group VII – Property contracted to be acquired by the Group for future development in the PRC

| Property  | Description and tenure   | Particulars of occupancy      | Market value in existing state as at 31 December 2015 |
|---|--|-------------------------------|---|
| 23. Development site for a proposed residential development, south of Jingyi Road, east of Xinzhuang Road, Zhengzhou, Henan Province, the PRC<br><br>中國河南省鄭州市景怡路南,新莊路東項目用地  | The property comprises the development site with a site area of 55,351.26 sq m.<br><br>According to the Grant Contract of State-owned Land Use Rights, the plot ratio is 2.5 and the planned gross floor area is 138,378 sq m.<br><br>The property is held with land use rights for a term due to expire on 18 March 2086 for residential use. | The property was vacant site. | No Commercial Value                                   |
| <i>Notes:</i>   |  |                               |   |
| (1) According to State-owned Land Use Rights Certificate No. (2016)0048 issued by People's Government of Zhengzhou on 2 March 2016, the land use rights of a parcel of land with a site area of 55,351.26 sq m have been vested in 河南興偉置業有限公司 (Henan Xingwei Property Co., Ltd.) for a term due to expire on 18 March 2086 for residential use.   |  |                               |   |
| (2) According to Grant Contract of State-owned Land Use Rights No. 410100-CR-2015-1164-15182 entered into between Zhengzhou Land and Resources Bureau and 河南興偉置業有限公司 (Henan Xingwei Property Co., Ltd.) on 22 December 2015, the land use rights of Lot No. (2015)102 comprising a site area of approximately 55,351.26 sq m have been granted to 河南興偉置業有限公司 (Henan Xingwei Property Co., Ltd.) at a premium of RMB361,500,000. |  |                               |   |
| (3) According to Planning Permit for Construction Use of Land No. 410100201609023 issued by Zhengzhou Urban Planning Bureau on 29 January 2016, the construction sites of land with a total site area of 55,350.486 sq m are in compliance with the urban planning requirements and have been approved.   |  |                               |   |
| (4) According to Business License No. 41010000096937 dated 15 January 2013, 河南興偉置業有限公司 (Henan Xingwei Property Co., Ltd.) was established as a limited liability company with a registered capital of RMB150,000,000.   |  |                               |   |
| (5) We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:  |  |                               |   |
| (i) The State-owned Land Use Rights Certificate of the property is valid, legal and enforceable under the PRC laws;   |  |                               |   |
| (ii) 河南興偉置業有限公司 (Henan Xingwei Property Co., Ltd.) is the sole legal land user of the property; and   |  |                               |   |
| (iii) 河南興偉置業有限公司 (Henan Xingwei Property Co., Ltd.) has the right to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, the Group has to discharge the mortgage or obtain the mortgagee's consent in advance.   |  |                               |   |
| (6) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:   |  |                               |   |
| State-owned Land Use Rights Certificate   |  | Yes                           |   |
| Grant Contract of State-owned Land Use Rights   |  | Yes                           |   |
| Planning Permit for Construction Use of Land  |  | Yes                           |   |
| Business Licence  |  | Yes                           |   |

## VALUATION CERTIFICATE

## Group VIII – Properties leased and occupied by the Group in the PRC

|     | Property   | Description and tenancy particulars   | Market value in existing state as at 31 December 2015 |
|-----|--|---|---|
| 24. | Unit 110013, 11/F, Block No. 5 north of Shangchengdong Road, West of Shangmao Road, Jinshui District, Zhengzhou, Henan Province, the PRC<br><br>中國河南省鄭州市金水區商城東路北、商貿路西5號樓11層房間號110013 | The property comprises a unit with a gross floor area of 177.74 sq m.<br><br>The property is occupied by the Group as office.<br><br>The property is leased from an independent third party to 河南偉業建設開發集團有限公司 (Henan Weiye Construction Development Group Co., Ltd) for a lease term commencing from 1 January 2015 to 31 December 2015 at a prevailing annual rental of RMB81,636.<br><br>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties. | No commercial Value                                   |
| 25. | Unit 110020, 11/F, Block No. 5 north of Shangchengdong Road, West of Shangmao Road, Jinshui District, Zhengzhou, Henan Province, the PRC<br><br>中國河南省鄭州市金水區商城東路北、商貿路西5號樓11層房間號110020 | The property comprises a unit with a gross floor area of 136.44 sq m.<br><br>The property is occupied by the Group as office.<br><br>The property is leased from an independent third party to 河南偉業建設開發集團有限公司 (Henan Weiye Construction Development Group Co., Ltd) for a lease term commencing from 1 January 2015 to 31 December 2015 at a prevailing annual rental of RMB62,244.<br><br>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties. | No Commercial Value                                   |
| 26. | Unit 110021, 11/F, Block No. 5 north of Shangchengdong Road, West of Shangmao Road, Jinshui District, Zhengzhou, Henan Province, the PRC<br><br>中國河南省鄭州市金水區商城東路北、商貿路西5號樓11層房間號110021 | The property comprises unit with a gross floor area of 132.54 sq m.<br><br>The property is occupied by the Group as office.<br><br>The property is leased from an independent third party to 河南偉業建設開發集團有限公司 (Henan Weiye Construction Development Group Co., Ltd) for a lease term commencing from 1 January 2015 to 31 December 2015 at a prevailing annual rental of RMB60,816.<br><br>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties.   | No Commercial Value                                   |



|  |   | Market value in<br>existing state as at<br>31 December 2015 |
|--|---|---|
| Property   | Description and tenancy particulars   |   |
| 27. Unit 5, Block No. 19, No. 9 Jingnan 3rd Road, Economic and Technology Development Zone, Zhengzhou, Henan Province, the PRC<br><br>中國河南省鄭州市經濟技術開發區經南三路9號19號樓5號                | The property comprises a unit with a gross floor area of 354.84 sq m.<br><br>The property is occupied by the Group as office.<br><br>The property is leased from an independent third party to 河南偉業建設開發集團有限公司 (Henan Weiye Construction Development Group Co., Ltd) for a lease term of 20 years commencing from 1 April 2013 at nil rental.<br><br>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties.                | No Commercial Value   |
| 28. 3 units, west of Village Committee of Er Shi Li Pu, Baisha Town, Zhongmu County, Zhengzhou, Henan Province, the PRC<br><br>中國河南省鄭州市中牟縣白沙鎮二十裡鋪村委院西一排三間房屋                      | The property comprises 3 units with a gross floor area of 60 sq m.<br><br>The property is occupied by the Group as office.<br><br>The property is leased from an independent third party to 鄭州黛瑪仕實業有限公司 (Zhengzhou Daimashi Enterprise Co., Ltd) for a lease term commencing from 1 January 2012 to 31 December 2022 at nil rental.<br><br>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties.                         | No Commercial Value   |
| 29. A unit of Zhongmu Industrial Zone Administration Committee, No. 119 Zhengkai Avenue, Zhengzhou, Henan Province, the PRC<br><br>中國河南省鄭州市鄭開大道119號中牟產業園區管理委員會辦公樓                | The property comprises a unit with a gross floor of 80 sq m.<br><br>The property is occupied by the Group as office.<br><br>The property is leased from an independent third party to 河南天道資產管理有限公司 (Henan Tiandao Assets Management Co., Ltd.) for long-term use at nil rental.<br><br>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties.   | No Commercial Value   |
| 30. 5/F of Henan Yijia Environmental Protection Co., Ltd, No. 6 Yongxing Road, Yanghuai Industrial Zone, Zhengzhou, Henan Province, the PRC<br><br>中國河南省鄭州楊槐工業區永興路6號河南宜家環保有限公司五樓 | The property comprises a unit with a gross floor area of 400 sq m.<br><br>The property is occupied by the Group as office.<br><br>The property is leased from an independent third party to 河南興偉置業有限公司 (Henan Xingwei Property Co., Ltd) for a lease term commencing from from 13 December 2015 to 12 July 2016 at a prevailing annual rental of RMB46,667.<br><br>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties. | No Commercial Value   |

| Property   | Description and tenancy particulars   | Market value in existing state as at 31 December 2015 |
|--|---|---|
| <p>31. Unit 703 and Unit 704, 7/F, No. 9 Yongxing Road, Jinshui District, Zhengzhou, Henan Province, the PRC</p> <p>中國河南省鄭州市金水區永興路9號七層703、704</p>  | <p>The property comprises two units with a total gross floor area of 90 sq m.</p> <p>The property is occupied by the Group as office.</p> <p>The property is leased from an independent third party to 河南興偉置業有限公司 (Henan Xingwei Property Co., Ltd) for a lease term commencing from 8 November 2012 to 8 November 2017 at a prevailing annual rental of RMB12,000.</p> <p>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties.</p>             | No Commercial Value                                   |
| <p>32. A unit of Block No. 14, No. 150 Huozhan Street, Guancheng Huizu District, Zhengzhou, Henan Province, the PRC</p> <p>中國河南省鄭州市管城回族區貨棧街150號14號樓房間</p>                                    | <p>The property comprises a unit with a gross floor area of 496.65 sq m.</p> <p>The property is occupied by the Group as office.</p> <p>The property is leased from an independent third party to 河南漢偉置業有限公司 (Henan Hanwei Property Co., Ltd) for a lease term commencing from 2 December 2014 to 1 December 2017 at a prevailing annual rental of RMB10,000.</p> <p>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties.</p>                   | No Commercial Value                                   |
| <p>33. 10 units of Block No. 14, No. 150 Huozhan Street, Guancheng Huizu District, Zhengzhou, Henan Province, the PRC</p> <p>中國河南省鄭州市管城回族區貨棧街150號14號樓10套房屋</p>                               | <p>The property comprises ten units with a gross floor area of 400 sq m.</p> <p>The property is occupied by the Group as office.</p> <p>The property is leased from an independent third party to 河南漢方藥業有限責任公司 (Henan Hanfang Yaoye Co., Ltd) for a lease term commencing from 2 December 2014 to 1 December 2017 at a prevailing annual rental of RMB1,000.</p> <p>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties.</p>                    | No Commercial Value                                   |
| <p>34. Unit 110019, 11/F, Block No. 5 north of Shangchengdong Road, west of Shangmao Road, Jinshui District, Zhengzhou, Henan Province, the PRC</p> <p>中國河南省鄭州市金水區商城東路北、商貿路西5號樓11層110019</p> | <p>The property comprises a unit with a gross floor area of 255.88 sq m.</p> <p>The property is occupied by the Group as office.</p> <p>The property is leased from an independent third party to 金偉 (河南) 商貿有限公司 (Jinwei (Henan) Business and Commerce Co., Ltd) for a lease term commencing from 6 January 2015 to 6 January 2016 at a prevailing annual rental of RMB117,360.</p> <p>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties.</p> | No Commercial Value                                   |

|  |   | Market value in<br>existing state as at<br>31 December 2015 |
|--|---|---|
| Property   | Description and tenancy particulars   |   |
| 35. Unit 110002, 11/F,<br>Block No. 5 north of<br>Shangchengdong<br>Road,<br>west of Shangmao<br>Road,<br>Jinshui District,<br>Zhengzhou,<br>Henan Province,<br>the PRC<br><br>中國河南省鄭州市金<br>水區商城東路北、商<br>貿路西5號樓11層<br>110002 | The property comprises a unit with a gross floor area of 219.6 sq m.<br><br>The property is occupied by the Group as office.<br><br>The property is leased from an independent third party to 金偉 (河南) 商貿有限公司 (Jinwei (Henan) Business and Commerce Co., Ltd) for a lease term commencing from 6 January 2015 to 6 January 2016 at a prevailing annual rental of RMB101,028.<br><br>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties. | No Commercial Value   |
| 36. Unit 110001, 11/F,<br>Block No. 5 north of<br>Shangchengdong<br>Road,<br>west of Shangmao<br>Road,<br>Jinshui District,<br>Zhengzhou,<br>Henan Province,<br>the PRC<br><br>中國河南省鄭州市金<br>水區商城東路北、商<br>貿路西5號樓11層<br>110001 | The property comprises a unit with a gross floor area of 177.14 sq m.<br><br>The property is occupied by the Group as office.<br><br>The property is leased from an independent third party to 金偉 (河南) 商貿有限公司 (Jinwei (Henan) Business and Commerce Co., Ltd) for a lease term commencing from 6 January 2015 to 6 January 2016 at a prevailing annual rental of RMB81,636.<br><br>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties. | No Commercial Value   |
| 37. Unit 110003, 11/F,<br>Block No. 5 north of<br>Shangchengdong<br>Road,<br>west of Shangmao<br>Road,<br>Jinshui District,<br>Zhengzhou,<br>Henan Province,<br>the PRC<br><br>中國河南省鄭州市金<br>水區商城東路北、商<br>貿路西5號樓11層<br>110003 | The property comprises a unit with a gross floor area of 116.28 sq m.<br><br>The property is occupied by the Group as office.<br><br>The property is leased from an independent third party to 金偉 (河南) 商貿有限公司 (Jinwei (Henan) Business and Commerce Co., Ltd) for a lease term commencing from 6 January 2015 to 6 January 2016 at a prevailing annual rental of RMB73,980.<br><br>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties. | No Commercial Value   |
| 38. Unit 110015, 11/F,<br>Block No. 5 north of<br>Shangchengdong<br>Road,<br>west of Shangmao<br>Road,<br>Jinshui District,<br>Zhengzhou,<br>Henan Province,<br>the PRC<br><br>中國河南省鄭州市金<br>水區商城東路北、商<br>貿路西5號樓11層<br>110015 | The property comprises a unit with a gross floor area of 175.62 sq m.<br><br>The property is occupied by the Group as office.<br><br>The property is leased from an independent third party to 金偉 (河南) 商貿有限公司 (Jinwei (Henan) Business and Commerce Co., Ltd) for a lease term commencing from 6 January 2015 to 6 January 2016 at a prevailing annual rental of RMB80,616.<br><br>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties. | No Commercial Value   |

|     | <u>Property</u>   | <u>Description and tenancy particulars</u>  | <u>Market value in existing state as at 31 December 2015</u> |
|-----|---|---|--|
| 39. | Unit 110011, 11/F, Block No. 5 north of Shangchengdong Road, west of Shangmao Road, Jinshui District, Zhengzhou, Henan Province, the PRC<br><br>中國河南省鄭州市金水區商城東路北、商貿路西5號樓11層110011 | The property comprises a unit with a gross floor area of 265.88 sq m.<br><br>The property is occupied by the Group as office.<br><br>The property is leased from an independent third party to 金偉 (河南) 商貿有限公司 (Jinwei (Henan) Business and Commerce Co., Ltd) for a lease term commencing from 6 January 2015 to 6 January 2016 at a prevailing annual rental of RMB122,052.<br><br>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties.                                | No Commercial Value  |
| 40. | 11/F of Block No. 5, Ru Guo Ai, No. 50 Yingxie Road, Jinshui District, Zhengzhou, Henan Province, the PRC<br><br>中國河南省鄭州市金水區英協路50號如果·愛5號樓11層                                      | The property comprises the 11/F of Block No. 5 with a gross floor area of 1,476.16 sq m of Ru Guo Ai.<br><br>The property is occupied by the Group as office.<br><br>The property is leased from an independent third party to 河南偉業建設開發集團有限公司 (Henan Weiye Construction Development Co., Ltd) for a lease term commencing from 1 August 2015 to 30 July 2016 at a prevailing annual rental of RMB1,062,835.<br><br>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties. | No Commercial Value  |
| 41. | 4 units, No. 1 Wansheng Road, Jinming District, Kaifeng, Henan Province, the PRC<br><br>中國河南省開封市金明區萬聖路1號四間房屋  | The property comprises 4 units with a gross floor area of 80 sq m.<br><br>The property is occupied by the Group as office.<br><br>The property is leased from an independent third party to 河南蕃邦置業有限公司 (Henan Huihang Property Co., Ltd) for a lease term commencing from 1 August 2007 to 31 July 2017 at nil rental.<br><br>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties.  | No Commercial Value  |
| 42. | 3 units, No. 1 Dong'an Alley, No. 250 Pingyuan Road, Hongqi District, Xinxiang, Henan Province, the PRC<br><br>中國河南省新鄉市紅旗區平原路東安巷1號三間房屋  | The property comprises 3 units with a gross floor area of 92 sq m.<br><br>The property is occupied by the Group as office.<br><br>The property is leased from an independent third party to 新鄉偉業置地有限公司 (Xinxiang Weiye Property Co., Ltd) for a lease term commencing from 28 February 2015 to 28 February 2020 at nil rental.<br><br>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties.  | No Commercial Value  |

|   |  | Market value in<br>existing state as at<br>31 December 2015 |
|---|--|---|
| Property  | Description and tenancy particulars  |   |
| 43. Unit C, 22/F,<br>Dihao Building,<br>No. 2 Longkunbei<br>Road,<br>Haikou,<br>Hainan Province,<br>the PRC<br><br>中國海南省海口市龍<br>昆北路2號帝豪大廈<br>第22層C座                             | <p>The property comprises a unit with a gross floor area of 30 sq m of Dihao Building.</p> <p>The property is occupied by the Group as office.</p> <p>The property is leased from an independent third party to 海南宏基偉業諮詢管理有限公司 (Hainan Hongji Weiye Consulting Management Co., Ltd) for a lease term commencing from 31 August 2015 to 30 August 2018 at a prevailing monthly rental of RMB1,000.</p> <p>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties.</p>    | No commercial Value   |
| 44. Unit 1302, 6B,<br>Yi Hai Ge,<br>Shiji Haian,<br>Shiji Avenue,<br>Meilan District,<br>Haikou,<br>Hainan Province,<br>the PRC<br><br>中國海南省海口市美蘭<br>區世紀大道<br>世紀海岸怡海閣6B<br>1302 | <p>The property comprises a unit with a gross floor area of 147 sq m of Shiji Haian.</p> <p>The property is occupied by the Group for residential use.</p> <p>The property is leased from an independent third party to 偉業控股海南地產有限公司 (Weiye Holdings Hainan Real Estate Co., Ltd) for a lease term commencing from 8 November 2015 to 7 November 2016 at a prevailing monthly rental of RMB3,704.</p> <p>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties.</p>    | No Commercial Value   |
| 45. Unit 17E,<br>Block No. 5,<br>Zhidi Garden, No. 2<br>Mingzhu Road,<br>Jinmao District,<br>Haikou,<br>Hainan Province,<br>the PRC<br><br>中國海南省海口市金<br>寶區明珠路2號置地<br>花園小區5棟17E  | <p>The property comprises a unit with a gross floor area of 138 sq m of Zhidi Garden.</p> <p>The property is occupied by the Group for residential use.</p> <p>The property is leased from an independent third party to 偉業控股海南地產有限公司 (Weiye Holdings Hainan Real Estate Co., Ltd) for a lease term commencing from 4 December 2015 to 3 December 2016 at a prevailing monthly rental of RMB3,600.</p> <p>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties.</p>   | No Commercial Value   |
| 46. Unit 23A,<br>Block No. 5,<br>Zhidi Garden, No. 2<br>Mingzhu Road,<br>Jinmao District,<br>Haikou,<br>Hainan Province,<br>the PRC<br><br>中國海南省海口市金<br>寶區明珠路2號置地<br>花園小區5棟23A  | <p>The property comprises a unit with a gross floor area of 160 sq m of Zhidi Garden.</p> <p>The property is occupied by the Group for residential use.</p> <p>The property is leased from an independent third party to 偉業控股海南地產有限公司 (Weiye Holdings Hainan Real Estate Co., Ltd) for a lease term commencing from 15 November 2015 to 14 November 2016 at a prevailing monthly rental of RMB4,500.</p> <p>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties.</p> | No Commercial Value   |

| Property  | Description and tenancy particulars  | Market value in existing state as at 31 December 2015 |
|---|--|---|
| <p>47. Unit S405-C, Investment and Services Centre Haikou Bonded Area, No. 168 Nanhai Avenue, Haikou, Hainan Province, the PRC</p> <p>中國海南省海口市南海大道168號海口保稅區投資服務中心S405-C</p> | <p>The property comprises a unit with a gross floor area of 10 sq m of Haikou Bonded Area.</p> <p>The property is occupied by the Group as office.</p> <p>The property is leased from an independent third party to 偉業控股海南地產有限公司 (Weiye Holdings Hainan Real Estate Co., Ltd) for a lease term commencing from 18 February 2015 to 17 February 2016 at nil rental.</p> <p>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties.</p>   | No Commercial Value                                   |
| <p>48. 6/F and 7/F, Yi Hai Building, No. 47 south of Wuxi Road, Haidian Island, Haikou, Hainan Province, the PRC</p> <p>中國海南省海口市海甸島五西路南側47號銀海樓第六、七層</p>                     | <p>The property comprises various units of 6/F and 7/F of Yihai Building with a total gross floor area of 756.96 sq m.</p> <p>The property is occupied by the Group as office.</p> <p>The property is leased from an independent third party to 偉業控股海南地產有限公司 (Weiye Holdings Hainan Real Estate Co., Ltd) for a lease term commencing from 19 May 2015 to 18 May 2018 at a prevailing monthly rental of RMB15,000.</p> <p>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties.</p> | No Commercial Value                                   |
| <p>49. Unit 804, D2, Meilisha Garden, No. 78 Wuxi Road, Haidian Island, Haikou, Hainan Province, the PRC</p> <p>中國海南省海口市海甸島五西路78號美麗沙花園小區D2-804</p>                          | <p>The property comprises a unit with a total gross floor area of 58.67 sq m of Meilisha Garden.</p> <p>The property is occupied by the Group for residential use.</p> <p>The property is leased from an independent third party to 偉業控股海南地產有限公司 (Weiye Holdings Hainan Real Estate Co., Ltd) for a lease term commencing from 15 October 2015 to 14 October 2016 at a prevailing monthly rental of RMB2,116.</p> <p>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties.</p>      | No Commercial Value                                   |

|     | <u>Property</u>   | <u>Description and tenancy particulars</u>  | <u>Market value in existing state as at 31 December 2015</u> |
|-----|---|---|--|
| 50. | No. 114 Xinjian 3rd Road, Tuichang County, Hainan Province, the PRC<br><br>中國海南省屯昌縣新建三路114號   | The property comprises a unit with a total gross floor area of 25 sq m.<br><br>The property is occupied by the Group as office.<br><br>The property is leased from an independent third party to 屯昌宏基偉業地產發展有限公司 (Tunchang Hongji Weiye Property Development Co., Ltd) for a lease term commencing from 31 August 2015 to 30 August 2018 at a prevailing monthly rental of RMB300.<br><br>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties. | No Commercial Value  |
| 51. | No. 115 Xinjian 3rd Road, Tuichang County, Hainan Province, the PRC<br><br>中國海南省屯昌縣新建三路115號   | The property comprises a unit with a total gross floor area of 25 sq m.<br><br>The property is occupied by the Group as office.<br><br>The property is leased from an independent third party to 屯昌雅境置業有限公司 (Tunchang Yajing Property Co., Ltd) for a lease term commencing from 31 August 2015 to 30 August 2018 at a prevailing monthly rental of RMB300.<br><br>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties.                       | No Commercial Value  |
| 52. | No. 87 Wenjianxi Road, Mayuanpo, Wencheng Town, Wenchang, Hainan Province, the PRC<br><br>中國海南省文昌市文城鎮馬園坡文建西路87號                     | The property comprises a unit with a gross floor area of 20 sq m.<br><br>The property is occupied by the Group as office.<br><br>The property is leased from an independent third party to 海南宏基偉業房地產開發有限公司 (Hainan Hongji Weiye Property Development Co., Ltd) for a lease term commencing from 28 August 2015 to 27 August 2018 at a prevailing monthly rental of RMB600.<br><br>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties.        | No Commercial Value  |
| 53. | Unit 2502, 25/F, Tongmao Building, No. 357 Songlin Road, Pudong New District, Shanghai, the PRC<br><br>中國上海市浦東新區松林路357號通茂大廈25樓2502室 | The property comprises a unit with a gross floor area of 58 sq m.<br><br>The property is occupied by the Group as office.<br><br>The property is leased from an independent third party to 優多商貿(上海)有限公司 (Youduo Business and Commerce (Shanghai) Co., Ltd) for a lease term commencing from 1 January 2014 to 31 December 2016 at a prevailing annual rental of RMB7,586.<br><br>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties.         | No Commercial Value  |

| Property   | Description and tenancy particulars   | Market value in existing state as at 31 December 2015 |
|--|---|---|
| <p>54. 13/F, Office Building No. 2, Cultural and Innovative Industrial Zone, Shenzhen Broadcasting, Film and Television Group, Longhua Office, Longhua New District, Shenzhen, Guangdong Province, the PRC</p> <p>中國廣東省深圳市龍華新區龍華辦事處深圳廣播電影電視集團文化創意產業園2#辦公樓13層</p> | <p>The property comprises the 13/F of an office building with a gross floor area of 1,300.83 sq m.</p> <p>The property is occupied by the Group as office.</p> <p>The property is leased from an independent third party to 英德 (深圳) 環保科技有限公司 (Yingde (Shenzhen) Environmental Protection Technology Co., Ltd) for a lease term commencing from 16 May 2015 to 15 May 2020 at a prevailing monthly rental of RMB46,829.88.</p> <p>According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid and binding on both parties.</p> | No Commercial Value                                   |
| <p>55. Unit #01-06, 8 Pandan Crescent Singapore 128464</p>   | <p>The property is part of five-storey and six-storey warehouse buildings with a gross floor area of 8,600.44 sq ft.</p> <p>The property is occupied by the Group as office.</p> <p>The property is leased from an independent third party to Eindex Singapore PTE. Ltd for a lease term expired on and including 28 February 2018 at a prevailing monthly rental of S\$15,480.79 and a service charge of S\$1,720.09 per month.</p>  | No Commercial Value                                   |



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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

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Set out below is a summary of certain provisions of the constitution of our Company, which comprises our memorandum of association (“Memorandum”) and articles of association (“Articles”) and the laws of Singapore. This description is only a summary and is qualified by reference to Singapore law and our Company’s constitution.

The Company was incorporated in the Republic of Singapore as a private limited company on 2 August 1984 under the Singapore Companies Act.

### MEMORANDUM OF ASSOCIATION

The Memorandum sets out, inter alia, the Company’s name, the location of its registered office, and limits the liability of the members.

### ARTICLES OF ASSOCIATION

The Articles were adopted by special resolution of the Members passed on 27 November 2015 to take effect on the day of the shares of the Company are first traded on the SEHK. The following is a summary of certain provisions of the Articles:

#### (a) Directors

##### *(i) A Director’s power to contract with the Company*

###### Article 88

- (1) A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested. For the purposes of this Article, a general notice to the Board to the effect that (a) he is a member or officer of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with that company or firm, or (b) he is to be regarded as interested in any contract or arrangement, which may after the date of the notice be made with a specified person who is connected with him, shall be deemed to be a sufficient declaration of interest under this Article in relation to any such contract or arrangement, provided always that no such notice shall be effective unless either it is given at a meeting of the Board or the Director takes reasonable steps to secure that it is brought up and read at the next Board meeting after it is given.
- (2) Except as would, if the Company were a company incorporated in Hong Kong, be permitted by Section 505 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as in force at the date of adoption of these Articles, and except as permitted under the Relevant Laws, the Company shall not directly or indirectly: (i) make a loan to a Director or a director of any holding company of the Company or to any of their respective associates (as defined by the rules, where applicable, of the Exchange); (ii) enter into any guarantee or provide any security in connection with a loan made by any person to a Director or such a director; or (iii) if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company. Article 89(2) shall only have effect for so long as the shares of the Company are listed on the Hong Kong Stock Exchange.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

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- (3) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any transaction, contract or arrangement or any other proposal in which he or any of his close associates directly or indirectly has a personal material interest.

If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director or the significance of a contract, arrangement or transaction or proposed contract, arrangement or transaction or as to the entitlement of any Director to vote or form part of a quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the chairman of the meeting (or, where question relates to the interest of the chairman of the meeting, to the other Directors at the meeting) and his ruling (or, as appropriate, the ruling of the other Directors) in relation to such other Director (or, as appropriate, the chairman of the meeting) shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned (or, as appropriate, the chairman of the meeting) as known to such Director (or, as appropriate, the chairman of the meeting) has not been fairly disclosed to the Board. Upon approval by a majority of the independent non-executive Directors, professional advisors at the cost of the Company can be engaged without the need to obtain prior approval from other members of the Board.

- (4) The provisions of this Article may at any time be suspended or relaxed to any extent and either generally or in respect of any particular contract, arrangement or transaction by the Company in general meeting, and any particular contract, arrangement or transaction carried out in contravention of this Article may be ratified by ordinary resolution of the Company, subject to the Act and any applicable laws, provided that a Director whose action is being ratified by this ordinary resolution shall refrain from voting on this ordinary resolution as a shareholder at that general meeting.

**(ii) *The Director's power to vote on remuneration***

Article 89

- (1) A Director may hold any other office or place of profit under the Company (except that of auditor) and he or any firm of which he is a member may act in a professional capacity for the Company in conjunction with his office of Director, and on such terms as to remuneration and otherwise as the Directors shall determine. A Director of the Company may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as vendor, purchaser, shareholder or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company unless the Company otherwise directs. For the avoidance of doubt, as long as the shares of the Company are listed on the Hong Kong Stock Exchange, an independent non-executive Director or any firm of which he is a member shall not be allowed to act in any professional capacity for the Company during the tenure of his office as an independent non-executive Director and at any time during the twelve (12) months immediately preceding his appointment.
- (2) The Directors may exercise the voting power conferred by the shares in any company held or owned by the Company in such manner and in all respects as the Directors think fit in the interests of the Company (including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors of such company or voting or providing for the payment of remuneration to the directors of such company) and any such Director of the Company may vote in favour of the exercise of such voting powers in the manner aforesaid notwithstanding that he may be or be about to be appointed a director of such other company.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

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### ***(iii) Borrowing powers exercisable by the Directors***

#### Article 116

The Directors may at their discretion exercise all the powers of the Company to borrow or otherwise raise money, to mortgage, charge or hypothecate all or any property or business of the Company including any uncalled or called but unpaid capital and to issue debentures or give any other security, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party.

### ***(iv) Appointment of Directors***

#### Article 82

The Company in general meeting may, subject to the provisions of these Articles, from time to time remove any Director before the expiration of his period of office (notwithstanding anything in these Articles or in any agreement between the Company and such Director) and appoint another person in place of a Director so removed, and may increase or reduce the number of Directors, and may alter their share qualifications. Until otherwise determined by a general meeting, there shall be no maximum number.

#### Article 96

Subject to these Articles and to the Act, at each Annual General Meeting at least one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. For the avoidance of doubt, each Director shall retire from office at least once every three (3) years. Any Director appointed pursuant to Article 94(2) or Article 101 shall not be taken into account when determining which Directors are to retire by rotation.

#### Article 97

The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election but shall not include any Director who is due to retire at the meeting by reason of age. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment or have been in office for the three (3) years since their last election. However as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election.

#### Article 98

The Company at the meeting at which a Director retires under any provision of these Articles may by ordinary resolution fill up the vacated office by electing a person thereto. In default the retiring Director shall be deemed to have been re-elected, unless:—

- (i) at such meeting it is expressly resolved not to fill up such vacated office or a resolution for the re-election of such Director is put to the meeting and lost; or
- (ii) such Director is disqualified under the Act from holding office as a Director or has given notice in writing to the Company that he is unwilling to be re-elected;
- (iii) such Director has attained any retiring age applicable to him as a Director; or
- (iv) the nominating committee appointed has given notice in writing to the directors that such director is not suitable for re-appointment, having regard to the Director's contribution and performance.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

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The retirement of any Director who is deemed to have been re-elected shall not have effect until the conclusion of the meeting and such Director will continue in office without a break.

### Article 99

No person, other than a Director retiring at the meeting, shall, unless recommended by the Directors for re-election, be eligible for appointment as a Director at any general meeting unless not less than eleven (11) clear days before the day appointed for the meeting there shall have been left at the Office notice in writing signed by some Member duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing duly signed by the nominee giving his consent to the nomination and signifying his candidature for the office or the intention of such Member to propose him. Provided that in the case of a person recommended by the Directors for election nine (9) clear days' notice only shall be necessary and notice of each and every candidate for election shall be served on all Members at least seven (7) clear days prior to the meeting at which the election is to take place.

### Article 100

The Directors shall have power at any time and from time to time to appoint any person to be a Director either to fill a casual vacancy or as an additional Director but the total number of Directors shall not at any time exceed the maximum number (if any) fixed by these Articles. Any Director so appointed shall hold office only until the next Annual General Meeting and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

### **(v) Vacation of office/Rotation of Directors**

#### Article 94

Subject as herein otherwise provided or to the terms of any subsisting agreement, the office of a Director shall be vacated on any one of the following events, namely:

- (i) if he is prohibited from being a Director by reason of any order made under the Act or any other law;
- (ii) if he ceases to be a Director by virtue of any of the provisions of the Act;
- (iii) if he resigns by writing under his hand left at the Office or if he shall in writing offer to resign and the Directors shall resolve to accept such offer;
- (iv) if he shall become bankrupt or have a bankruptcy order made against him or if he suspends payments or makes any arrangement or composition with his creditors generally;
- (v) an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (vi) if he absents himself from meetings of the Directors for a continuous period of six (6) months without leave from the Directors and the Directors resolve that his office be vacated;
- (vii) if he is removed by a resolution of the Company in general meeting pursuant to these Articles;
- (viii) subject to the provisions of the Act, at the conclusion of the Annual General Meeting commencing next after he attains the age of seventy (70) years;
- (ix) if he becomes disqualified from acting as Director in any jurisdiction for reasons other than on technical grounds; or
- (x) if he becomes of unsound mind.

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### Article 96

Subject to these Articles and to the Act, at each Annual General Meeting at least one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. For the avoidance of doubt, each Director shall retire from office at least once every three (3) years. Any Director appointed pursuant to Article 94(2) or Article 101 shall not be taken into account when determining which Directors are to retire by rotation.

### Article 97

The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election but shall not include any Director who is due to retire at the meeting by reason of age. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment or have been in office for the three (3) years since their last election. However as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election.

### Article 98

The Company at the meeting at which a Director retires under any provision of these Articles may by ordinary resolution fill up the vacated office by electing a person thereto. In default the retiring Director shall be deemed to have been re-elected, unless:

- (i) at such meeting it is expressly resolved not to fill up such vacated office or a resolution for the re-election of such Director is put to the meeting and lost; or
- (ii) such Director is disqualified under the Act from holding office as a Director or has given notice in writing to the Company that he is unwilling to be re-elected;
- (iii) such Director has attained any retiring age applicable to him as a Director; or
- (iv) the nominating committee appointed has given notice in writing to the directors that such director is not suitable for re-appointment, having regard to the Director's contribution and performance.

The retirement of any Director who is deemed to have been re-elected shall not have effect until the conclusion of the meeting and such Director will continue in office without a break.

## **(b) Amendment of Articles**

### Article 163

No Article shall be rescinded, altered or amended and no new Article shall be made until the same has been approved by a special resolution of the Members. A special resolution shall be required to alter the provisions of the memorandum of association or to change the name of the Company and as permitted in the circumstances provided under the Act.

### Article 164

There should not be any alteration in the Article and the memorandum of association to increase an existing member's liability to the Company unless such increase is agreed by such member in writing.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

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### (c) Alterations of capital

#### Article 46

Subject to any special rights for the time being attached to any existing class of shares, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the general meeting resolving upon the creation thereof shall direct and if no direction be given as the Directors shall determine; subject to the provisions of these Articles and in particular (but without prejudice to the generality of the foregoing) such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company or otherwise.

#### Article 47

- (1) Subject to any direction to the contrary that may be given by the Company in general meeting, or except as permitted under the Exchange's listing rules, all new shares shall before issue be offered to the Members in proportion, as far as the circumstances admit, to the number of the existing shares to which they are entitled or hold. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined. After the expiration of the aforesaid time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article.
- (2) Notwithstanding Article 47(1) above but subject to the Act and the byelaws and listing rules of the Exchange, the Company may by ordinary resolution in general meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the ordinary resolution to:
  - (i) issue shares in the capital of the Company (whether by way of rights, bonus or otherwise); and/or
  - (ii) make or grant Instruments; and/or
  - (iii) (notwithstanding the authority conferred by the ordinary resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the ordinary resolution was in force;

provided that:

- (a) the aggregate number of shares or Instruments to be issued pursuant to the ordinary resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the ordinary resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument) does not exceed any applicable limits and complies with the manner of calculation prescribed by the Exchange;
- (b) in exercising the authority conferred by the ordinary resolution, the Company shall comply with the listing rules for the time being in force (unless such compliance is waived by the Exchange) and the Articles; and

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- (c) (unless revoked or varied by the Company in general meeting) the authority conferred by the ordinary resolution shall not continue in force beyond the conclusion of the Annual General Meeting next following the passing of the ordinary resolution, or the date by which such Annual General Meeting is required by law to be held, or the expiration of such other period as may be prescribed by the Act (whichever is the earliest).
- (3) Notwithstanding Article 47(1) above but subject to the Act, the Directors shall not be required to offer any new shares to members to whom by reason of foreign securities laws such offers may not be made without registration of the shares or a prospectus or other document, but may sell the entitlements to the new shares on behalf of such Members in such manner as they think most beneficial to the Company.

### Article 48

Except so far as otherwise provided by the conditions of issue or by these Articles, any capital raised by the creation of new shares shall be considered part of the original ordinary capital of the Company and shall be subject to the provisions of these Articles with reference to allotments, payment of calls, lien, transfer, transmission, forfeiture and otherwise.

### Article 49

- (1) The Company may by ordinary resolution alter its share capital in the manner permitted under the Act including without limitation:–
  - (i) consolidate and divide all or any of its shares;
  - (ii) cancel the number of shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person or which have been forfeited and diminish its share capital by the amount of the shares so cancelled in accordance with the Act, or in the case of shares, without par value, diminish the number of shares into which its capital is divided;
  - (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by the Company in general meeting, as the Directors may determine PROVIDED ALWAYS THAT where the Company issues shares which do not carry voting rights, the words “non-voting” shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words “restricted voting” or “limited voting”;
  - (iv) subdivide its shares or any of them (subject to the provisions of the Act and the listing rules of the Exchange), provided always that in such subdivision the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights, or be subject to any such restrictions, as the Company has power to attach to new shares; and/or
  - (v) subject to the provisions of these Articles and the Act, convert any class of shares into any other class of shares.

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- (2) The Company may purchase or otherwise acquire its issued shares subject to and in accordance with the Relevant Laws, on such terms and subject to such conditions as the Company may in general meeting prescribe in accordance with the Relevant Laws. Any shares purchased or acquired by the Company as aforesaid may be cancelled or dealt with in accordance with the Relevant Laws. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with, the Act.

### Article 49A

Where the Company purchases or redeems any of its shares, purchases or redemption not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all Members alike.

### Article 50

The Company may by special resolution reduce its share capital or any other undistributable reserve in any manner subject to any requirements and consents required by law. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to these presents and the Act, the number of issued shares of the Company shall be diminished by the number of shares so cancelled, and where any such cancelled shares were purchased or acquired out of the capital of the Company, the amount of the share capital of the Company shall be reduced accordingly.

### (d) Issue of shares

There are generally no restrictions on the ownership of securities of the Company.

### Article 4

Subject to the Act and these Articles, no shares may be issued by the Directors without the prior sanction of an ordinary resolution of the Company in general meeting pursuant to Section 161 of the Act but subject thereto and to Article 47, and to any special rights attached to any shares for the time being issued, the Directors may issue, allot or grant options over or otherwise deal with or dispose of the same to such persons on such terms and conditions and for such consideration and at such time and subject or not to the payment of any part of the amount thereof in cash as the Directors may think fit, and any shares may be issued in such denominations or with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors. The total number of issued preference shares shall not exceed the total number of issued ordinary shares at any time. No shares shall be issued to bearer.

No share shall be issued so as to transfer a controlling interest (as defined in the listing rules of the Exchange) of the Company without the prior approval of the shareholders in a general meeting.

### Article 5

- (1) Preference shares may be issued subject to such limitations thereof as may be prescribed by the Exchange upon which shares in the Company may be listed and the rights attaching to shares other than ordinary shares shall be expressed in the Memorandum of Association or these Articles. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance sheets and attending general meetings of the Company. The total number of issued preference shares shall not exceed the total



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number of issued ordinary shares issued at any time. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six (6) months in arrears.

- (2) The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares from time to time already issued or about to be issued.
- (3) Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price as may from time to time be determined by the Company in general meeting, either generally or with regard to specific purchases. If purchases are by tender, tenders shall be available to all Members alike.
- (4) Except as allowed by the statute and subject further to compliance with the rules and regulations of the Exchange and any other relevant regulatory authority, the Company shall not give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.
- (5) Except as allowed by statute, the Board may, subject to what is allowed by the Relevant Laws issue warrants to subscribe for any class of Shares or other securities of the Company and such warrants may be issued on such terms as the Board may from time to time determine. Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

### **(e) Variation of rights of existing shares or classes of shares**

#### Article 6

- (1) If at any time the share capital is divided into different classes, the repayment of preference capital other than redeemable preference capital and the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of the Act, whether or not the Company is being wound up, only be made, varied or abrogated with the sanction of a special resolution passed at a separate general meeting of the holders of shares of the class and to every such special resolution, the provisions of Section 184 of the Act shall, with such adaptations as are necessary, apply. To every such separate general meeting, the provisions of these Articles relating to general meetings shall mutatis mutandis apply; but so that the necessary quorum shall be two (2) persons at least holding or representing by proxy or by attorney one-third of the issued shares of the class. Provided always that where the necessary majority for such a special resolution is not obtained at the general meeting, consent in writing if obtained from the holders of three-fourths of the issued shares of the class concerned within two (2) months of the general meeting shall be as valid and effectual as a special resolution carried at the general meeting. The foregoing provisions of this Article shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.
- (2) The repayment of preference capital other than redeemable preference or any other alteration of preference shareholder rights may only be made pursuant to a special resolution of the preference shareholders concerned. Provided always that where the necessary majority for such a special resolution is not obtained at the general meeting, consent in writing if obtained from the holders of three-fourths of the preference shares concerned within two (2) months of the general meeting, shall be as valid and effectual as a special resolution carried at the general meeting.

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### Article 7

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall, unless otherwise expressly provided by the terms of issue of the shares of that class or by these Articles, be deemed to be varied by the creation or issue of further shares ranking equally therewith.

### Article 7A

No powers shall be taken to freeze or otherwise impair any of the rights attaching to any share by reason only that the person or persons who are interested directly or indirectly therein have failed to disclose their interest to the Company.

### (f) Special resolution

#### (i) *Variation of rights*

### Article 6

- (1) If at any time the share capital is divided into different classes, the repayment of preference capital other than redeemable preference capital and the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of the Act, whether or not the Company is being wound up, only be made, varied or abrogated with the sanction of a special resolution passed at a separate general meeting of the holders of shares of the class and to every such special resolution, the provisions of Section 184 of the Act shall, with such adaptations as are necessary, apply. To every such separate general meeting, the provisions of these Articles relating to general meetings shall mutatis mutandis apply; but so that the necessary quorum shall be two (2) persons at least holding or representing by proxy or by attorney one-third of the issued shares of the class. Provided always that where the necessary majority for such a special resolution is not obtained at the general meeting, consent in writing if obtained from the holders of three-fourths of the issued shares of the class concerned within two (2) months of the general meeting shall be as valid and effectual as a special resolution carried at the general meeting. The foregoing provisions of this Article shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.
- (2) The repayment of preference capital other than redeemable preference or any other alteration of preference shareholder rights may only be made pursuant to a special resolution of the preference shareholders concerned. Provided always that where the necessary majority for such a special resolution is not obtained at the general meeting, consent in writing if obtained from the holders of three-fourths of the preference shares concerned within two (2) months of the general meeting, shall be as valid and effectual as a special resolution carried at the general meeting.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

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### ***(ii) Company May Reduce Its Capital***

#### Article 50

The Company may by special resolution reduce its share capital or any other undistributable reserve in any manner subject to any requirements and consents required by law. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to these presents and the Act, the number of issued shares of the Company shall be diminished by the number of shares so cancelled, and where any such cancelled shares were purchased or acquired out of the capital of the Company, the amount of the share capital of the Company shall be reduced accordingly.

### ***(iii) Notice of Meeting***

#### Article 57

(A) Subject to the Relevant Laws, any annual general meeting shall be called by twenty-one clear business days' notice in writing in the least and any extraordinary general meeting at which it is proposed to pass a Special Resolution or a resolution of which special notice has been given to the Company, shall also be called by twenty-one clear business days' notice in writing at the least. All other Extraordinary General Meetings; shall be called by fourteen clear business days' notice in writing at the least. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the General Meeting is to be held.

- (1) For the avoidance of doubt "business day" shall mean any day on which the Hong Kong Stock Exchange is open for business for dealing in securities.
- (2) The accidental omission to give notice to, or the non-receipt by any person entitled thereto shall not invalidate the proceedings at any general meeting.

(B) (1) All notices in writing should specify the place, day and hour of the meeting, and in the case of special business, a notice in writing setting out the general nature of such special business, accompanied by a statement regarding the effect of any proposed resolution in respect of such special business, shall be given to all Members and the Exchange other than such as are not entitled under these Articles to receive such notices from the Company. Every such notice shall be published, (a) in the case of Singapore, in at least one English Language daily newspaper circulating in Singapore and (b) in the case of Hong Kong, in at least one English Language and one Chinese Language newspaper circulating in Hong Kong, at least for such number of days before the relevant meeting as required by the Exchange and in the event there is conflict between the requirements of the Singapore Exchange Securities Trading Limited and the Hong Kong Stock Exchange, the longest prescribed notice period shall be adopted. Whenever any meeting is adjourned for fourteen days or more, at least seven days' notice in writing of the place and hour of such adjourned meeting shall be given in like manner Provided Always that when a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.

The notice shall disclose any material interest of any director in the matter dealt with by the resolution insofar as the resolution affects that interest differently from the interests of other Members of the Company.

- (2) In the case of an Annual General Meeting, the notice shall also specify the meeting as such.

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- (3) In the case of any general meeting at which business other than routine business is to be transacted (special business), the notice shall specify the general nature of the special business, and if any resolution is to be proposed as a special resolution or as requiring special notice, the notice shall contain a statement to that effect.

### ***(iv) Winding Up***

#### Article 158

A special resolution is required to approve the voluntary winding up of the Company. The Board shall have the power in the name and on behalf of the Company to present a petition to the court for the Company to be wound up (whether the liquidation is under supervision or by the Court). The liquidator may, with the authority of a special resolution, divide among the Members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds and may for such purpose set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like authority, vest the whole or any part of the assets in trustees upon such trusts for the benefit of Members as the liquidator with the like authority thinks fit, and the liquidation of the Company may be closed and the Company dissolved, but no Member shall be compelled to accept any shares or other securities in respect of which there is a liability.

### ***(v) Amendment of Articles***

#### Article 163

No Article shall be rescinded, altered or amended and no new Article shall be made until the same has been approved by a special resolution of the Members. A special resolution shall be required to alter the provisions of the memorandum of association or to change the name of the Company and as permitted in the circumstances provided under the Act.

### ***(g) Voting Rights***

#### Article 63

At any general meeting all resolutions put to the vote of the general meeting shall be decided by way of poll.

#### Article 64

Subject to the Act and the requirements of the Exchange, the poll shall be taken in such manner (including the use of ballot or voting papers or tickets) as the Chairman may direct and the result of a poll shall be deemed to be the resolution of the general meeting. The Company shall only be required to disclose the voting figures on a poll if such disclosure is required by the rules of the Exchange.

#### Article 64A

At least one scrutineer shall be appointed for each general meeting. The appointed scrutineer(s) shall be independent of the persons undertaking the polling process. Where the appointed scrutineer is interested in the resolution(s) to be passed at the general meeting, it shall refrain from acting as the scrutineer for such resolution(s). The appointed scrutineer shall exercise the following duties:

- (a) ensuring that satisfactory procedures of the voting process are in place before the general meeting; and
- (b) directing and supervising the count of the votes cast through proxy and in person.

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### Article 65

If any votes are counted which ought not to have been counted or might have been rejected, the error shall not vitiate the result of the voting unless it is pointed out at the same general meeting or at any adjournment thereof, and not in that case unless it shall in the opinion of the Chairman be of sufficient magnitude.

### Article 66

Subject to the Act and the requirements of the Exchange, in the case of equality of votes, the Chairman of the general meeting shall be entitled to a second or casting vote in addition to the votes to which he may be entitled as a Member or as proxy of a Member.

### Article 69

- (1) Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company and to Article 6, each Member is entitled to vote and may vote in person or by proxy or attorney, and (in the case of a corporation) by a representative. A person who is entitled to more than one (1) vote need not use all his votes or cast all the votes he uses in the same way.
- (2) Every Member who is present in person or by proxy, attorney or representative shall have one (1) vote for each share which he holds or represents.
- (3) Notwithstanding anything contained in these Articles, a Depositor shall not be entitled to attend any general meeting and to speak and vote thereat unless his name is certified by the Depository or a clearing house (as the case may be) to the Company as appearing on the Depository Register not later than forty-eight (48) hours before the time of the relevant general meeting (the cut-off time) as a Depositor on whose behalf the Depository holds shares in the Company. For the purpose of determining the number of votes which a Depositor or his proxy may cast on a poll, the Depositor or his proxy shall be deemed to hold or represent that number of shares entered in the Depositor's Securities Account at the cut-off time as certified by the Depository to the Company, or where a Depositor has apportioned the balance standing to his Securities Account as at the cut-off time between two (2) proxies, to apportion the said number of shares between the two (2) proxies in the same proportion as specified by the Depositor in appointing the proxies; and accordingly no instrument appointing a proxy of a Depositor shall be rendered invalid merely by reason of any discrepancy between the number of shares standing to the credit of that Depositor's Securities Account as at the cut-off time, and the true balance standing to the Securities Account of a Depositor as at the time of the relevant general meeting, if the instrument is dealt with in such manner as aforesaid.

### Article 70

Where there are joint holders of any share any one (1) of such persons may vote and be reckoned in a quorum at any meeting either personally or by proxy or by attorney or in the case of a corporation by a representative as if he were solely entitled thereto but if more than one (1) of such joint holders is so present at any meeting then the person present whose name stands first in the Register of Members or the Depository Register (as the case may be) in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased Member in whose name any share stands shall for the purpose of this Article be deemed joint holders thereof.

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### Article 71

If a Member be a lunatic, idiot or non-compos mentis, he may vote by his committee, curator bonis or such other person as properly has the management of his estate and any such committee, curator bonis or other person may vote by proxy or attorney, provided that such evidence as the Directors may require of the authority of the person claiming to vote shall have been deposited at the Office not less than forty-eight (48) hours before the time appointed for holding the meeting.

### Article 72

Subject to the provisions of these Articles, every Member either personally or by proxy or by attorney or in the case of a corporation by a representative shall be entitled to be present, to speak and to vote at any general meeting and to be reckoned in the quorum thereat in respect of shares fully paid and in respect of partly paid shares where calls are not due and unpaid. In the event a member has appointed more than one (1) proxy, only one (1) proxy is counted in determining the quorum.

### Article 72A

Where the Company has knowledge that any Member is, under the rules of the Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.

### Article 73

No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting whose decision shall be final and conclusive.

### Article 74

On a poll votes may be given either personally or by proxy or by attorney or in the case of a corporation by its representative and a person entitled to more than one (1) vote need not use all his votes or cast all the votes he uses in the same way.

### Article 75

- (1) Unless otherwise provided by the Act, a Member, if he holds more than one (1) share, may appoint one or more than one proxy to attend and vote at the same general meeting, provided always that:
- (2) If the Member is a Depositor, the Company shall be entitled:—
  - (i) to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered in its Securities Account as at the cut-off time as certified by the Depository to the Company; and
  - (ii) to accept as validly cast by the proxy or proxies appointed by the Depositor on a poll that number of votes which corresponds to or is less than the aggregate number of shares entered in its Securities Account of that Depositor as at the cut-off time as certified by the Depository to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

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- (3) Where a Member appoints more than one (1) proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.
- (4) Voting right(s) attached to any shares in respect of which a Member has not appointed a proxy may only be exercised at the relevant general meeting by the member personally or by his attorney, or in the case of a corporation by its representative.
- (5) Where a Member appoints a proxy in respect of more shares than the shares standing to his name in the Register of Members or, in the case of a Depositor, standing to the credit of that Depositor's Securities Account as at the cut-off time as certified by the Depository to the Company, such proxy may not exercise any of the votes or rights of the shares not registered in the name of that Member in the Register of Members or standing to the credit of that Depositor's Securities Account as at the cut-off time, as the case may be.
- (6) If the Chairman is appointed as proxy, he may authorise any other person to act as proxy in his stead. Where the Chairman has authorised another person to act as proxy, such other person shall be taken to represent all Members whom the Chairman represented as proxy. Attendance by a member shall invalidate his appointment of proxies.

### Article 76

A proxy or attorney need not be a Member, and shall be entitled to vote on any matter at any general meeting.

### Article 77

- (1) Any instrument appointing a proxy shall be in writing in the common form or any other form approved by the Directors, (provided always that this shall not preclude the use of the two-way form) and the Board may, if it thinks fit, send out with the notice of any meeting forms of instrument of proxy for use at the meeting. In addition, such instrument
  - (i) in the case of an individual, shall be
    - (A) executed under the hand of the appointor or his attorney duly authorised in writing if the instrument is delivered personally or sent by post; or
    - (B) authorised by that individual through such method and in such manner as may be approved by the Directors, if the instrument is sent by Electronic Communication; and
  - (ii) in the case of a corporation, shall be:
    - (A) executed under seal in accordance with its constitutional documents or under the hand of its attorney or its officer duly authorised or in such manner as appropriate under applicable laws if the instrument is delivered personally or by post; or
    - (B) authorised by that corporation through such method and in such manner as may be approved by the Directors, if the instrument is sent by Electronic Communication.
- (2) The Directors may, but shall not be bound to, require evidence of the authority of any such attorney or officer and the Company shall accept as valid in all respects the form of proxy approved by the Directors for use at the date relevant to the general meeting in question.

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- (3) An instrument of proxy shall be deemed to include the power to speak at the meeting, and to demand or join in demanding a poll. Unless otherwise instructed, a proxy or an attorney shall vote as he thinks fit. The signature on an instrument appointing a proxy need not be witnessed. The instrument of proxy, shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

### Article 78

The original instrument appointing a proxy, together with the original power of attorney or other authority, if any, under which the instrument of proxy is signed or a duly certified copy of that power of attorney or other authority (failing previous registration with the Company) shall be attached to the original instrument of proxy and must be left at the Office or Registration Office or such other place (if any) as is specified for the purpose in the notice convening the meeting not less than forty-eight (48) hours before the time appointed for the holding of the meeting or adjourned meeting (or in the case of a poll before the time appointed for the taking of the poll) at which it is to be used failing which the instrument may be treated as invalid. An instrument appointing a proxy shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates, provided that an instrument of proxy relating to more than one (1) meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not be required again to be delivered for the purposes of any subsequent meeting to which it relates. An instrument appointing a proxy or the power of attorney or other authority, if any, if sent by Electronic Communication, must be received through such means as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting.

### Article 79

A vote given in accordance with the terms of an instrument of proxy (which for the purposes of these Articles shall also include a power of attorney) shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy, or of the authority under which the proxy was executed or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at the Office (or such other place as may be specified for the deposit of instruments appointing proxies) before the commencement of the meeting or adjourned meeting (or in the case of a poll before the time appointed for the taking of the poll) at which the proxy is used.

### Article 79A

Subject to these Articles and the Act, the Directors may, at their sole discretion, approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow members who are unable to vote in person at any general meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile.

### Article 81

Any corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members and the persons so authorised shall be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual Member of the Company. The Company shall be entitled to treat an original certificate under the seal of the corporation as conclusive evidence of the appointment or revocation of appointment of a representative under this Article.



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### Article 81A

If a clearing house (or its nominee(s)), being a corporation, is a Member, it may authorise such persons as it thinks fit to act as its representatives or proxies at any meeting of the Company or at any meeting of any class of Members PROVIDED ALWAYS THAT, if more than one person is so authorised, the authorisation or proxy form shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of this Article 80A shall be deemed to have been duly authorised without the need to produce any further documents of title, notarised authorisation and/or other evidence of fact to substantiate that such person is duly authorised, and shall be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominee(s)).

### (h) General Meetings

#### Article 55

- (1) Subject to the provisions of the Act, the Company shall in each year hold a general meeting in addition to any other meetings in that year to be called the Annual General Meeting, and not more than fifteen (15) months shall elapse between the date of one (1) Annual General Meeting of the Company and that of the next. The Annual General Meeting shall be held at such time and place as the Directors shall appoint.
- (2) All general meetings other than Annual General Meetings shall be called Extraordinary General Meetings. The time and place of any meeting shall be determined by the convenors of the meeting.

#### Article 56

The Directors may, whenever they think fit, convene an Extraordinary General Meeting and Extraordinary General Meetings shall also be convened on such requisition or, in default, may be convened by such requisitionists, including Members holding a minority stake in the Company which have shareholdings not higher than 10.0%. If at any time there are not within Singapore sufficient Directors capable of acting to form a quorum at a meeting of Directors, any Director may convene an Extraordinary General Meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors.

### (i) Accounts

#### Article 140

The Directors shall cause to be kept such accounting and other records as are necessary to comply with the provisions of the Act and shall cause those records to be kept in such manner as to enable them to be conveniently and properly audited and to give a true and fair view of the Company's affairs and to explain its transactions.

#### Article 141

Subject to the provisions of Section 199 of the Act, the books of accounts shall be kept at the Office or at such other place or places as the Directors think fit within Singapore and shall be open to the inspection of the Directors. No Member (other than a Director) shall have any right to inspect any account or book or document or other recording of the Company except as is conferred by law or authorised by the Directors or by an ordinary resolution of the Company.

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## **APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE**

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### Article 142

In accordance with the provisions of the Act, the Directors shall cause to be prepared and to be laid before the Company in general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports as may be necessary. The interval between the close of a financial year of the Company and the Company's Annual General Meeting shall not exceed four (4) months (or such other period as may be prescribed by the Act and the byelaws and listing rules of the Exchange).

### Article 143

A copy of every balance sheet and profit and loss account which is to be laid before a general meeting of the Company (including every document required by the Relevant Laws to be annexed thereto) together with a copy of every report of the auditors relating thereto and of the Directors' report shall not less than 21 days before the date of the meeting be sent by post to the registered address of every Member of, and every holder of debentures (if any) of, the Company and to every other person who is entitled to receive notices from the Company under the provisions of the Act or of these Articles; provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware or to more than one (1) of the joint holders of a share in the Company or the several persons entitled thereto in consequence of the death or bankruptcy of the holder or otherwise but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the office.

Subject to due compliance with all applicable Relevant Laws, rules and regulations, including, without limitation, the rules of the Exchange, and to obtaining all necessary consents, if any, required thereunder, the requirements of this Article 144 shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Relevant Laws, summarised financial statements derived from the Company's annual accounts and the directors' report which shall be in the form and containing the information required by applicable laws and regulations, provided always that any person who is otherwise entitled to the annual financial statements of the Company and the directors' report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

The requirement to send to a person the documents referred to in this Article 144 shall be deemed satisfied where, in accordance with all applicable Relevant Laws, rules and regulations, including, without limitation, the rules of the Exchange, the Company publishes copies of the documents on the Company's computer network or in any other permitted manner (including by sending any form of electronic communication), and that person has agreed or is deemed to have agreed to treat the publication or receipt of such documents in such manner as discharging the Company's obligation to send to him a copy of such documents.

### Article 144

Such number of each document as is referred to in the preceding Article or such other number as may be required by the Exchange shall be forwarded to the Exchange at the same time as such documents are sent to the Members.

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### (j) Notices of meeting and business to be conducted thereat

#### Article 57

(A) Subject to the Relevant Laws, any annual general meeting shall be called by twenty-one clear business days' notice in writing in the least and any extraordinary general meeting at which it is proposed to pass a Special Resolution or a resolution of which special notice has been given to the Company, shall also be called by twenty-one clear business days' notice in writing at the least. All other Extraordinary General Meetings; shall be called by fourteen clear business days' notice in writing at the least. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the General Meeting is to be held.

- (1) For the avoidance of doubt "business day" shall mean any day on which the Hong Kong Stock Exchange is open for business for dealing in securities.
- (2) The accidental omission to give notice to, or the non-receipt by any person entitled thereto shall not invalidate the proceedings at any general meeting.

(B) (1) All notices in writing should specify the place, day and hour of the meeting, and in the case of special business, a notice in writing setting out the general nature of such special business, accompanied by a statement regarding the effect of any proposed resolution in respect of such special business, shall be given to all Members and the Exchange other than such as are not entitled under these Articles to receive such notices from the Company. Every such notice shall be published, (a) in the case of Singapore, in at least one English Language daily newspaper circulating in Singapore and (b) in the case of Hong Kong, in at least one English Language and one Chinese Language newspaper circulating in Hong Kong, at least for such number of days before the relevant meeting as required by the Exchange and in the event there is conflict between the requirements of the Singapore Exchange Securities Trading Limited and the Hong Kong Stock Exchange, the longest prescribed notice period shall be adopted. Whenever any meeting is adjourned for fourteen days or more, at least seven days' notice in writing of the place and hour of such adjourned meeting shall be given in like manner Provided Always that when a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.

The notice shall disclose any material interest of any director in the matter dealt with by the resolution insofar as the resolution affects that interest differently from the interests of other Members of the Company.

- (2) In the case of an Annual General Meeting, the notice shall also specify the meeting as such.
- (3) In the case of any general meeting at which business other than routine business is to be transacted (special business), the notice shall specify the general nature of the special business, and if any resolution is to be proposed as a special resolution or as requiring special notice, the notice shall contain a statement to that effect.

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### (k) Transfer of shares

#### Article 17

Subject to these Articles, any Member may transfer all or any of his shares but every instrument of transfer of the legal title in shares must be in writing and in the form for the time being approved by the Directors and the Exchange. Shares of different classes shall not be comprised in the same instrument of transfer. The Company shall accept for registration transfers in the form approved by the Exchange.

#### Article 18

The instrument of transfer of a share shall be signed by or on behalf of the transferor and the transferee and be witnessed, provided that an instrument of transfer in respect of which the transferee is the Depository shall be effective although not signed or witnessed by or on behalf of the Depository, or if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Directors may approve from time to time. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members.

#### Article 19

No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind but nothing herein contained shall be construed as imposing on the company any liability in respect of the registration of such transfer if the company has no actual knowledge of the same.

#### Article 20

- (1) Subject to these Articles, there shall be no restriction on the transfer of fully paid up shares except where required by law or by the rules, bye-laws or listing rules of the Exchange but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid up may refuse to register a transfer to a transferee of whom they do not approve. If the Directors shall decline to register any such transfer of shares, they shall give to both the transferor and the transferee written notice of their refusal to register as required by the Act and the listing rules of the Exchange.
- (2) The Directors may decline to register any instrument of transfer unless:
  - (i) such fee not exceeding S\$2 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by any stock exchange upon which the shares of the Company may be listed) as the Directors may from time to time require, is paid to the Company in respect thereof;
  - (ii) the instrument of transfer, duly stamped in accordance with any law for the time being in force relating to stamp duty, is deposited at the Office or at such other place (if any) as the Directors appoint accompanied by a certificate of payment of stamp duty (if any is payable), the certificates of the shares to which the transfer relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and
  - (iii) the instrument of transfer is in respect of only one (1) class of shares.

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### Article 21

- (1) All instruments of transfer which are registered may be retained by the Company, but any instrument of transfer which the Directors may decline to register shall (except in the case of fraud) be returned to the person depositing the same.
- (2) Subject to any legal requirements to the contrary, the Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six (6) years from the date of registration thereof and all dividend mandates and notifications of change of address at any time after the expiration of six (6) years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six (6) years from the date of the cancellation thereof and it shall be conclusively presumed in favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other documents so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company. Provided that:—
  - (i) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;
  - (ii) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any circumstances which would not attach to the Company in the absence of this Article; and
  - (iii) references herein to the destruction of any document include references to the disposal thereof in any manner.

### Article 22

- (1) The Register of Members and the Depository Register may be closed at such times and for such period as the Directors may from time to time determine, provided always that the Registers shall not be closed for more than thirty days in the aggregate in any year. Provided always that the Company shall give prior notice of such closure as may be required to the Exchange, stating the period and purpose or purposes for which the closure is made.
- (2) The Company shall keep in one or more books a Register and shall enter therein the following particulars, that is to say:
  - (i) the name and address of each Member, the number and class of shares held by him and the amount paid or agreed to be considered as paid on such shares;
  - (ii) the date on which any transfer of shares was effected;
  - (iii) the date on which each person was entered in the Register; and
  - (iv) the date on which any person ceased to be a Member.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

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- (3) The Company may keep an overseas or local or other branch Register resident in any place, and the Board may make and vary such regulations as it determines necessary, desirable or expedient in respect of the keeping of any such register and maintaining a registration office (the "Registration Office") in connection therewith.
- (4) The Register and branch Register, as the case may be, shall be open to inspection for at least two hours on every business day by Members without charge or by any other person, upon a maximum payment of HK\$1.00 or such lesser sum specified by the Board, at the Office or such other place at which the Register is kept in accordance with the Relevant Laws. The Register including any overseas or local or other branch Register may, after notice has been given by advertisement in an appointed newspaper or any other newspapers in accordance with the requirements of any Exchange or by any electronic means in such manner as may be accepted by the Exchange to that effect, be closed at such times or for such periods not exceeding, in the whole, thirty days in each year as the Board may determine and either generally or in respect of any class of shares.
- (5) Notwithstanding any other provision of these Articles, but subject to the rules of the Exchange and the Act, the Company or the Directors may fix any date as the record date for determining the Members entitled to receive any dividend, distribution, allotment or issue; and determining the Members entitled to receive notice of and to vote at any general meeting of the Company.

### Article 23

- (1) Nothing in these Articles shall preclude the Directors from recognising a renunciation of the allotment of any share by the allottee in favour of some other person.
- (2) Neither the Company nor its Directors nor any of its officers shall incur any liability for registering or acting upon a transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers, be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred, or otherwise in defective manner. And in every such case, the person registered as transferee, his executors, administrators and assigns, alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

### **(I) Power for our Company to purchase our own shares**

#### Article 5

- (3) Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price as may from time to time be determined by the Company in general meeting, either generally or with regard to specific purchases. If purchases are by tender, tenders shall be available to all Members alike.
- (4) Except as allowed by the statute and subject further to compliance with the rules and regulations of the Exchange and any other relevant regulatory authority, the Company shall not give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

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### (m) Dividends and Reserves

#### Article 121

The Directors may, with the sanction of the Company, by ordinary resolution declare dividends but (without prejudice to the powers of the Company to pay interest on share capital as hereinbefore provided) no dividend shall be payable except out of the profits of the Company.

#### Article 122

Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise provided by the Act:

- (a) all dividends in respect of shares must be paid in proportion to the number of shares held by a Member but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and
- (b) all dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the dividend is paid.

For the purposes of this Article, an amount paid or credited as paid on a share in advance of a call is to be ignored and shall not entitle the holder of such share to participate in respect thereof in a dividend subsequently declared.

#### Article 123

Without the need for sanction of the Company under Article 121, if, and so far as in the opinion of the Directors, the profits of the Company justify such payments, the Directors may pay fixed preferential dividends on any express class of shares carrying a fixed preferential dividend expressed to be payable on a fixed date on the half-yearly or other dates (if any) prescribed for the payment thereof by the terms of issue of the shares, and may also from time to time pay to the holders of any class of shares interim dividends thereon of such amounts and on such dates as they may think fit.

#### Article 124

No dividend or other moneys payable on or in respect of a share shall bear interest against the Company.

#### Article 125

The Directors may deduct from any dividend or other moneys payable to any Member on or in respect of a share all sums of money (if any) presently payable by him to the Company on account of calls or in connection therewith, or any other account which the Company is required by law to withhold or deduct.

#### Article 126

The Directors may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

#### Article 127

The Directors may retain the dividends payable on shares in respect of which any person is under these Articles, as to the transmission of shares, entitled to become a Member, or which any person under these Articles is entitled to transfer, until such person shall become a Member in respect of such shares or shall duly transfer the same.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

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### Article 128

- (1) The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend unclaimed after a period of six (6) years from the date of declaration of such dividend may be forfeited and if so shall revert to the Company but the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture. For the avoidance of doubt no Member shall be entitled to any interest, share of revenue or other benefit arising from any unclaimed dividends, howsoever and whatsoever. If the Depositor returns any such dividend or money to the Company, the relevant Depositor shall not have any right or claim in respect of such dividend or money against the Company if a period of six (6) years has elapsed from the date of the declaration of such dividend or the date on which such other money was first payable.
- (2) A payment by the Company to the Depositor of any dividend or other money payable to a Depositor shall, to the extent of the payment made, discharge the Company from any liability to the Depositor in respect of that payment.

### Article 129

The Company may, upon the recommendation of the Directors, by ordinary resolution direct payment of a dividend in whole or in part by the distribution of specific assets and in particular of paid up shares or debentures of any other company or in any one or more of such ways, and the Directors shall give effect to such Resolution, and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.

### Article 130

- (1) Whenever the Directors or the Company in general meeting have resolved or proposed that a dividend (including an interim, final, special or other dividend) be paid or declared on the ordinary share capital of the Company, the Directors may further resolve that Members entitled to such dividend be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit. In such case, the following provisions shall apply:
  - (i) the basis of any such allotment shall be determined by the Directors;
  - (ii) the Directors shall determine the manner in which Members shall be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed such a resolution as aforesaid, and the Directors may make such arrangements as to the giving of notice to Members, providing for forms of election for completion by Members (whether in respect of a particular dividend or dividends or generally), determining the procedure for making such election or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this Article;



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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

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- (iii) the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of election has been accorded provided that the Directors may determine, either generally or in any specific case, that such right shall be exercisable in respect of the whole or any part of that portion;
  - (iv) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on ordinary shares in respect whereof the share election has been duly exercised (the elected ordinary shares) and in lieu and in satisfaction thereof ordinary shares shall be allotted and credited as fully paid to the holders of the elected ordinary shares on the basis of allotment determined as aforesaid and for such purpose and notwithstanding the provisions of Article 134, the Directors shall (a) capitalise and apply the amount standing to the credit of any of the Company's reserve accounts or any sum standing to the credit of the profit and loss account or otherwise for distribution as the Directors may determine, such sum as may be required to pay up in full the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis or (b) apply the sum which would otherwise have been payable in cash to the holders of the elected ordinary shares towards payment of the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis.
- (2) (i) The ordinary shares allotted pursuant to the provisions of Article 130(1) shall rank *pari passu* in all respects with the ordinary shares then in issue save only as regards participation in the dividend which is the subject of the election referred to above (including the right to make the election referred to above) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the dividend which is the subject of the election referred to above, unless the Directors shall otherwise specify.
- (ii) The Directors may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of Article 130(1) with full power to make such provisions as they think fit in the case of shares becoming distributable in fractions (including, notwithstanding any provision to the contrary in these Articles, provisions whereby, in whole or in part, fractional entitlements are aggregated and sold and the net proceeds distributed to those entitled, or are disregarded or rounded up or down, or whereby the benefit of fractional entitlements accrues to the Company rather than to the Members concerned).
- (3) The Directors may, on any occasion when they resolve as provided in Article 130(1) determine that rights of election under that paragraph shall not be made available to the persons who are registered as holders of ordinary shares in the Register of Members or (as the case may be) in the Depository Register, or in respect of ordinary shares the transfer of which is registered, after such date as the Directors may fix subject to such exceptions as the Directors think fit, and in such event the provisions of this Article shall be read and construed subject to such determination.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

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- (4) The Directors may, on any occasion when they resolve as provided in Article 130(1) further determine that no allotment of shares or rights of election for shares under that paragraph shall be made available or made to Members whose registered addresses entered in the Register of Members or (as the case may be) the Depository Register are outside Singapore or Hong Kong or to such other Members or class of Members as the Directors may in their sole discretion decide and in such event the only entitlement of the Members aforesaid shall be to receive in cash the relevant dividend resolved or proposed to be paid or declared.
- (5) Notwithstanding the foregoing provisions of this Article, if at any time after the Directors' resolution to apply the provisions of Article 130(1) in relation to any dividend but prior to the allotment of ordinary shares pursuant thereto, the Directors shall consider that by reason of any event or circumstance (whether arising before or after such resolution) or by reason of any matter whatsoever it is no longer expedient or appropriate to implement that proposal, the Directors may at their absolute discretion and without assigning any reason therefor, cancel the proposed application of Article 130(1).

### Article 131

Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address of the Member or person entitled thereto or, if several persons are registered as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons or to such person and such address as such persons may by writing direct provided that where the Member is a Depositor, the payment by the Company to the Depository of any dividend payable to a Depositor shall to the extent of the payment discharge the Company from any further liability in respect of the payment. Every such cheque and warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque if purporting to be endorsed or the receipt of any such person shall be a good discharge to the Company. Every such cheque and warrant shall be sent at the risk of the person entitled to the money represented thereby.

### Article 132

A transfer of shares shall not pass the right to any dividend declared on such shares before the registration of the transfer.

### Article 133

The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Directors, shall be applicable for meeting contingencies or for the gradual liquidation of any debt or liability of the Company or for repairing or maintaining the works, plant and machinery of the Company or for special dividends or bonuses or for equalising dividends or for any other purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund, any special funds or any parts of any special funds into which the reserve may have been divided. The Directors may also, without placing the same to reserve, carry forward any profits which they may think it not prudent to divide. In carrying such sums to reserve and applying the same, the Directors shall comply with the provisions of the Relevant Laws.

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### (n) Proxies

#### Article 75

- (1) Unless otherwise provided by the Act, a Member, if he holds more than one (1) share, may appoint one or more than one proxy to attend and vote at the same general meeting, provided always that:
- (2) If the Member is a Depositor, the Company shall be entitled:—
  - (i) to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered in its Securities Account as at the cut-off time as certified by the Depository to the Company; and
  - (ii) to accept as validly cast by the proxy or proxies appointed by the Depositor on a poll that number of votes which corresponds to or is less than the aggregate number of shares entered in its Securities Account of that Depositor as at the cut-off time as certified by the Depository to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.
- (3) Where a Member appoints more than one (1) proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.
- (4) Voting right(s) attached to any shares in respect of which a Member has not appointed a proxy may only be exercised at the relevant general meeting by the member personally or by his attorney, or in the case of a corporation by its representative.
- (5) Where a Member appoints a proxy in respect of more shares than the shares standing to his name in the Register of Members or, in the case of a Depositor, standing to the credit of that Depositor's Securities Account as at the cut-off time as certified by the Depository to the Company, such proxy may not exercise any of the votes or rights of the shares not registered in the name of that Member in the Register of Members or standing to the credit of that Depositor's Securities Account as at the cut-off time, as the case may be.
- (6) If the Chairman is appointed as proxy, he may authorise any other person to act as proxy in his stead. Where the Chairman has authorised another person to act as proxy, such other person shall be taken to represent all Members whom the Chairman represented as proxy. Attendance by a member shall invalidate his appointment of proxies.

#### Article 76

A proxy or attorney need not be a Member, and shall be entitled to vote on any matter at any general meeting.

#### Article 77

- (1) Any instrument appointing a proxy shall be in writing in the common form or any other form approved by the Directors, (provided always that this shall not preclude the use of the two-way form) and the Board may, if it thinks fit, send out with the notice of any meeting forms of instrument of proxy for use at the meeting. In addition, such instrument
  - (i) in the case of an individual, shall be:
    - (A) executed under the hand of the appointor or his attorney duly authorised in writing if the instrument is delivered personally or sent by post; or

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- (B) authorised by that individual through such method and in such manner as may be approved by the Directors, if the instrument is sent by Electronic Communication; and
- (ii) in the case of a corporation, shall be:
  - (A) executed under seal in accordance with its constitutional documents or under the hand of its attorney or its officer duly authorised or in such manner as appropriate under applicable laws if the instrument is delivered personally or by post; or
  - (B) authorised by that corporation through such method and in such manner as may be approved by the Directors, if the instrument is sent by Electronic Communication.
- (2) The Directors may, but shall not be bound to, require evidence of the authority of any such attorney or officer and the Company shall accept as valid in all respects the form of proxy approved by the Directors for use at the date relevant to the general meeting in question.
- (3) An instrument of proxy shall be deemed to include the power to speak at the meeting, and to demand or join in demanding a poll. Unless otherwise instructed, a proxy or an attorney shall vote as he thinks fit. The signature on an instrument appointing a proxy need not be witnessed. The instrument of proxy, shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

### Article 78

The original instrument appointing a proxy, together with the original power of attorney or other authority, if any, under which the instrument of proxy is signed or a duly certified copy of that power of attorney or other authority (failing previous registration with the Company) shall be attached to the original instrument of proxy and must be left at the Office or Registration Office or such other place (if any) as is specified for the purpose in the notice convening the meeting not less than forty-eight (48) hours before the time appointed for the holding of the meeting or adjourned meeting (or in the case of a poll before the time appointed for the taking of the poll) at which it is to be used failing which the instrument may be treated as invalid. An instrument appointing a proxy shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates, provided that an instrument of proxy relating to more than one (1) meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not be required again to be delivered for the purposes of any subsequent meeting to which it relates. An instrument appointing a proxy or the power of attorney or other authority, if any, if sent by Electronic Communication, must be received through such means as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting.

### Article 79

A vote given in accordance with the terms of an instrument of proxy (which for the purposes of these Articles shall also include a power of attorney) shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy, or of the authority under which the proxy was executed or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at the Office (or such other place as may be specified for the deposit of instruments appointing proxies) before the commencement of the meeting or adjourned meeting (or in the case of a poll before the time appointed for the taking of the poll) at which the proxy is used.

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### Article 71A

Subject to these Articles and the Act, the Directors may, at their sole discretion, approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow members who are unable to vote in person at any general meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile.

### Article 80

Any corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members and the persons so authorised shall be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual Member of the Company. The Company shall be entitled to treat an original certificate under the seal of the corporation as conclusive evidence of the appointment or revocation of appointment of a representative under this Article.

### Article 80A

If a clearing house (or its nominee(s)), being a corporation, is a Member, it may authorise such persons as it thinks fit to act as its representatives or proxies at any meeting of the Company or at any meeting of any class of Members PROVIDED ALWAYS THAT, if more than one person is so authorised, the authorisation or proxy form shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of this Article 80A shall be deemed to have been duly authorised without the need to produce any further documents of title, notarised authorisation and/or other evidence of fact to substantiate that such person is duly authorised, and shall be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominee(s)).

## **(o) Calls on shares and forfeiture of shares**

### Article 28

The Directors may from time to time make such calls as they think fit upon the Members in respect of any money unpaid on their shares and not by the terms of the issue thereof made payable at fixed times, and each Member shall (subject to receiving at least fourteen (14) days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. The joint holders of a share shall be jointly and severally liable to the payment of all calls and instalments in respect thereof.

### Article 29

A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be made payable by instalments.

### Article 30

If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum due from the day appointed for payment thereof to the time of actual payment at such rate not exceeding eight (8) per cent per annum as the Directors determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

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### Article 31

Any sum which by the terms of issue and allotment of a share becomes payable upon allotment or at any fixed date shall for all purposes of these Articles be deemed to be a call duly made and payable on the date on which, by the terms of issue, the same becomes payable, and in case of non-payment all the relevant provisions of the Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

### Article 32

The Directors may on the issue of shares differentiate between the holders as to the amount of calls to be paid and the times of payments.

### Article 33

The Directors may, if they think fit, receive from any Member willing to advance the same all or any part of the money uncalled and unpaid upon the shares held by him and such payments in advance of calls shall extinguish (so far as the same shall extend) the liability upon the shares in respect of which it is made, and upon the money so received or so much thereof as from time to time exceeds the amount of the calls then made upon the shares concerned, the Company may pay interest at such rate not exceeding without the sanction of the Company in general meeting eight (8) per cent per annum as the Member paying such sum and the Directors agree upon. Capital paid on shares in advance of calls shall not whilst carrying interest confer a right to participate in profits and until appropriated towards satisfaction of any call shall be treated as a loan to the Company and not as part of its capital and shall be repayable at any time if the Directors so decide.

## **(p) Forfeiture and Lien**

### Article 34

If any Member fails to pay in full any call or instalment of a call on or before the day appointed for payment thereof, the Directors may at any time thereafter serve a notice on such Member requiring payment of so much of the call or instalment as is unpaid together with any interest and expense which may have accrued by reason of such non-payment.

### Article 35

The notice shall name a further day (not being less than seven (7) days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith the shares on which the call was made will be liable to be forfeited.

### Article 36

If the requirements of any such notice as aforesaid are not complied with any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share and not actually paid before the forfeiture. The forfeiture or surrender of a share shall involve the extinction at the time of forfeiture or surrender of all interest in and all claims and demands against the Company in respect of the share, and all other rights and liabilities incidental to the share as between the Member whose share is forfeited or surrendered and the Company, except only such of those rights and liabilities as are by these Articles expressly saved, or as are by the Act given or imposed in the case of past Members. The Directors may accept a surrender of any share liable to be forfeited hereunder.

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### Article 37

When any share has been forfeited in accordance with these Articles, notice of the forfeiture shall forthwith be given to the holder of the share or to the person entitled to the share by transmission, as the case may be, and an entry of such notice having been given, and of the forfeiture with the date thereof, shall forthwith be made in the Register of Members or in the Depository Register (as the case may be) opposite to the share; but the provisions of this Article are directory only, and no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.

### Article 38

Notwithstanding any such forfeiture as aforesaid, the Directors may, at any time before the forfeited share has been otherwise disposed of, annul the forfeiture, upon the terms of payment of all calls and interest due thereon and all expenses incurred in respect of the share and upon such further terms (if any) as they shall see fit.

### Article 39

A share so forfeited or surrendered shall become the property of the Company and may be either cancelled, sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person, upon such terms and in such manner as the Directors shall think fit, and at any time before a sale, re-allotment or disposition the forfeiture or surrender may be cancelled on such terms as the Directors think fit. To give effect to any such sale, the Directors may, if necessary, authorise some person to transfer a forfeited or surrendered share to any such person as aforesaid.

### Article 40

A Member whose shares have been forfeited or surrendered shall cease to be a Member in respect of the shares, but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were payable by him to the Company in respect of the shares with interest thereon at eight (8) per cent per annum (or such lower rate as the Directors may approve) from the date of forfeiture or surrender until payment, but such liability shall cease if and when the Company receives payment in full of all such money in respect of the shares and the Directors may waive payment of such interest either wholly or in part.

### Article 41

The Company shall have a first and paramount lien and charge on every share (not being a fully paid share) in the name of each Member (whether solely or jointly with others) and on the dividends declared or payable in respect thereof for all unpaid calls and instalments due on any such share and interest and expenses thereon but such lien shall only be upon the specific shares in respect of which such calls or instalments are due and unpaid and to such amounts as the Company may be called upon by law to pay in respect of the shares of the Member or deceased Member. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this Article.

### Article 42

No Member shall be entitled to receive any dividend or to exercise any privileges as a Member until he shall have paid all calls for the time being due and payable on every share held by him, whether alone or jointly with any other person, together with interest and expenses (if any).

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### Article 43

The Company may sell in such manner as the Directors think fit any share on which the Company has a lien but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of seven (7) days after notice in writing stating and demanding payment of the sum payable and giving notice of intention to sell in default, shall have been given to the Member for the time being in relation to the share or the person entitled thereto by reason of his death or bankruptcy. To give effect to any such sale, the Directors may authorise some person to transfer the shares sold to the purchaser thereof.

### Article 44

The net proceeds of sale, whether of a share forfeited by the Company or of a share over which the Company has a lien, after payment of the costs of such sale shall be applied in or towards payment or satisfaction of the unpaid call and accrued interest and expenses and the residue (if any) paid to the Member entitled to the share at the time of sale or his executors, administrators or assignees or as he may direct. For the purpose of giving effect to any such sale the Directors may authorise some person to transfer or effect the transfer of the shares sold to the purchaser.

### Article 45

A statutory declaration in writing by a Director of the Company that a share has been duly forfeited or surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts stated therein as against all persons claiming to be entitled to the share, and such declaration and the receipt of the Company for the consideration (if any) given for the share on the sale, re-allotment or disposal thereof, together with the certificate under seal for the share delivered to a purchaser or allottee thereof, shall (subject to the execution of a transfer if the same be required) constitute a good title to the share and the person to whom the share is sold, re-allotted or disposed of shall be entered in the Register of Members as the holder of the share or (as the case may be) in the Depository Register in respect of the share and shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the forfeiture, surrender, sale, re-allotment or disposal of the share.

## **(q) Inspection of register of members**

### Article 22

- (1) The Register of Members and the Depository Register may be closed at such times and for such period as the Directors may from time to time determine, provided always that the Registers shall not be closed for more than thirty days in the aggregate in any year. Provided always that the Company shall give prior notice of such closure as may be required to the Exchange, stating the period and purpose or purposes for which the closure is made.
- (2) The Company shall keep in one or more books a Register and shall enter therein the following particulars, that is to say:
  - (i) the name and address of each Member, the number and class of shares held by him and the amount paid or agreed to be considered as paid on such shares;
  - (ii) the date on which any transfer of shares was effected;
  - (iii) the date on which each person was entered in the Register; and
  - (iv) the date on which any person ceased to be a Member.



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- (3) The Company may keep an overseas or local or other branch Register resident in any place, and the Board may make and vary such regulations as it determines necessary, desirable or expedient in respect of the keeping of any such register and maintaining a registration office (the "Registration Office") in connection therewith.
- (4) The Register and branch Register, as the case may be, shall be open to inspection for at least two hours on every business day by Members without charge or by any other person, upon a maximum payment of HK\$1.00 or such lesser sum specified by the Board, at the Office or such other place at which the Register is kept in accordance with the Relevant Laws. The Register including any overseas or local or other branch Register may, after notice has been given by advertisement in an appointed newspaper or any other newspapers in accordance with the requirements of any Exchange or by any electronic means in such manner as may be accepted by the Exchange to that effect, be closed at such times or for such periods not exceeding, in the whole, thirty days in each year as the Board may determine and either generally or in respect of any class of shares.
- (5) Notwithstanding any other provision of these Articles, but subject to the rules of the Exchange and the Act, the Company or the Directors may fix any date as the record date for determining the Members entitled to receive any dividend, distribution, allotment or issue; and determining the Members entitled to receive notice of and to vote at any general meeting of the Company.

### Article 138

The Directors shall duly comply with the provisions of the Act and in particular the provisions with regard to the registration of charges created by or affecting property of the Company, keeping a Register of Directors and Secretaries, a Register of Members, a Register of Mortgages and Charges and a Register of Directors' Share and Debenture Holdings and the production and furnishing of copies of such Registers and of any Register of Holders of Debentures of the Company.

### Article 141

Subject to the provisions of Section 199 of the Act, the books of accounts shall be kept at the Office or at such other place or places as the Directors think fit within Singapore and shall be open to the inspection of the Directors. No Member (other than a Director) shall have any right to inspect any account or book or document or other recording of the Company except as is conferred by law or authorised by the Directors or by an ordinary resolution of the Company.

## **(r) Quorum for meetings and separate class meetings**

### Article 6

- (1) If at any time the share capital is divided into different classes, the repayment of preference capital other than redeemable preference capital and the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of the Act, whether or not the Company is being wound up, only be made, varied or abrogated with the sanction of a special resolution passed at a separate general meeting of the holders of shares of the class and to every such special resolution, the provisions of Section 184 of the Act shall, with such adaptations as are necessary, apply. To every such separate general meeting, the provisions of these Articles relating to general meetings shall mutatis mutandis apply; but so that the necessary quorum shall be two (2) persons at least holding or representing by proxy or by attorney one-third of the issued shares of the class. Provided always that where the necessary majority for such a special resolution is not obtained at the general meeting, consent in writing if obtained from the holders of three-fourths of the issued shares of the class concerned within two (2) months of the general

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meeting shall be as valid and effectual as a special resolution carried at the general meeting. The foregoing provisions of this Article shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.

### Article 58

No business shall be transacted at any general meeting unless a quorum is present at the time the meeting proceeds to business. Save as herein otherwise provided, two (2) Members present in person shall form a quorum. For the purpose of this Article, Member includes a person attending by proxy or by attorney or by a corporate representative in the case of a corporation which has appointed a corporate representative. Provided that (i) a proxy representing more than one (1) Member shall only count as one (1) Member for the purpose of determining the quorum; and (ii) where a Member is represented by more than one (1) proxy such proxies shall count as only one (1) Member for the purpose of determining the quorum.

### Article 59

If within half an hour from the time appointed for the general meeting a quorum is not present, the general meeting if convened on the requisition of Members shall be dissolved. In any other case it shall stand adjourned to the same day in the next week at the same time and place, or to such other day and at such other time and place as the Directors may determine, and if at such adjourned general meeting a quorum is not present within half an hour from the time appointed for holding the general meeting, the general meeting shall be dissolved.

### Article 62

The Chairman may, with the consent of any general meeting at which a quorum is present (and shall if so directed by the general meeting), adjourn the general meeting from time to time and from place to place, but no business shall be transacted at any adjourned general meeting except business which might lawfully have been transacted at the general meeting from which the adjournment took place. When a general meeting is adjourned for fourteen (14) days or more, notice of the adjourned general meeting shall be given as in the case of the original general meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned general meeting.

### Article 102

- (1) The Directors may meet together for the despatch of business, adjourn or otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes and in case of an equality of votes the Chairman of the meeting shall have a casting vote provided always that where two (2) Directors form a quorum, the Chairman of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question at issue, shall not have a casting vote.
- (2) A Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of the Directors by notice in writing given to each Director but it shall not be necessary to give notice of a meeting of directors to any director or alternate director for the time being absent from Singapore or Hong Kong.
- (3) The accidental omission to give to any Director, or the non-receipt by any Director of, a notice of a meeting of Directors shall not invalidate the proceedings at that meeting.

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- (4) Directors may participate in a meeting of the Board of Directors by means of a conference telephone, videoconferencing, audio visual, or other electronic means of communication by which all persons participating in the meeting can hear one another contemporaneously, without having to be in the physical presence of each other, and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting. A Director participating in a meeting in this way may also be taken into account in ascertaining the presence of a quorum at the meeting. The signature of a Director by facsimile, electronic mail, telex, cable or telegram or any form of Electronic Communication approved by the Directors for such purpose from time to time incorporating, if the Directors deem necessary, the use of security and/or identification procedures and devices approved by the Directors, on any document confirming his attendance shall be sufficient evidence of his presence at the meeting. The minutes of such a meeting signed by the Chairman shall be sufficient evidence of any resolution of any meeting conducted in the manner as aforesaid. Unless otherwise agreed by the Directors, such a meeting shall be deemed to take place where the largest group of Directors present for the purpose of the meeting is assembled or, if there is no such group, where the Chairman of the meeting is present.
- (5) In the case of a meeting which is not held in person, the fact that a Director is taking part in the meeting must be made known to all the other Directors taking part, and no Director may disconnect or cease to take part in the meeting unless he makes known to all other Directors taking part that he is ceasing to take part in the meeting.

### Article 103

Unless otherwise determined by the Directors, the quorum necessary for the transaction of business of the Directors shall be two (2). A meeting of the Directors at which a quorum is present at the time the meeting proceeds to business shall be competent to exercise all the powers and discretions for the time being exercisable by the Directors.

### Article 104

The Directors may act notwithstanding any vacancies provided that if the number of Directors is reduced below the minimum number fixed by or pursuant to these Articles as the necessary quorum of Directors, the remaining Directors or Director may, except in an emergency, act only for the purpose of increasing the number of Directors to such minimum number or to summon a general meeting of the Company. If there are no Directors or Director able or willing to act, then any two (2) Members may summon a general meeting for the purpose of appointing Directors.

### Article 105

The Directors may from time to time elect a Chairman and, if desired, a Deputy Chairman and determine the period for which he is or they are to hold office. The Deputy Chairman shall perform the duties of the Chairman during the Chairman's absence. The Chairman or, in his absence, the Deputy Chairman shall preside as Chairman at meetings of the Directors but if no such Chairman or Deputy Chairman is elected or if at any meeting the Chairman and the Deputy Chairman are not present within five (5) minutes after the time appointed for holding the same, the Directors present shall choose one (1) of their number to be Chairman of such meeting. In case of an equality of votes the Chairman of the meeting shall have a second or casting vote except that the Chairman of a meeting at which only two Directors are present to form a quorum or at which only two (2) Directors are competent to vote on the question at issue shall not have a second or casting vote.

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## **APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE**

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### **(s) Winding Up**

#### Article 158

A special resolution is required to approve the voluntary winding up of the Company. The Board shall have the power in the name and on behalf of the Company to present a petition to the court for the Company to be wound up (whether the liquidation is under supervision or by the Court). The liquidator may, with the authority of a special resolution, divide among the Members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds and may for such purpose set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like authority, vest the whole or any part of the assets in trustees upon such trusts for the benefit of Members as the liquidator with the like authority thinks fit, and the liquidation of the Company may be closed and the Company dissolved, but no Member shall be compelled to accept any shares or other securities in respect of which there is a liability.

### **(t) Stocks**

#### Article 51

The Company may by ordinary resolution convert any or all of its paid up shares into stock and may from time to time by resolution reconvert any stock into paid up shares of any denomination.

#### Article 52

The holders of stock may transfer the same or any part thereof in the same manner and subject to these Articles as and subject to which the shares from which the stock arose might previously to conversion have been transferred or as near thereto as circumstances admit but no stock shall be transferable except in such units as the Directors may from time to time determine.

#### Article 53

The holders of stock shall, according to the number of stock units held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters as if they held the shares from which the stock arose, but no such privilege or advantage (except as regards dividend and return of capital and the assets on winding up) shall be conferred by any such number of stock units which would not if existing in shares have conferred that privilege or advantage, and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.

#### Article 54

All provisions of these Articles applicable to paid up shares shall apply to stock and the words share and shareholder or similar expression herein shall include stock or stockholder.

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## **APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE**

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### **(u) Indemnity**

#### Article 159

- (1) Subject to the provisions of the Act, every Director, Chief Executive Officer/Managing Director, auditor, Secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him;
  - (i) in the execution and discharge of his duties as an officer or auditor of the Company, unless the same arises through his own negligence, wilful default, breach of duty or breach of trust; or
  - (ii) in defending any proceedings whether civil or criminal (relating to the affairs of the Company) in which judgment is given in his favour or in which he is acquitted or in connection with any application under the Act in which relief is granted to him by the Court unless such proceedings arise through his own negligence, wilful default, breach of duty or breach of trust.
- (2) Without prejudice to the generality of the foregoing, no Director, Chief Executive Officer/Managing Director, Secretary or other officer of the Company shall be liable for the acts, receipts, neglects or defaults of any other Director or officer or for joining in any receipt or other act for conformity or for any loss or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any moneys, securities or effects shall be deposited or left or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto unless the same happen through his own negligence, wilful default, breach of duty or breach of trust.

### **(v) Share certificate renewal**

#### Article 16(1)

Subject to the provisions of the Act, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a letter of indemnity (if required) being given by the shareholder, transferee, person entitled, purchaser, member firm or member company of the Exchange or on behalf of its or their client or clients as the Directors of the Company shall require, and in case of defacement or wearing out, on delivery of the old certificate and in any case on payment of such sum not exceeding S\$2 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by any stock exchange upon which the shares of the Company may be listed) as the Directors may from time to time require. In the case of destruction, loss or theft, a shareholder or person entitled to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

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The following summarises the salient provisions of the laws of Singapore as at the date of this listing document. The summaries below are for general guidance only and do not constitute legal advice, nor must they be used as a substitute for, or specific legal advice, on the corporate law of Singapore. The summaries below are not meant to be a comprehensive or exhaustive description of all the obligations, rights and privileges of Shareholders imposed or conferred by the corporate laws of Singapore. In addition, prospective investors and/or Shareholders should also note that the laws applicable to Shareholders may change, whether as a result of proposed legislative reforms to the Singapore laws or otherwise. Prospective investors and/or Shareholders should consult their own legal advisors for specific legal advice concerning their legal obligations under the relevant laws.

Prospective investors and/or Shareholders can access the full text of the relevant Singapore legislations cited in the summaries below via the weblinks listed in Appendix VII (Documents available for inspection) to this listing document.

### REPORTING OBLIGATIONS OF SHAREHOLDERS

#### **1.1 *Obligation to notify Company of substantial shareholding and change in substantial shareholding***

##### **Section 81 of the Companies Act (Chapter 50) of Singapore (the “Singapore Companies Act”)**

A person has a substantial shareholding in a company if he has an interest or interests in one (1) or more voting shares in the company, and the total votes attached to that share, or those shares, is not less than 5.0% of the total votes attached to all the voting shares in the company.

##### **Section 82 of the Singapore Companies Act**

A substantial shareholder of a company is required to notify the company of his interests in the voting shares in the company within two (2) business days after becoming a substantial shareholder.

##### **Sections 83 and 84 of the Singapore Companies Act**

A substantial shareholder is required to notify the company of any change in the percentage level of his shareholding or his ceasing to be a substantial shareholder, within two (2) business days after he is aware of such change.

The reference to changes in “percentage level” means any changes in a substantial shareholder’s interest in the company which results in his interest, following such change, increasing or decreasing to the next discrete 1.0% threshold.

For example, an increase in interests in the company from 5.1% to 5.9% need not be notified, but an increase from 5.9% to 6.1% will have to be notified.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

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### **Consequence of non-compliance**

Section 89 of the Singapore Companies Act provides for the consequences of non-compliance with Sections 82, 83 and 84. Under Section 89, a person who fails to comply shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$5,000 and in the case of a continuing offence to a further fine of S\$500 for every day during which the offence continues after conviction.

Section 90 provides for a defence to a prosecution for failing to comply with Sections 82, 83 or 84. It is a defence if the defendant proves that his failure was due to his not being aware of a fact or occurrence the existence of which was necessary to constitute the offence and that he:

- (a) was not so aware on the date of the summons; or
- (b) became so aware less than seven (7) days before the date of the summons.

However, a person will conclusively be presumed to have been aware of a fact or occurrence at a particular time:

- (i) of which he would, if he had acted with reasonable diligence in the conduct of his affairs, have been aware at that time; or
- (ii) of which an employee or agent of the person, being an employee or agent having duties or acting in relation to his master's or principal's interest or interests in a share or shares in the company concerned, was aware or would, if he had acted with reasonable diligence in the conduct of his master's or principal's affairs, have been aware at that time.

### **1.2 Powers of the court with respect to defaulting substantial shareholders**

#### **Section 91 of the Singapore Companies Act**

Under Section 91 of the Singapore Companies Act, where a substantial shareholder fails to comply with Sections 82, 83 or 84, the Court may, on the application of the Minister, whether or not the failure still continues, make one (1) of the following orders:

- (a) an order restraining the substantial shareholder from disposing of any interest in shares in the company in which he is or has been a substantial shareholder;
- (b) an order restraining a person who is, or is entitled to be registered as, the holder of shares referred to in paragraph (a) from disposing of any interest in those shares;
- (c) an order restraining the exercise of any voting or other rights attached to any share in the company in which the substantial shareholder has or has had an interest;
- (d) an order directing the company not to make payment, or to defer making payment, of any sum due from the company in respect of any share in which the substantial shareholder has or has had an interest;
- (e) an order directing the sale of all or any of the shares in the company in which the substantial shareholder has or has had an interest;
- (f) an order directing the company not to register the transfer or transmission of specified shares;
- (g) an order that any exercise of the voting or other rights attached to specified shares in the company in which the substantial shareholder has or has had an interest be disregarded;
- (h) for the purposes of securing compliance with any other order made under this section, an order directing the company or any other person to do or refrain from doing a specified act.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

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Any order made under this section may include such ancillary or consequential provisions as the Court thinks just.

The Court shall not make an order other than an order restraining the exercise of voting rights, if it is satisfied that:

- (a) the failure of the substantial shareholder to comply was due to his inadvertence or mistake or to his not being aware of a relevant fact or occurrence; and
- (b) that in all the circumstances, the failure ought to be excused.

Any person who contravenes or fails to comply with an order made under this section that is applicable to him shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$5,000 and, in the case of a continuing offence, to a further fine of S\$500 for every day during which the offence continues after conviction.

### **1.3 *Obligation to notify the SGX-ST of substantial shareholding and change in substantial shareholding***

#### **Sections 135, 136 and 137 of the Securities and Futures Act (the “SFA”)**

A substantial shareholder is also required under Sections 135, 136 and 137 of the SFA to notify the company in writing, when the shareholder becomes a substantial shareholder, of changes to the percentage level of his substantial shareholding, or of his ceasing to be a substantial shareholder. Any person who fails to comply with these sections is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding two (2) years or to both (for an individual) and, in the case of a continuing offence, to a further fine not exceeding S\$25,000 for every day or part thereof during which the offence continues after conviction.

### **1.4 *Duty of director or chief executive officer to notify corporation of his interests***

#### **Sections 133 and 134 of the SFA**

Section 133 of the SFA stipulates that every director and chief executive officer of a corporation shall give notice in writing to the corporation of particulars of, *inter alia*, shares in the corporation; or a related corporation of the corporation, which he holds, or in which he has an interest and the nature and extent of that interest, within two (2) business days after:

- (a) the date on which the director or chief executive officer becomes such a director or chief executive officer; or
- (b) the date on which the director or chief executive officer becomes a holder of, or acquires an interest in, the shares,

whichever last occurs.

Under Section 134, any director or chief executive officer of a corporation who intentionally or recklessly contravenes Section 133 in relation to the disclosure of shares held in the corporation, or furnishes any information which he knows is false or misleading in a material particular or is reckless as to whether it is, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding two (2) years or to both and, in the case of a continuing offence, to a further fine not exceeding S\$25,000 for every day or part thereof during which the offence continues after conviction.



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## **APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE**

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### ***1.5 Power of corporation to require disclosure of beneficial interest in its voting shares***

Any corporation may, under Section 137F of the SFA, require any member of the corporation within such reasonable time as is specified in the notice (which shall comply with the requirements stipulated by the Monetary Authority of Singapore):

- (a) to inform it whether he holds any voting shares in the corporation as beneficial owner or as trustee; and
- (b) if he holds them as trustee, to indicate so far as he can the persons for whom he holds them (either by name or by other particulars sufficient to enable those persons to be identified) and the nature of their interest.

Whenever a corporation receives information from a person pursuant to a requirement imposed on him under this section with respect to shares held by a member of the corporation, it shall be under an obligation to inscribe against the name of that member in a separate part of the register kept by it under Section 137C:

- (i) the fact that the requirement was imposed and the date on which it was imposed; and
- (ii) the information received pursuant to the requirement.

Any person who intentionally or recklessly contravenes the requirement to comply with the notice, or in purported compliance with the requirement, furnishes any information which he knows is false or misleading in a material particular or is reckless as to whether it is, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding two (2) years or to both and, in the case of a continuing offence, to a further fine not exceeding S\$25,000 for every day or part thereof during which the offence continues after conviction.

### ***1.6 Duty of corporation to make disclosure***

#### **Section 137G of the SFA**

Where a corporation has been notified in writing by a director or chief executive officer of the corporation or a substantial shareholder in respect of a change in the particulars of his shareholdings, the corporation shall announce or otherwise disseminate the information stated in the notice to the securities market operated by the securities exchange on whose official list any or all of the shares of the corporation are listed, as soon as practicable and in any case, no later than the end of the business day following the day on which the corporation received the notice.

Any corporation that intentionally or recklessly contravenes this duty of disclosure; or in purported compliance, announces or disseminates any information knowing that it is false or misleading in a material particular or reckless as to whether it is, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 and, in the case of a continuing offence, to a further fine not exceeding S\$25,000 for every day or part thereof during which the offence continues after conviction.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

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### **1.7 Duty not to furnish false statements to securities exchange, futures exchange, designated clearing house and the Securities Industry Council**

#### **Section 330 of the SFA**

Under Section 330 of the SFA, any person who, with intent to deceive, makes or furnishes, or knowingly and wilfully authorises or permits the making or furnishing of, any false or misleading statement or report to any securities exchange, futures exchange, licensed trade repository, approved clearing house or recognised clearing house or any officers thereof relating to, *inter alia*, dealing in securities shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$50,000 or to imprisonment for a term not exceeding two (2) years or to both.

Section 330 further provides that any person who, with intent to deceive, makes or furnishes or knowingly and wilfully authorises or permits the making or furnishing of, any false or misleading statement or report to the Securities Industry Council or any of its officers, relating to any matter or thing required by the Securities Industry Council in the exercise of its functions under the SFA shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$50,000 or to imprisonment for a term not exceeding two (2) years or to both.

*Note: Under Section 4(10)(a) of the SFA, a person who holds securities as a bare trustee will not be regarded as having an interest in those securities. Accordingly, if HKSCC Nominees and other CCASS Participants hold shares as bare trustees, such holdings will not give rise to any disclosure obligation as detailed above by HKSCC Nominees and other CCASS Participants. The ultimate beneficial owner will be obliged to comply with the above disclosure and reporting requirements in connection with their respective shareholdings.*

## PROHIBITED CONDUCT IN RELATION TO TRADING IN THE SECURITIES OF THE COMPANY

### **2.1 Prohibitions against false trading and market manipulation**

#### **Section 197 of the SFA**

Section 197 of the SFA prohibits a person from:

- (a) any activities for the purpose of creating a false or misleading appearance of:
  - (i) active trading in any securities on a securities exchange; or
  - (ii) with respect to the market for, or price of, any securities on a securities exchange;
- (b) any activities that create, or is likely to create, a false or misleading appearance of active trading in any securities on a securities market, or with respect to the market for, or the price of, such securities:
  - (i) he knows that doing that thing, causing that thing to be done or engaging in that course of conduct, as the case may be, will create, or will be likely to create, that false or misleading appearance; or
  - (ii) he is reckless as to whether doing that thing, causing that thing to be done or engaging in that course of conduct, as the case may be, will create, or will be likely to create, that false or misleading appearance; or
- (c) the purchase or sale of any securities that do not involve a change in the beneficial ownership of those securities, or by any fictitious transaction or device, maintain, inflate, depress, or cause fluctuations in, the market price of any securities.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

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Under Section 197(3), the purpose of a person's conduct is deemed to be the creation of a false or misleading appearance of active trading in securities on a securities market if he:

- (a) effects, takes part in, is concerned in or carries out, directly or indirectly, any transaction of purchase or sale of any securities, being a transaction that does not involve any change in the beneficial ownership of the securities;
- (b) makes or causes to be made an offer to sell any securities at a specified price where he has made or caused to be made or proposes to make or to cause to be made, or knows that a person associated with him has made or caused to be made or proposes to make or to cause to be made, an offer to purchase the same number, or substantially the same number, of securities at a price that is substantially the same as the first-mentioned price; or
- (c) makes or causes to be made an offer to purchase any securities at a specified price where he has made or caused to be made or proposes to make or to cause to be made, or knows that a person associated with him has made or caused to be made or proposes to make or to cause to be made, an offer to sell the same number, or substantially the same number, of securities at a price that is substantially the same as the first-mentioned price,

unless he establishes that the purpose or purposes for which he did the act was not, or did not include, the purpose of creating a false or misleading appearance of active trading in securities on a securities market.

Section 197(5) provides that a purchase or sale of securities does not involve a change in the beneficial ownership if a person who had an interest in the securities before the purchase or sale, or a person associated with the first-mentioned person in relation to those securities, has an interest in the securities after the purchase or sale.

Section 197(6) provides a defence to proceedings against a person in relation to a purchase or sale of securities that did not involve a change in the beneficial ownership of those securities. It is a defence if the person establishes that the purpose or purposes for which he purchased or sold the securities was not, or did not include, the purpose of creating a false or misleading appearance with respect to the market for, or the price of, securities.

### **2.2 Prohibition against securities market manipulation**

#### **Section 198 of the SFA**

Under Section 198(1) of the SFA, no person shall carry out directly or indirectly, two (2) or more transactions in securities of a corporation, being transactions that have, or are likely to have, the effect of raising, lowering, maintaining or stabilising the price of the securities with intent to induce other persons to purchase them.

Section 198(2) provides that transactions in securities of a corporation includes the making of:

- (a) an offer to purchase or sell such securities of the corporation; and
- (b) an invitation, however expressed, that directly or indirectly invites a person to offer to purchase or sell such securities of the corporation.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

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### ***2.3 Prohibition against the manipulation of the market price of securities by the dissemination of misleading information and the dissemination of information about illegal transactions***

#### **Sections 199 and 202 of the SFA**

Section 199 of the SFA prohibits the making of false or misleading statements. Under this provision, a person shall not make a statement, or disseminate information, that is false or misleading in a material particular and is likely to:

- (a) induce other persons to subscribe for securities;
- (b) induce the sale or purchase of securities by other persons; or
- (c) have the effect of raising, lowering, maintaining or stabilising the market price of securities,

if, when he makes the statement or disseminates the information, he either does not care whether the statement or information is true or false, or knows or ought reasonably to have known that the statement or information is false or misleading in a material particular.

Section 202 of the SFA prohibits the dissemination of information about illegal transactions. This provision prohibits the circulation or dissemination of any statement or information to the effect that the price of any securities of a corporation will or is likely to rise, fall or be maintained by reason of transactions entered into in contravention of Sections 197 to 201 of the SFA. This prohibition applies where the person who is circulating or disseminating the information or statements:

- (i) is the person who entered or purports to enter into the illegal transaction; or
- (ii) is associated with the person who entered or purports to enter into the illegal transaction; or
- (iii) is the person, or associated with the person, who has received or expects to receive (whether directly or indirectly) any consideration or benefit of circulating or disseminating the information or statements.

### ***2.4 Prohibition against fraudulently inducing persons to deal in securities***

#### **Section 200 of the SFA**

Section 200 of the SFA prohibits a person from inducing or attempting to induce another person to deal in securities, by:

- (a) making or publishing any statement, promise or forecast that he knows or ought reasonably to have known to be misleading, false or deceptive;
- (b) any dishonest concealment of material facts;
- (c) the reckless making or publishing of any statement, promise or forecast that is misleading, false or deceptive; or
- (d) recording or storing in, or by means of, any mechanical, electronic or other device information that he knows to be false or misleading in a material particular, unless it is established that, at the time when the person so recorded or stored the information, he had no reasonable grounds for expecting that the information would be available to any other person.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

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### **2.5 Prohibition against employment of manipulative and deceptive devices**

#### **Section 201 of the SFA**

Section 201 of the SFA prohibits a person from, directly or indirectly, in connection with the subscription, purchase or sale of any securities:

- (a) employing any device, scheme or artifice to defraud;
- (b) engaging in any act, practice or course of business which operates as a fraud or deception, or is likely to operate as a fraud or deception, upon any person;
- (c) making any statement he knows to be false in a material particular; or
- (d) omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

### **2.6 Prohibition against insider trading**

#### **Sections 218 and 219 of the SFA**

Sections 218 and 219 of the SFA prohibit persons from dealing in securities of a corporation if the person knows or reasonably ought to know that he is in possession of information that is not generally available, and if it were generally available, might have a material effect on the price or value of securities of that corporation. Such persons include officers and substantial shareholders of a corporation or a related corporation, and persons who occupy a position reasonably expected to give him access to inside information by virtue of professional or business relationship with the corporation or a related corporation, or by being an officer of a substantial shareholder in that corporation or in a related corporation.

For an alleged contravention of Section 218 or 219, Section 220 makes it clear that it is not necessary for the prosecution or the plaintiff to prove that the accused person or defendant intended to use the information referred to in Section 218(1)(a) or (1A)(a) or 219(1)(a) in contravention of Section 218 or 219, as the case may be.

#### **Section 216 of the SFA**

Section 216 sets out when a reasonable person would be taken to expect information to have a material effect on the price or value of securities. Section 216 provides that a reasonable person would be taken to expect information to have a material effect on the price or value of securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell the first-mentioned securities.

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### 2.7 Penalties

#### Section 232 of the SFA

Section 232 of the SFA provides that the Monetary Authority of Singapore may, with the consent of the Public Prosecutor, bring an action in a court against the offender to seek an order for a civil penalty in respect of any contravention. If the court is satisfied on the balance of probabilities that the contravention resulted in the gain of a profit or avoidance of a loss by the offender, the court may make an order against him for the payment of a civil penalty of a sum:

- (a) not exceeding 3 times the amount of the profit that the person gained; or the amount of the loss that he avoided, as a result of the contravention; or
- (b) equal to S\$50,000 if the person is not a corporation, or S\$100,000 if the person is a corporation,

whichever is the greater.

If the court is satisfied on a balance of probabilities that the contravention did not result in the gain of a profit or avoidance of a loss by the offender, the court may make an order against him for the payment of a civil penalty of a sum not less than S\$50,000 and not more than S\$2 million.

#### Section 204 of the SFA

Any person who contravenes Sections 197 to 203 of the SFA is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding seven (7) years or to both under Section 204 of the SFA.

Section 204 further provides that no proceedings shall be instituted against a person for the offence after a court has made an order against him for the payment of a civil penalty under Section 232 of the SFA, or if the person has entered into an agreement with the Monetary Authority of Singapore to pay, with or without admission of liability, a civil penalty under section 232(5) in respect of that contravention.

#### Section 221 of the SFA

Any person who contravenes Sections 218 or 219 of the SFA, is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding seven (7) years or to both under Section 221 of the SFA.

Section 221 further provides that no proceedings shall be instituted against a person for an offence in respect of a contravention of Section 218 or 219 after a court has made an order against him for the payment of a civil penalty under Section 232 of the SFA, or if the person has entered into an agreement with the Monetary Authority of Singapore to pay, with or without admission of liability, a civil penalty under Section 232(5) in respect of that contravention.

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### TAKEOVER OBLIGATIONS

#### 3.1 *Offences and obligations relating to takeovers*

##### **Section 140 of the SFA**

Section 140 of the SFA provides that a person shall not give notice or publicly announce that he intends to make a take-over offer if he has:

- (a) no intention to make a take-over offer; or
- (b) no reasonable or probable grounds for believing that he will be able to perform his obligations if the take-over offer is accepted or approved, as the case may be.

A person who contravenes Section 140 is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding seven (7) years or to both.

#### 3.2 *Obligations under the Singapore Code on Take-overs and Mergers (the “Singapore Takeover Code”) and the consequences of non-compliance*

##### **Obligations under the Singapore Takeover Code**

The Singapore Takeover Code regulates the acquisition of ordinary shares of public companies and contains certain provisions that may delay, deter or prevent a future takeover or change in control of the Company. Any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30.0% or more of the Company’s voting Shares, or, if such person holds, either on his own or together with parties acting in concert with him, between 30.0% and 50.0% (both inclusive) of the Company’s voting Shares, and if he (or parties acting in concert with him) acquires additional voting Shares representing more than 1.0% of the Company’s voting Shares in any six month period, must, except with the consent of the Securities Industry Council in Singapore, extend a takeover offer for the remaining voting Shares in accordance with the provisions of the Singapore Takeover Code.

“Persons acting in concert” comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of Shares in a company, to obtain or consolidate effective control of that company. Without prejudice to the general application of this definition, the following individuals and companies are presumed to be acting in concert with each other (unless the contrary is established). They are as follows:

- (a) a company and its related companies, the associated companies of any of the company and its related companies, companies whose associated companies include any of these companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;
- (b) a company and its directors (including their close relatives, related trusts and companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company and its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

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- (e) a financial or other professional adviser and its clients in respect of Shares held by the adviser and persons controlling, controlled by or under the same control as the adviser and all the funds managed by the adviser on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10.0% or more of the client's equity share capital;
- (f) directors of a company (including their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for the company may be imminent;
- (g) partners; and
- (h) an individual and his close relatives, related trusts, any person who is accustomed to act in accordance with his instructions and companies controlled by the individual, his close relatives, his related trusts or any person who is accustomed to act in accordance with his instructions and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights.

In the event that one of the abovementioned trigger-points is reached, the person acquiring an interest (the "**Offeror**") must make a public announcement stating, inter alia, the terms of the offer and its identity. The Offeror must post an offer document not earlier than 14 days and not later than 21 days from the date of the offer announcement. An offer must be kept open for at least 28 days after the date on which the offer document was posted.

If a revised offer is proposed, the Offeror is required to give a written notice to the offeree company and its shareholders, stating the modifications made to the matters set out in the offer document. The revised offer must be kept open for at least 14 days from the date of posting of the written notification of the revision to shareholders. Where the consideration is varied, shareholders who agree to sell before the variation are also entitled to receive the increased consideration.

A mandatory offer must be in cash or be accompanied by a cash alternative at not less than the highest price paid by the offeror or parties acting in concert with the offeror within the six months preceding the acquisition of Shares that triggered the mandatory offer obligation.

Under the Singapore Takeover Code, where effective control of a company is acquired or consolidated by a person, or persons acting in concert, a general offer to all other shareholders is normally required. An offeror must treat all shareholders of the same class in an offeree company equally. A fundamental requirement is that shareholders in the company subject to the takeover offer must be given sufficient information, advice and time to consider and decide on the offer.

### **3.3 Consequences of non-compliance with the requirements under the Singapore Takeover Code**

The Singapore Takeover Code is non-statutory in that it does not have the force of law. Therefore, as provided in Section 139(8) of the SFA, a failure of any party concerned in a take-over offer or a matter connected therewith to observe any of the provisions of the Singapore Takeover Code shall not of itself render that party liable to criminal proceedings.

However, the failure of any party to observe any of the provisions of the Singapore Takeover Code may, in any civil or criminal proceedings, be relied upon by any party to the proceedings as tending to establish or to negate any liability which is in question in the proceedings.



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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

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Section 139 further provides that the Securities Industry Council has the power, in the exercise of its functions, to enquire into any matter or thing related to the securities industry and may, for this purpose, summon any person to give evidence on oath or affirmation or produce any document or material necessary for the purpose of the enquiry.

### **3.4 Compulsory Acquisition under the Singapore Companies Act**

Following the conclusion of an offer, pursuant to section 215 of the Singapore Companies Act, if an offeror acquires 90.0% of the shares of the offeree company, it may, by notice to the dissenting shareholders, sell its shares to it. In calculating the 90% threshold, shares held or acquired by the Offeror, its related corporations and their respective nominees are excluded. The notice must be sent within two months of the satisfaction of the 90% threshold. The shareholder whose shares are thus to be acquired may apply to Court for an order that the offeror is not entitled to acquire the shares, or specifying different acquisition. Where an offeror could acquire the holdings of minority shareholders but does not, a minority shareholder may serve a notice requiring the offeror to do so within three (3) months from the date of receipt of notice from offeror of the fact that the offeror has acquired 90% of the shares of the offeree company. The offeror is then obliged to acquire the shareholder's shares on the same terms as the other shares were acquired during the offer.

## **MINORITY RIGHTS**

### **Section 216 of the Singapore Companies Act**

The rights of minority shareholders of Singapore-incorporated companies are protected under Section 216 of the Singapore Companies Act, which gives the Singapore courts a general power to make any order, upon application by any shareholder of the Company, as they think fit to remedy any of the following situations:

- (a) the affairs of the Company are being conducted or the powers of the Board are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of the shareholders; or
- (b) the Company has taken an action, or threatens to take an action, or the shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of the shareholders, including the applicant.

Singapore courts have wide discretion as to the reliefs they may grant and those reliefs are in no way limited to those listed in the Singapore Companies Act itself. Without prejudice to the foregoing, Singapore courts may:

- (i) direct or prohibit any act or cancel or vary any transaction or resolution;
- (ii) regulate the conduct of the affairs of the company in the future;
- (iii) authorise civil proceedings to be brought in the name of, or on behalf of, the company by a person or persons and on such terms as the court may direct;
- (iv) provide for the purchase of the shares of the company by other members of the company or by the company itself;
- (v) in the case of a purchase of shares by the company provide for a reduction accordingly of the company's capital;
- (vi) order the amendment of the company's memorandum of articles; or
- (vii) provide that the company be wound up.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

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### EXCHANGE CONTROLS

There are no Singapore governmental laws, decrees, regulations or other legislation that may affect the following:

- (a) the import or export of capital, including the availability of cash and cash equivalents for use by our Group; and
- (b) the remittance of dividends, interest or other payments to non-resident holders of a company's securities.

### MEMBERS' REQUISITION TO CONVENE EXTRAORDINARY GENERAL MEETINGS

#### ***Section 176 of the Singapore Companies Act***

Section 176 of the Singapore Companies Act provides that the directors shall, on the requisition of members holding at the date of the deposit of the requisition not less than 10.0% of the total number of paid-up shares as at the date of the deposit carries the right of voting at general meetings or, in the case of a company not having a share capital, of members representing not less than 10.0% of the total voting rights of all members having at that date a right to vote at general meetings, immediately proceed duly to convene an extraordinary general meeting of the company to be held as soon as practicable but in any case not later than two (2) months after the receipt by the company of the requisition.

For the purpose of section 176 of the Singapore Companies Act. Any of the Company's paid-up shares as treasury Shares shall be disregarded.

#### ***Section 183 of the Singapore Companies Act***

Section 183 of the Singapore Companies Act provides that a company is under a duty, on the requisition in writing of such number of members, to:

- (a) give to members of such company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and
- (b) circulate to such members any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The number of members as required for such a requisition shall be any number of members representing not less than 5.0% of the total voting rights of all members having at the date of the requisition a right to vote at the meeting to which the requisition relates; or not less than 100 members holding shares in the company on which there has been paid up an average sum, per member, of not less than S\$500.

**APPENDIX A – FURTHER INFORMATION RELATING TO SINGAPORE  
AND HONG KONG LAWS, RULES, REGULATIONS AND CODES**

The Shares are currently listed on the SGX-ST and the Company intends to list its Shares on SEHK. The Company sets out below a summary of the major differences between the HK Listing Rules and the SGX Listing Manual, certain applicable laws and regulations of Singapore and Hong Kong, the takeover rules under the Singapore Code on Take-overs and Mergers (the “**Singapore Takeover Code**”), the Codes on Takeovers and Mergers and Share Buy-back (the “**HK Takeovers Code**”) and certain relevant legislations concerning companies with listed securities.

However, this summary is for general guidance only and is not and shall not be relied on as legal advice or any other advice to Shareholders. The summary is not meant to be a comprehensive or exhaustive description of all the relevant Singapore and Hong Kong laws, rules and regulations. In addition, Shareholders should also note that the laws, rules and regulations applicable to the Company and Shareholders may change, whether as a result of proposed legislative reforms to the Singapore or Hong Kong laws, rules or regulations or otherwise.

Prospective investors and/or Shareholders should consult their own legal advisors for specific legal advice concerning their legal rights and obligations under Singapore laws and Hong Kong laws. In the event of any conflict between the HK Listing Rules and the SGX Listing Manual, the Company shall comply with the more restrictive and stringent rule. The Sponsor and the Directors are not aware of any major conflicts between the HK Listing Rules and the SGX Listing Manual, which may cause difficulties to the Company to comply with the rules under both regimes.

**I. SUMMARY OF THE MAJOR DIFFERENCES BETWEEN THE HK LISTING RULES AND THE SGX LISTING MANUAL AND CERTAIN APPLICABLE SINGAPORE AND HONG KONG LAWS**

**HK LISTING RULES AND  
HONG KONG LAWS**

**SGX LISTING MANUAL AND  
SINGAPORE LAWS**

**REPORTING REQUIREMENTS**

1. Issuers in Hong Kong are required to comply with disclosure obligations under the HK Listing Rules upon the occurrence of the events which are prescribed under such rules.

Issuers in Singapore are required to comply with disclosure obligations under the SGX Listing Manual upon the occurrence of the events which are prescribed in the SGX Listing Manual.

In the case that the Company makes a disclosure pursuant to Hong Kong laws, it will make the same disclosure in Singapore.

In the case that the Company makes a disclosure pursuant to Singapore laws, it will make the same disclosure in Hong Kong.

**Chapter 13 of the HK Listing Rules:  
(Continuing Obligations)**

**Chapter 7 of the SGX Listing Manual  
(Continuing Obligations)**

**Rule 13.09, HK Listing Rules:  
General Obligation of Disclosure**

**Rule 703, SGX Listing Manual:  
Disclosure of Material Information**

Without prejudice to Rule 13.10 of the HK Listing Rules, where in the view of the

- (1) An issuer must announce any information known to the issuer

SEHK there is or there is likely to be a false market in an issuer's securities, the issuer must, as soon as reasonably practicable after consultation with the SEHK, announce the information necessary to avoid a false market in its securities.

**Rule 13.10B, HK Listing Rules:  
Announce Information Disclosed to  
Other Stock Exchanges**

An issuer must announce any information released to any other stock exchange on which its securities are listed at the same time as the information is released to that other exchange.

concerning it or any of its subsidiaries or associated companies which:

- (a) is necessary to avoid the establishment of a false market in the issuer's securities; or
- (b) would be likely to materially affect the price or value of its securities.

(2) Rule 703(1) does not apply to information which it would be a breach of law to disclose.

(3) Rule 703(1) does not apply to particular information while each of the following conditions applies:—

Condition 1: a reasonable person would not expect the information to be disclosed;

Condition 2: the information is confidential; and

Condition 3: one or more of the following applies:

- (a) the information concerns an incomplete proposal or negotiation;
- (b) the information comprises matters of supposition or is insufficiently definite to warrant disclosure;
- (c) the information is generated for the internal management purposes of the entity;
- (d) the information is a trade secret.

(4) In complying with the SGX-ST's disclosure requirements, an issuer must:

- (a) observe the Corporate Disclosure Policy set out in Appendix 7.1 of the SGX Listing Manual, and
- (b) ensure that its directors and executive officers are familiar with the SGX-ST's disclosure requirements and Corporate Disclosure Policy.

- (5) The SGX-ST will not waive any requirements under this Rule.

**Rule 13.51, HK Listing Rules:  
Notification on Changes**

An issuer must publish an announcement as soon as practicable in respect of:

- (1) any proposed alteration of the issuer's memorandum or articles of association or equivalent documents;
- (2) any changes in its directorate or supervisory committee, and shall procure that each new director or supervisor or member of its governing body shall sign and lodge with the SEHK as soon as practicable after their appointment a declaration and undertaking;
- (3) any change in the rights attaching to any class of listed securities and any change in the rights attaching to any shares into which any listed debt securities are convertible or exchangeable;
- (4) any change in its auditors or financial year end, the reason(s) for the change and any other matters that need to be brought to the attention of holders of securities of the issuer;
- (5) any change in its secretary, share registrar (including any change in overseas branch share registrar) or registered address or where applicable, agent for the service of process in Hong Kong or registered office or registered place of business in Hong Kong;
- (6) any change in its compliance adviser; and

**Rule 704, SGX Listing Manual:  
Announcement of Specific Information**

In addition to Rule 703, an issuer must immediately announce the following:–

**General**

- (1) Any change of address of the registered office of the issuer or of any office at which the register of members or any other register of securities of the issuer is kept.
- (2) Any proposed alteration to the memorandum of association or articles of association or constitution of the issuer (note also that Rule 730 requires issuers to seek the SGX-ST's approval for any alteration to their Articles or constituent documents).
- (4) Any call to be made on partly paid securities of the issuer or of any of its principal subsidiaries.
- (5) Any qualification or emphasis of a matter by the auditors on the financial statements of:–
  - (a) the issuer; or
  - (b) any of the issuer's subsidiaries or associated companies, if the qualification or emphasis of a matter has a material impact on the issuer's consolidated accounts or the group's financial position.
- (6) If an issuer has previously announced its preliminary full-year results, any material adjustment to the issuer's preliminary full-year results made subsequently by auditors.

- (7) any revision of interim reports, annual reports or summary financial reports, the reason leading to the revision of published financial reports, and the financial impacts.

**Rule 13.25A, HK Listing Rules:  
Changes in Issued Shares**

- (1) An issuer must, whenever there is a change in its issued shares as a result of or in connection with any of the events referred to in Rule 13.25A(2), submit for publication on the SEHK's website information as the SEHK may from time to time prescribe by not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day next following the relevant event.
- (2) The events referred to in Rule 13.25A(1) are as follows:
- (a) any of the following:
- (i) placing;
  - (ii) consideration issue;
  - (iii) open offer;
  - (iv) rights issue;
  - (v) bonus issue;
  - (vi) scrip dividend;
  - (vii) repurchase of shares or other securities;
  - (viii) exercise of an option under the issuer's share option scheme by any of its directors;
  - (ix) exercise of an option other than under the issuer's

**Appointment or cessation of service**

- (7)
- (a) Any appointment or cessation of service of a key person such as a director, chief executive officer, chief financial officer, chief operating officer, general manager, qualified person or other executive officer of equivalent authority, company secretary, registrar or auditors of the issuer. The announcement of an appointment or cessation of service of key persons such as director, chief executive officer, chief financial officer, chief operating officer, general manager, qualified person or other executive officer of equivalent authority must contain the information contained in Appendix 7.4.1 or Appendix 7.4.2, as the case may be.
- (b) In the case of a cessation of service of any director, chief executive officer, chief financial officer, chief operating officer, general manager or other executive officer of equivalent authority, such persons must inform the SGX-ST in writing as soon as possible if he is aware of any irregularities in the issuer which would have a material impact on the group, including financial reporting.
- (8) Any appointment or reappointment of a director to the audit committee.
- (9) Any appointment of a person who is a relative of a director or chief executive officer or substantial shareholder of the issuer to a managerial position in the issuer or any of its principal subsidiaries.
- (10) Any promotion of an appointee referred to in Rule 704(9).
- (11) Any appointment of, or change in legal representative(s) (or person(s) of equivalent authority, however described), appointed as required by any relevant law applicable to the issuer and/or any of its principal

- share option scheme by any of its directors;
- (x) capital reorganisation; or
- (xi) change in issued shares not falling within any of the categories referred to in Rule 13.25A(2)(a)(i) to (x) or Rule 13.25A(2)(b); and
- (b) Subject to Rule 13.25A(3), any of the following:
- (i) exercise of an option under a share option scheme other than by a director of the issuer;
- (ii) exercise of an option other than under a share option scheme not by a director of the issuer;
- (iii) exercise of a warrant;
- (iv) conversion of convertible securities; or
- (v) redemption of shares or other securities.
- (3) The disclosure obligation for an event in Rule 13.25A(2)(b) only arises where:
- (a) the event, either individually or when aggregated with any other events described in that rule which have occurred since the listed issuer published its last monthly return under Rule 13.25B or last return under this Rule 13.25A (whichever is the later), results in a change of 5.0% or more of the listed issuer's issued shares; or
- (b) an event in Rule 13.25A(2)(a) has occurred and the event in Rule 13.25A(2)(b) has not yet been disclosed in either a
- subsidiaries, with sole powers to represent, exercise rights on behalf of, the issuer and/or that principal subsidiary.
- (12) For issuers with principal subsidiaries based in jurisdictions other than Singapore, any of its independent directors' appointment or cessation of service from the boards of these principal subsidiaries.
- (13) Within 60 days after each financial year, the issuer must make an announcement of each person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer as set out in Appendix 7.2 Part II. If there are no such persons, the issuer must make an appropriate negative statement. The SGX-ST may require the issuer to provide additional information on any such person, including his remuneration, any changes to his duties, responsibilities and remuneration package.

#### **Appointment of Special Auditors**

- (14) The SGX-ST may require an issuer to appoint a special auditor to review or investigate the issuer's affairs and report its findings to the SGX-ST or the issuer's audit committee or such other party as the SGX-ST may direct. The issuer may be required by the SGX-ST to immediately announce the requirement, together with such other information as the SGX-ST directs. The issuer may be required by the SGX-ST to announce the findings of the special auditors.

monthly return published under Rule 13.25B or a return published under this Rule 13.25A.

- (4) For the purposes of Rule 13.25A(3), the percentage change in the listed issuer's issued shares is to be calculated by reference to the listed issuer's total number of issued shares as it was immediately before the earliest relevant event which has not been disclosed in a monthly return published under Rule 13.25B or a return published under this Rule 13.25A.

**Rule 13.25B, HK Listing Rules: Monthly Return**

A listed issuer shall, by no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the fifth business day next following the end of each calendar month, submit for publication on the SEHK's website a monthly return in relation to movements in the listed issuer's equity securities, debt securities and any other securitised instruments, as applicable, during the period to which the monthly return relates, in such form and containing such information as the SEHK may from time to time prescribe (irrespective of whether there has been any change in the information provided in its previous monthly return). Such information includes, among other things, the number as at the close of such period of equity securities, debt securities and any other securitised instruments, as applicable, issued and which may be issued pursuant to options, warrants, convertible securities or any other agreements or arrangements.



**General Meetings****Rule 13.73, HK Listing Rules:  
Notices**

The issuer shall ensure that notice of every meeting of its shareholders or its creditors concerning the issuer (e.g. for winding up petitions, schemes of arrangement or capital reduction) is published in accordance with Rule 2.07C of the HK Listing Rules. The issuer shall despatch a circular to its shareholders at the same time as (or before) the issuer gives notice of the general meeting to approve the transaction referred to in the circular. The issuer shall provide its shareholders with any material information on the subject matter to be considered at a general meeting that comes to the directors' attention after the circular is issued. The issuer must provide the information either in a supplementary circular or by way of an announcement in accordance with Rule 2.07C not less than ten (10) business days before the date of the relevant general meeting to consider the subject matter. The meeting must be adjourned before considering the relevant resolution to ensure compliance with this ten (10) business day requirement by the chairman or, if that is not permitted by the issuer's constitutional documents, by resolution to that effect.

**Rules 13.39(4) and (5), HK Listing Rules:  
Meetings of Shareholders**

Any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

The issuer must announce the meeting's poll results as soon as possible, but in any event at least thirty (30) minutes before the earlier of either the commencement of the morning trading session or any pre-opening session on the business day after the meeting.

**General Meetings**

- (15) The date, time and place of any general meeting. All notices convening meetings must be sent to shareholders at least 14 calendar days before the meeting (excluding the date of notice and the date of meeting). For meetings to pass special resolution(s), the notice must be sent to shareholders at least 21 calendar days before the meeting (excluding the date of notice and the date of meeting).
- (16) All resolutions put to a general meeting of an issuer, and immediately after such meeting, whether or not the resolutions were passed.

**Rule 730A, SGX Listing Manual:  
Facilitating Interaction with  
Shareholders**

- (1) An issuer shall hold all its general meetings in Singapore, unless prohibited by relevant laws and regulations in the jurisdiction of its incorporation.
- (2) All resolutions at general meetings shall be voted by poll.
- (3) At least one scrutineer shall be appointed for each general meeting. The appointed scrutineer(s) shall be independent of the persons undertaking the polling process. Where the appointed scrutineer is interested in the resolution(s) to be passed at the general meeting, it shall refrain from acting as the scrutineer for such resolution(s).
- (4) The appointed scrutineer shall exercise the following duties:
  - (a) ensuring that satisfactory procedures of the voting process are in place before the general meeting; and

**Paragraph E.1.3 in Appendix 14, HK Listing Rules: Communication with Shareholders – Effective Communication**

The issuer should arrange for the notice to shareholders to be sent for annual general meetings at least twenty (20) clear business days before the meeting and to be sent at least ten (10) clear business days for all other general meetings.

**Rule 13.23(1), HK Listing Rules: Notifiable Transactions, Connected Transactions, Takeovers and Share Repurchases**

An issuer must announce details of acquisitions and realisations of assets and other transactions required by Chapters 14 and 14A of the HK Listing Rules and, where applicable, must circularise holders of its listed securities with their details and obtain their approval thereto.

**Rules 14.06 and 14.07, HK Listing Rules: Classification and Explanation of Terms**

Under Chapter 14 of the HK Listing Rules, the transaction classification is made by using the percentage ratios set out in Rule 14.07. The classifications are:

- (1) share transaction: an acquisition of assets (excluding cash) by a listed issuer where the consideration includes securities for which listing will be sought and where all percentage ratios are less than 5.0%;
- (2) discloseable transaction: a transaction or a series of transactions by a listed issuer where any percentage ratio is 5.0% or more, but less than 25.0%;
- (3) major transaction: a transaction or a series of transactions by a listed issuer where any percentage ratio is 25.0% or more, but less than 100.0% for an acquisition or 75.0% for a disposal;

- (b) directing and supervising the count of the votes cast through proxy and in person.

**Rule 704, SGX Listing Manual: Announcement of Specific Information Acquisitions and Realisations**

(17) Any acquisition of:–

- (a) shares resulting in the issuer holding 10.0% or more of the total number of issued shares excluding treasury shares of a quoted company;
- (b) except for an issuer which is a bank, finance company, securities dealing company or approved financial institution, quoted securities resulting in the issuer's aggregate cost of investment exceeding each multiple of 5.0% of the issuer's latest audited consolidated net tangible assets;
- (c) shares resulting in a company becoming a subsidiary or an associated company of the issuer; and
- (d) shares resulting in the issuer increasing its shareholding in a subsidiary or an associated company.

(18) Any sale of:

- (a) shares resulting in the issuer holding less than 10% of the total number of issued shares excluding treasury shares of a quoted company;

- (4) very substantial disposal: a disposal or a series of disposals of assets by a listed issuer where any percentage ratio is 75.0% or more;
- (5) very substantial acquisition: an acquisition or a series of acquisitions of assets by a listed issuer where any percentage ratio is 100.0% or more; and
- (6) reverse takeover: an acquisition or a series of acquisitions of assets by a listed issuer which, in the opinion of the SEHK, constitutes, or is part of a transaction or arrangement or series of transactions or arrangements which constitute, an attempt to achieve a listing of the assets to be acquired and a means to circumvent the requirements for new applicants set out in Chapter 8 of the HK Listing Rules.
- (b) except for an issuer which is a bank, a finance company, a securities dealing company or an approved financial institution, quoted securities resulting in the issuer's aggregate cost of investment in quoted securities falling below each multiple of 5% of the issuer's latest audited consolidated net tangible assets;
- (c) shares resulting in a company ceasing to be a subsidiary or an associated company of the issuer; and
- (d) shares resulting in the issuer reducing its shareholding in a subsidiary or an associated company.
- (19) Any acquisition or disposal of shares or other assets which is required to be announced under Chapter 10 of the SGX Listing Manual.

The relevant category that a transaction falls under depends on the following percentage ratios computed on the following bases:

- (1) assets ratio: the total assets which are the subject of the transaction divided by the total assets of the listed issuer;
- (2) profits ratio: the profits attributable to the assets which are the subject of the transaction divided by the profits of the listed issuer;
- (3) revenue ratio: the revenue attributable to the assets which are the subject of the transaction divided by the revenue of the listed issuer;
- (4) consideration ratio: the consideration divided by the total market capitalisation of the listed issuer. The total market capitalisation is the average closing price of the listed issuer's securities as stated in the

#### **Chapter 10 of the SGX Listing Manual (Acquisitions and Realisations)**

##### **Part IV Classification of Transactions Rule 1004, SGX Listing Manual**

Under Chapter 10, transactions are classified as:-

- (a) non-discloseable transactions,
- (b) discloseable transactions;
- (c) major transactions; and
- (d) very substantial acquisitions or reverse takeovers.

##### **Rule 1005, SGX Listing Manual**

In determining whether a transaction falls within category (a), (b), (c) or (d) of Rule 1004, SGX-ST may aggregate separate transactions completed within the last 12 months and treat them as if they were one transaction.

SEHK's daily quotations sheets for the five (5) business days immediately preceding the date of the transaction; and

- (5) equity capital ratio: the number of shares to be issued by the listed issuer as consideration divided by the total number of the listed issuer's issued shares immediately before the transaction.

**Rule 14.34, HK Listing Rules: Notification and Announcement**

As soon as possible after the terms of a share transaction, discloseable transaction, major transaction, very substantial disposal, very substantial acquisition or reverse takeover have been finalised, the listed issuer must in each case inform the SEHK and publish an announcement as soon as possible.

**Rules 14.38A to 14.57, HK Listing Rules: Additional Requirements for Major Transaction, Very Substantial Disposal, Very Substantial Acquisition, and Reverse Takeover**

For a major transaction, very substantial disposal and very substantial acquisition, the shareholders' approval is required, while the approvals from both the shareholders and the SEHK are required for a reverse takeover.

**Rule 1006, SGX Listing Manual**

The relevant category that a transaction falls under depends on the size of the relative figures computed on the following bases:–

- (a) the net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets;
- (b) the net profits attributable to the assets acquired or disposed of, compared with the group's net profits;
- (c) the aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares;
- (d) the number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.

Transactions are categorised as follows in the SGX Listing Manual:–

- **Rule 1008(1):** non-discloseable transaction: where all of the relative figures computed on the bases set out in Rule 1006 amount to 5.0% or less;
- **Rule 1010:** discloseable transaction: where any of the relative figures computed on the bases set out in Rule 1006 exceeds 5.0% but does not exceed 20.0%;
- **Rule 1014(1):** major transaction: where any of the relative figures computed on the bases set out in Rule 1006 exceeds 20.0%; and
- **Rule 1015(1):** very substantial acquisition or reverse takeover: where an acquisition of assets (whether or not the acquisition is deemed in the

issuer's ordinary course of business) is one where any of the relative figures as computed on the bases set out in Rule 1006 is 100.0% or more, or is one which will result in a change in control of the issuer, the transaction is classified as a very substantial acquisition or reverse takeover respectively.

Where a transaction is classified as a discloseable transaction, major transaction or very substantial acquisition/reverse takeover, the Company must make an immediate announcement.

For very substantial acquisitions/reverse takeovers, the issuer must also immediately announce the latest three (3) years of *pro forma* financial information of the assets to be acquired.

Further, transactions that are major transactions are conditional upon the prior approval of shareholders. Very substantial acquisitions/reverse takeovers transactions are conditional upon the approval of shareholders and the approval of the SGX-ST.

A circular to shareholders will need to be distributed to seek shareholders' approval.

The disclosures required to be made in such circular for these types of transactions are prescribed in the SGX Listing Manual.

**Rule 13.25, HK Listing Rules:  
Winding-up and Liquidation**

An issuer shall inform the SEHK of the happening of any of the following events as soon as it comes to its attention:

- (a) the appointment of a receiver or manager either by any court having jurisdiction or under the terms of a debenture or any application to any court having jurisdiction for the appointment of a receiver or manager, or equivalent action in the country of incorporation or other establishment, in respect of the business or any part of the business of the issuer or the property of the issuer, its holding company or any subsidiary falling under Rule 13.25(2) of the HK Listing Rules;
- (b) the presentation of any winding-up petition, or equivalent application in the country of incorporation or other establishment, or the making of any winding-up order or the appointment of a provisional liquidator, or equivalent action in the country of incorporation or other establishment, against or in respect of the issuer, its holding company or any subsidiary falling under Rule 13.25(2) of the HK Listing Rules;
- (c) the passing of any resolution by the issuer, its holding company or any subsidiary falling under Rule 13.25(2) of the HK Listing Rules that it be wound up by way of members' or creditors' voluntary winding-up, or equivalent action in the country of incorporation or other establishment;
- (d) the entry into possession of or the sale by any mortgagee of a portion of the issuer's assets where the aggregate value of the total assets or the aggregate amount of profits or revenue attributable to such assets represents more than 5.0% under any of the percentage ratios defined under Rule 14.04(9) of the HK Listing Rules; or

**Rule 704, SGX Listing Manual:  
Announcement of Specific Information  
Winding Up, Judicial Management, etc**

- (20) Any application filed with a court to wind up the issuer or any of its subsidiaries, or to place the issuer or any of its subsidiaries under judicial management.
- (21) The appointment of a receiver, judicial manager or liquidator of the issuer or any of its subsidiaries.
- (22) Any breach of any loan covenants or any notice received from principal bankers or from the trustee of any debenture holders to demand repayment of loans granted to the issuer or any of its subsidiaries which, in the opinion of the issuer's directors, would result in the issuer facing a cash flow problem.
- (23) Where Rule 704(20), (21) or (22) applies, a monthly update must be announced regarding the issuer's financial situation. If any material development occurs between the monthly updates, it must be announced immediately.

- (e) the making of any final judgement, declaration or order by any court or tribunal of competent jurisdiction whether on appeal or at first instance which is not subject to any or further appeal, which may adversely affect the issuer's enjoyment of any portion of its assets where the aggregate value of the total assets or the aggregate amount of profits or revenue attributable to such assets represents more than 5.0% under any of the percentage ratios defined under Rule 14.04(9) of the HK Listing Rules.

Rules 13.25(1)(a), (b) and (c) will apply to a subsidiary of the issuer if the value of that subsidiary's total assets, profits or revenue represents 5.0% or more under any of the percentage ratios defined under Rule 14.04(9).

**Rules 13.45(1) and (2), HK Listing Rules: After Board Meetings**

An issuer shall announce immediately after approval by or on behalf of the board of:–

- (1) any decision to declare, recommend or pay any dividend or to make any other distribution on its listed securities, including the rate and amount of the dividend or distribution and the expected payment date;
- (2) any decision not to declare, recommend or pay any dividend which would otherwise have been expected to have been declared, recommended or paid in due course;

**Announcement of Results, Dividends, etc**

- (24) Any recommendation or declaration of a dividend (including a bonus or special dividend, if any), the rate and amount per share and date of payment. If dividends are not taxable in the hands of shareholders, this must be stated in the announcement and in the dividend advice to shareholders. If there is a material variation in the interim or final dividend rate compared to that for the previous corresponding period, the directors must state the reasons for the variation at the time the dividend is recommended or declared. If the directors decide not to declare or recommend a dividend, this must be announced.
- (25) After the end of each of the first three (3) quarters of its financial year, half year or financial year, as the case may be, an issuer must not announce any:–
  - (a) dividend;
  - (b) capitalisation or rights issue;
  - (c) closing of the books;

- (d) capital return;
- (e) passing of a dividend; or
- (f) sales or turnover

unless it is accompanied by the results of the quarter, half year or financial year, as the case may be, or the results have been announced.

**Rule 13.66, HK Listing Rule: Closure of Books and Record Date**

- (1) An issuer must announce any closure of its transfer books or register of members in respect of securities listed in Hong Kong at least six (6) business days before the closure for a rights issue, or ten (10) business days before the closure in other cases. In cases where there is an alteration of book closing dates, the issuer must, at least five (5) business days before the announced closure or the new closure, whichever is earlier, notify the SEHK in writing and make a further announcement.
- (2) An issuer must ensure that the last day for trading in the securities with entitlements falls at least one (1) business day after the general meeting, if the entitlements require the approval of shareholders in the general meeting or are contingent on a transaction that is subject to the approval of shareholders in the general meeting.

**Books Closure**

- (26) Any intention to fix a books closure date, stating the date, reason and address of the share registry at which the relevant documents will be accepted for registration. At least five (5) market days of notice (excluding the date of announcement and the books closure date) must be given for any books closure date. Issuers could consider a longer notice period, where necessary. Subject to the provisions of the Singapore Companies Act, the SGX-ST may agree to a shorter books closure period. In fixing a books closure date, an issuer must ensure that the last day of trading on a cum basis falls at least one (1) day after the general meeting, if a general meeting is required to be held.
- (27) The issuer must not close its books for any purpose until at least eight (8) market days after the last day of the previous books closure period. This rule does not prohibit identical books closure dates for different purposes.



**Treasury Shares**

- (28) Any sale, transfer, cancellation and/or use of treasury shares, stating the following:–
- (a) date of the sale, transfer, cancellation and/or use;
  - (b) purpose of such sale, transfer, cancellation and/or use;
  - (c) number of treasury shares sold, transferred, cancelled and/or used;
  - (d) number of treasury shares before and after such sale, transfer, cancellation and/or use;
  - (e) percentage of the number of treasury shares against the total number of shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and
  - (f) value of the treasury shares if they are used for a sale or transfer, or cancelled.

**Chapter 17 of the HK Listing Rules  
(Share Option Schemes)****Rule 17.02, HK Listing Rules: Adoption  
of a New Scheme**

The adoption of a share option scheme for employees is subject to the approval of the shareholders of the issuer in general meeting.

**Rule 17.03, HK Listing Rules: Terms of  
the Scheme**

The total number of securities which may be issued upon the exercise of all options to be granted under the scheme and any other schemes must not in aggregate exceed 10.0% of the relevant class of securities of the listed issuer (or the subsidiary) in issue as at the date of approval of the scheme. Options lapsed in accordance with the

**Employee share option scheme****Rule 843(3), SGX Listing Manual**

The approval of an issuer's shareholders must be obtained for any share option scheme or share scheme implemented by:–

- (a) the issuer; and
- (b) a principal subsidiary of the issuer if the scheme may cause Rule 805(2) to apply.

**Rule 843(4), SGX Listing Manual**

If shareholders' approval is not required pursuant to Rule 843(3), an issuer must announce the principal terms of any such share option scheme or share scheme implemented by its subsidiaries.

terms of the scheme will not be counted for the purpose of calculating the 10.0% limit.

The listed issuer may seek shareholders' approval in general meeting to "refresh" the 10.0% limit under the scheme. However, the total number of securities which may be issued upon exercise of all options to be granted under all of the schemes of the listed issuer (or the subsidiary) under the limit as "refreshed" must not exceed 10.0% of the relevant class of securities in issue as at the date of approval of the limit.

**Rule 17.04(1), HK Listing Rules: Granting Options to a Director, Chief Executive or Substantial Shareholder of a Listed Issuer, or any of Their Respective Associates**

In addition to the shareholders' approval set out in note (1) to Rule 17.03(3) and the note to Rule 17.03(4), each grant of options to a director, chief executive or substantial shareholder of a listed issuer, or any of their respective associates, under a scheme of the listed issuer or any of its subsidiaries must comply with the requirements of this Rule 17.04(1). Each grant of options to any of these persons must be approved by independent non-executive directors of the listed issuer (excluding independent non-executive director who is the grantee of the options).

Where any grant of options to a substantial shareholder or an independent non-executive director of the listed issuer, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the twelve (12) month period up to and including the date of such grant, (a) representing in aggregate over 0.1% of the relevant class of securities in issue; and (b) (where the securities are listed on the SEHK), having an aggregate value, based on the closing price of the securities at the

**Rule 844, SGX Listing Manual**

Participation in a scheme must be restricted to directors and employees of the issuer and its subsidiaries, except that:–

- (1) directors and employees of an associated company of the issuer may participate in the scheme if the issuer has control over the associated company.
- (2) directors and employees of the issuer's parent company and its subsidiaries who have contributed to the success and development of the issuer may participate in the scheme.

**Rule 845, SGX Listing Manual**

A limit on the size of each scheme, the maximum entitlement for each class or category of participant (where applicable), and the maximum entitlement for any one participant (where applicable) must be stated. For SGX-ST main board issuers, the following limits must not be exceeded:–

- (1) the aggregate number of shares available under all schemes must not exceed 15.0% of the total number of issued shares excluding treasury shares from time to time;
- (2) the aggregate number of shares available to controlling shareholders and their associates must not exceed 25.0% of the shares available under a scheme;
- (3) the number of shares available to each controlling shareholder or his associate must not exceed 10.0% of the shares available under a scheme;
- (4) the aggregate number of shares available to directors and employees of the issuer's parent company and its subsidiaries must not exceed 20.0% of the shares available under a scheme; and

date of each grant, in excess of HKD five million (5,000,000), such further grant of options must be approved by shareholders of the listed issuer. The listed issuer must send a circular to the shareholders. The grantee, his associates and all core connected persons of the listed issuer must abstain from voting in favour at such general meeting.

(5) the maximum discount under the scheme must not exceed 20.0%. The discount must have been approved by shareholders in a separate resolution.

**Rule 847, SGX Listing Manual**

The exercise price of options to be granted must be set out. Options granted at a discount may be exercisable after two (2) years from the date of grant. Other options may be exercisable after one (1) year from the date of grant.

**Rule 17.06A, HK Listing Rules: Announcement on Grant of Options**

As soon as possible upon the granting by the listed issuer of an option under its share option scheme, the issuer must publish an announcement setting out the following details:—

- (1) date of grant;
- (2) exercise price of the options grant;
- (3) number of options granted;
- (4) market price of its securities on the date of grant;
- (5) where any of the grantees is a director, chief executive or substantial shareholder of the listed issuer, or an associate of any of them, the names of such grantees and the number of options granted to each of them; and
- (6) validity period of the options.

**Rule 704(27): Announcement on employee share option scheme**

(29) Any grant of options or shares. The announcement must be made on the date of the offer and provide details of the grant, including the following:—

- (a) date of grant;
- (b) exercise price of options granted;
- (c) number of options or shares granted;
- (d) market price of its securities on the date of grant;
- (e) number of options or shares granted to each director and controlling shareholder (and each of their associates), if any; and
- (f) validity period of the options.

2. **Rules 13.46 to 13.50, HK Listing Rules: Disclosure of Financial Information**

**Distribution of annual report and accounts**

An issuer is required to send to (i) every member of the issuer and (ii) every other holder of its listed securities (not being bearer securities), a copy of either (a) its annual report including its annual accounts and, where the issuer prepares consolidated financial statements, its

**Announcement of financial results and annual reports**

**Rule 705, SGX Listing Manual: Financial Statements**

(1) An issuer must announce the financial statements for the full financial year immediately after the figures are available, but in any event not later than 60 days after the relevant financial period.

consolidated financial statements, together with a copy of the auditors' report thereon or (b) its summary financial report not less than twenty-one (21) days before the date of the issuer's annual general meeting and in any event not more than four (4) months after the end of the financial year to which they relate.

#### **Interim reports**

In respect of the first six (6) months of each financial year of an issuer unless that financial year is of six (6) months or less, the issuer shall send to (i) every member of the issuer; and (ii) every other holder of its listed securities (not being bearer securities), either (a) an interim report, or (b) a summary interim report not later than three (3) months after the end of that period of six (6) months.

#### **Preliminary announcements of results – Full financial year**

An issuer shall publish its preliminary results in respect of each financial year as soon as possible, but in any event not later than the time that is thirty (30) minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the next business day after approval by or on behalf of the board. The issuer must publish such results not later than three (3) months after the end of the financial year.

#### **Preliminary announcements of results – First half of the financial year**

The issuer shall publish a preliminary announcement in respect of its results for the first six (6) months of each financial year, unless that financial year is of six (6) months or less, as soon as possible, but in any event not later than the time that is 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the next business day after approval by or on behalf of the board. The issuer must publish such results not later than two (2) months after the end of that period of six (6) months.

- (2) An issuer must announce the financial statements for each of the first three (3) quarters of its financial year immediately after the figures are available, but in any event not later than 45 days after the quarter end if:–
- (a) its market capitalisation exceeded S\$75 million as at 31 March 2003; or
  - (b) it was listed after 31 March 2003 and its market capitalisation exceeded S\$75 million at the time of listing (based on the IPO issue price); or
  - (c) its market capitalisation is S\$75 million or higher on the last trading day of each calendar year commencing from 31 December 2006. An issuer whose obligation falls within this sub-section (c) will have a grace period of a year to prepare for quarterly reporting. As an illustration, an issuer whose market capitalisation is S\$75 million or higher as at the end of the calendar year 31 December 2006 must announce its quarterly financial statements for any quarter of its financial year commencing in 2008. Notwithstanding the grace period, all issuers whose obligation falls under this sub-section (c) are strongly encouraged to adopt quarterly reporting as soon as possible.
- (3) (a) An issuer who falls within the sub-sections in Rule 705(2) above must comply with Rule 705(2) even if its market capitalisation subsequently decreases below S\$75 million.
- (b) An issuer who does not fall within the sub-sections in Rule 705(2) above must announce its first half financial statements immediately after the figures are available, but in any event not later than 45 days after the relevant financial period.

**Rule 4.03, HK Listing Rules: Reporting Accountants**

All accountants' reports must normally be prepared by certified public accountants who are qualified under the Professional Accountants Ordinance for appointment as auditors of a company and who are independent both of the issuer and of any other company concerned to the same extent as that required of an auditor under the Companies Ordinance and in accordance with the requirements on independence issued by the Hong Kong Institute of Certified Public Accountants.

- (4) Notwithstanding the foregoing, with respect to the first announcement to be made by the issuer pursuant to Rules 705(1) or (2) following its listing on the SGX-ST, where the time period between the date of its listing and the final date for the issuer to make the relevant announcement pursuant to Rule 705(1) or (2) above is less than 30 days, the issuer shall have 30 days from the relevant deadline to make the relevant announcement of the financial statements provided that the following conditions are satisfied:
- (a) the extension is announced by the issuer at the time of the issuer's listing; and
  - (b) in the announcement referred to in paragraph (a), the issuer must confirm that there is no material adverse change to the financial position of the issuer since the date of its prospectus or introductory document in connection with its listing on the SGX-ST.
- (5) In the case of an announcement of interim financial statements (quarterly or half-yearly, as applicable, but excluding full year financial statements), an issuer's directors must provide a confirmation that, to the best of their knowledge, nothing has come to the attention of the board of directors which may render the interim financial statements to be false or misleading in any material aspect. In order to make this confirmation, directors would not be expected to commission an audit of these financial statements. The confirmation may be signed by two (2) directors on behalf of the board of directors.

**Rule 712, SGX Listing Manual: Appointment of Auditors**

- (1) An issuer must appoint a suitable auditing firm to meet its audit obligations, having regard to the adequacy of the resources and experience of the auditing firm and the audit engagement partner assigned to

the audit, the firm's other audit engagements, the size and complexity of the listed group being audited, and the number and experience of supervisory and professional staff assigned to the particular audit.

- (2) The auditing firm appointed by the issuer must be:
  - (a) registered with the Accounting and Corporate Regulatory Authority;
  - (b) registered with and/or regulated by an independent audit oversight body acceptable to the SGX-ST; or
  - (c) any other auditing firm acceptable by the SGX-ST.
- (3) A change in auditing firm must be specifically approved by shareholders in a general meeting.

#### **Rule 713, SGX Listing Manual**

- (1) An issuer must disclose in its annual report the date of appointment and the name of the audit partner in charge of auditing the issuer and its group of companies. The audit partner must not be in charge of more than five (5) consecutive audits for a full financial year, the first audit being for the financial year beginning on or after 1 January 1997, regardless of the date of listing. The audit partner may return after two (2) years.
- (2) If the listing of an issuer occurs after five (5) consecutive audits by the same audit partner in charge, the same audit partner may complete the audit of the financial year in which the issuer lists.

#### **Rule 707, SGX Listing Manual**

- (1) The time between the end of an issuer's financial year and the date of its annual general meeting (if any) must not exceed four (4) months.

- (2) An issuer must issue its annual report to shareholders and the SGX-ST at least 14 days before the date of its annual general meeting.
3. **Public Float Requirement**
- Chapter 8 of the HK Listing Rules: (Qualifications for Listing)**
- Rule 8.08(1), HK Listing Rules: Qualifications for listing**
- Save and except for the circumstances specified under Chapter 8 of the HK Listing Rules, an issuer must ensure that at least 25.0% of its total number of issued shares is at all times held by the public.
- Rule 723, SGX Listing Manual**
- An issuer must ensure that at least 10.0% of the total number of issued shares excluding treasury shares (excluding preference shares and convertible equity securities) in a class that is listed is at all times held by the public.
- Rule 724, SGX Listing Manual**
- (1) If the percentage of securities held in public hands falls below 10.0%, the issuer must, as soon as practicable, make an announcement and the SGX-ST may suspend trading of the class, or all of the securities of the issuer.
- (2) The SGX-ST may allow the issuer a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of securities in public hands to at least 10.0%, failing which the issuer may be delisted.
4. **Shareholders' Reporting Obligations**
- Part XV of the SFO: Disclosure of Interests by Substantial Shareholders**
- The HK Listing Rules require that the interests held by directors and chief executives and substantial shareholders (i.e. shareholders interested in 10.0% or more of the voting power) be disclosed in annual reports, interim reports and circulars of the listed company.
- The SFO and the Outline of Part XV of the SFO – Disclosure of Interests issued by the Securities and Futures Commission provides that a substantial shareholder (i.e. shareholder interested in 5.0% or more of the shares in the listed company) is required
- Obligation to notify the Company and SGX-ST of substantial shareholding and change in substantial shareholding**
- Substantial shareholder**
- Under the Singapore Companies Act (Cap 50) ("**Singapore Companies Act**"), a substantial shareholder (i.e. shareholder having not less than 5.0% of the total votes attached to all the voting shares in the company) of a company shall within two (2) business days after becoming a substantial shareholder, or when there is a change in the percentage level (as defined in the Singapore Companies Act) of the substantial shareholder's interest, or when he ceases to be a substantial shareholder, give notice in writing to the company.

to disclose his interest, and short positions, in the shares of the listed company, within ten (10) business days after first becoming a substantial shareholder, or to disclose his changes in percentage figures of his shareholdings in the listed company or ceasing to be a substantial shareholder within three (3) business days after becoming aware of the relevant events. Please refer to Section 2.7 of the Outline for examples of relevant events.

Under the Securities and Futures Act (Cap 289) (“SFA”), a substantial shareholder shall within two (2) business days after becoming a substantial shareholder, or when there is a change in the percentage level of the substantial shareholder’s interest, or when he ceases to be a substantial shareholder give notice in writing to the SGX-ST.

#### **Section 81 of the Singapore Companies Act**

A person has a substantial shareholding in a company if he has an “interest” in one (1) or more voting shares in the company, and the total votes attached to those shares is not less than 5.0% of the total votes attached to all the voting shares in the company.

#### **Section 82 of the Singapore Companies Act**

A substantial shareholder of a company is required to notify the company of his “interests” in the voting shares in the company within two (2) business days after becoming a substantial shareholder.

#### **Sections 83 and 84 of the Singapore Companies Act**

A substantial shareholder is required to notify the company of changes in the “percentage level” of his shareholding or his ceasing to be a substantial shareholder, again within two (2) business days after he becomes aware of such changes.

The reference to changes in “percentage level” means any changes in a substantial shareholder’s interest in the company which results in his interest, following such change, increasing or decreasing to the next discrete 1.0% threshold. For example, an increase in interests in the company from 5.1% to 5.9% need not be notified, but an increase from 5.9% to 6.1% will have to be notified.



**Sections 135 to 137, SFA**

A substantial shareholder is also required to give the above notifications to the SGX-ST at the same time.

5. **Part XV of the SFO: Disclosure of Interests by Directors and Chief Executives**

A director or a chief executive of a listed company is required to disclose his interest and short position in any shares in a listed company (or any of its associated companies) and their interest in any debentures of the listed company (or any of its associated companies) within ten (10) business days after becoming a director or chief executive of the listed company or within three (3) business days after becoming aware of the relevant events.

If a person, who is both a substantial shareholder and a director of the listed company concerned under the SFO, such person may have separate duties to file notices (one in each capacity) as a result of a single event. For example, a person who is interested in 5.9% of the shares of a listed company and buys a further 0.2% will have to file a notice because he is a director (and therefore has to disclose all transactions) and will also have to file a notice as a substantial shareholder because his interest has crossed the 6.0% level.

**Directors**

Under Section 164(1) of the Singapore Companies Act, a company shall keep a register showing with respect to each director of the company particulars of:–

- (a) shares;
- (b) debentures of or participatory interests;
- (c) rights or options of the director; and
- (d) contracts to which the director or under which he is entitled to a benefit,

of the company or a related company.

A director of a company shall be deemed to hold or have an interest or a right in or over any shares or debentures if the spouse or infant child of the director holds or has an interest or a right in or over any shares or debentures or makes or is granted any contract, assignment or right of subscription.

Under Section 165(1) of the Singapore Companies Act, a director of a company shall give notice in writing to the company of such particulars relating to shares, debentures, participatory interests, rights, options and contracts as are necessary for the purposes of compliance by the first-mentioned company with Section 164, among other disclosure requirements.

**Securities and Futures (Amendment) Act 2009**

The Securities and Futures (Amendment) Act 2009 (the “Amendment Act”) has, *inter alia*, migrated all the disclosure obligations in the Singapore Companies Act into the Singapore SFA and has also introduced new disclosure requirements, for example, the requirement for foreign incorporated

companies which have a primary listing on the SGX-ST to comply with the disclosure obligations in the Singapore SFA. The new amendments to the Singapore SFA expand the current scope of disclosure obligations.

Under the Amendment Act, the disclosure obligations currently under the Singapore SFA and the Singapore Companies Act have been consolidated and inserted into the Singapore SFA.

**Duty of director or chief executive officer to notify corporation of his interests**

Sections 133 and 134 of the SFA

Section 133 of the SFA stipulates that every director and chief executive officer of a corporation shall give notice in writing to the corporation of particulars of, inter alia, shares in the corporation; or a related corporation of the corporation, which he holds, or in which he has an interest and the nature and extent of that interest, within two (2) business days after:

- (a) the date on which the director or chief executive officer becomes such a director or chief executive officer; or
- (b) the date on which the director or chief executive officer becomes a holder of, or acquires an interest in, the shares,

whichever last occurs.

Under Section 134, any director or chief executive officer of a corporation who intentionally or recklessly contravenes Section 133 in relation to the disclosure of shares held in the corporation, or furnishes any information which he knows is false or misleading in a material particular or is reckless as to whether it is, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding two (2) years or to both and, in the case of a continuing offence, to a further fine not exceeding S\$25,000 for every day or part thereof during which the offence continues after conviction.

**Power of corporation to require disclosure of beneficial interest in its voting shares**

Any corporation may, under Section 137F of the SFA, require any member of the corporation within such reasonable time as is specified in the notice (which shall comply with the requirements stipulated by the Monetary Authority of Singapore):

- (a) to inform it whether he holds any voting shares in the corporation as beneficial owner or as trustee; and
- (b) if he holds them as trustee, to indicate so far as he can the persons for whom he holds them (either by name or by other particulars sufficient to enable those persons to be identified) and the nature of their interest.

Whenever a corporation receives information from a person pursuant to a requirement imposed on him under this section with respect to shares held by a member of the corporation, it shall be under an obligation to inscribe against the name of that member in a separate part of the register kept by it under Section 137C:

- (i) the fact that the requirement was imposed and the date on which it was imposed; and
- (ii) the information received pursuant to the requirement.

Any person who intentionally or recklessly contravenes the requirement to comply with the notice, or in purported compliance with the requirement, furnishes any information which he knows is false or misleading in a material particular or is reckless as to whether it is, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding two (2) years or to both and, in the case of a continuing offence, to a further fine not exceeding S\$25,000 for every day or part thereof during which the offence continues after conviction.

**Duty of corporation to make disclosure****Section 137G of the SFA**

Where a corporation has been notified in writing by a director or chief executive officer of the corporation or a substantial shareholder in respect of a change in the particulars of his shareholdings, the corporation shall announce or otherwise disseminate the information stated in the notice to the securities market operated by the securities exchange on whose official list any or all of the shares of the corporation are listed, as soon as practicable and in any case, no later than the end of the business day following the day on which the corporation received the notice.

Any corporation that intentionally or recklessly contravenes this duty of disclosure; or in purported compliance, announces or disseminates any information knowing that it is false or misleading in a material particular or reckless as to whether it is, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 and, in the case of a continuing offence, to a further fine not exceeding S\$25,000 for every day or part thereof during which the offence continues after conviction.

**Restrictions and Notification  
Requirements on Issuers Purchasing  
Their Own Shares on a Stock Exchange****Rule 10.05, HK Listing Rules**

Subject to the provisions of the Code on Share Buy-backs, an issuer may purchase its shares on the SEHK or on another stock exchange recognised for this purpose by the Commission and the SEHK. All such purchases must be made in accordance with Rule 10.06 of the HK Listing Rules. The Code on Share Buy-backs must be complied with by an issuer and its directors and any breach thereof by an issuer will be a deemed breach of the HK Listing Rules and the SEHK may in its absolute discretion take such action to penalise any breach of this paragraph or the listing agreement as it shall think appropriate. It is for the issuer to

**Share Buyback****(a) Shareholder Approval****Rule 881, SGX Listing Manual**

An issuer may purchase its own shares if it has obtained the prior specific approval of shareholders in general meeting.

**Rule 882, SGX Listing Manual**

A share buy-back may only be made by way of on-market purchases transacted through the SGX-ST's trading system or on another stock exchange on which the issuer's equity securities are listed ("market acquisition") or by way of an off-market acquisition in accordance with an equal access scheme as defined in Section 76C of the Singapore Companies Act. Unless a lower limit is

satisfy itself that a proposed purchase of shares does not contravene the Code on Share Buy-backs.

#### **Rule 10.06, HK Listing Rules**

An issuer with primary listing on SEHK may only purchase its shares on the SEHK if the relevant shares are fully-paid up, the issuer has previously sent to its shareholders an explanatory statement complying with the provisions of Rule 10.06(1)(b) of the HK Listing Rules and that the shareholders of the issuer have given a specific approval or a general mandate to the directors to make such a purchase, provided that the amount of shares so purchased under the general mandate shall not exceed 10.0% of the number of issued shares of the issuer as at the date of the passing of the relevant shareholders' resolution granting the mandate of purchase.

#### **Rule 10.06(1)(b), HK Listing Rules: Explanatory statement**

For the purpose of obtaining shareholders' approval, the issuer must have previously sent to its shareholders an explanatory statement containing all the information reasonably necessary to enable those shareholders to make an informed decision on whether to vote for or against the ordinary resolution to approve the purchase by the issuer of shares including the information set out below:–

- (1) a statement of the total number and description of the shares which the issuer proposes to purchase;
- (2) a statement by the directors of the reasons for the proposed purchase of shares;
- (3) a statement by the directors as to the proposed source of funds for making the proposed purchase of shares, which shall be funds legally available for such purposes in accordance with the issuer's constitutive documents and the laws of the jurisdiction in which the issuer is incorporated or otherwise established;

prescribed under the issuer's law of incorporation, such share buy-back shall not exceed 10.0% of the total number of issued ordinary shares in the capital of the issuer as at the date of the resolution passed by shareholders for the share buy-back.

#### **Rule 883, SGX Listing Manual**

For the purpose of obtaining shareholder approval, the issuer must provide at least the following information to shareholders:–

- (1) the information required under the Singapore Companies Act;
- (2) the reasons for the proposed share buy-back;
- (3) the consequences, if any, of share purchases by the issuer that will arise under the Singapore Takeover Code or other applicable takeover rules;
- (4) whether the share buy-back, if made, could affect the listing of the issuer's equity securities on the SGX-ST;
- (5) details of any share buy-back made by the issuer in the previous 12 months, giving the total number of shares purchased, the purchase price per share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
- (6) whether the shares purchased by the issuer will be cancelled or kept as treasury shares.

#### **(b) Dealing Restrictions:**

#### **Rule 884, SGX Listing Manual**

In the case of a Market Purchase, the purchase price must not exceed 105.0% of the average closing price ("Average Closing Price").

"Average Closing Price" means the average of the closing market prices of a share over the last five (5) market days preceding the day of the market purchase on which

- (4) a statement as to any material adverse impact on the working capital or gearing position of the issuer (as compared with the position disclosed in its most recent published audited accounts) in the event that the proposed purchases were to be carried out in full at any time during the proposed purchase period, or an appropriate negative statement;
- (5) a statement of the name of any directors, and to the best of the knowledge of the directors having made all reasonable enquiries, any close associates of the directors, who have a present intention, in the event that the proposal is approved by shareholders, to sell shares to the issuer, or an appropriate negative statement;
- (6) a statement that the directors have undertaken to the SEHK to exercise the power of the issuer to make purchases pursuant to the proposed resolution in accordance with the HK Listing Rules and the laws of the jurisdiction in which the issuer is incorporated or otherwise established;
- (7) a statement as to the consequences of any purchases which will arise under the HK Takeovers Code of which the directors are aware, if any;
- (8) a statement giving details of any purchases by the issuer of shares made in the previous six (6) months (whether on SEHK or otherwise) giving the date of each purchase and the purchase price per share or the highest and lowest prices paid for such purchases, where relevant;
- (9) a statement as to whether or not any core connected persons of the issuer have notified the issuer that they have a present intention to sell shares to the issuer or have undertaken not to sell any of the shares held by them to the issuer, in the event that the issuer is authorised to make purchases of shares;
- transactions in the shares were recorded and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period.
- Rule 885, SGX Listing Manual**
- In the case of off-market acquisition in accordance with an equal access scheme, an issuer must issue an offer document to all shareholders containing at least the following information:–
- (1) terms and conditions of offer;
  - (2) period and procedures for acceptances; and
  - (3) information in Rule 883(2), (3), (4), (5) and (6).
- (c) Reporting Requirements**
- Rule 886(1), SGX Listing Manual**
- Where an issuer purchases its shares by way of a market purchase, the issuer shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9:00 a.m. on the market day following the day of purchase of any of its shares.
- In a case of an off market purchase under an equal access scheme, an issuer must notify the SGX-ST by 9:00 a.m. on the second market day after the close of acceptances of the offer.
- Rule 886(2), SGX Listing Manual**
- Notification of a purchase by the issuer of its shares must be in the form of Appendix 8.3.2 of the SGX Listing Manual for an issuer with a dual listing on another stock exchange. Such notification would include, *inter alia*, the name of the overseas exchange on which the company's shares are also listed, the maximum number of shares authorised for purchase, details of the total number of shares authorised for purchase, the date of purchases, the total number of shares purchased, the purchase price per share, the highest and lowest prices paid for such shares, the total

- (10) a statement giving the highest and lowest prices at which the relevant shares have traded on SEHK during each of the previous twelve (12) months; and
- (11) the disclaimer of SEHK in the form set out under the HK Listing Rules.

**Rule 10.06(2), HK Listing Rules: Dealing Restrictions**

The buy-back of shares by an issuer is subject to various dealing restrictions, including, among others, that an issuer shall not purchase its shares on SEHK if the purchase price is higher by 5.0% or more than the average closing market price for the five (5) preceding trading days on which its shares were traded on SEHK.

**Rule 10.06(4), HK Listing Rules: Reporting Requirements**

- (1) An issuer is required to submit for publication to SEHK not later than thirty (30) minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following any day on which the issuer makes a purchase of shares (whether on the SEHK or otherwise), the total number of shares purchased by the issuer the previous day, the purchase price per share or the highest and lowest prices paid for such purchases, where relevant, and shall confirm that those purchases which were made on the SEHK were made in accordance with the HK Listing Rules and if the issuer's primary listing is on the SEHK, that there have been no material changes to the particulars contained in the explanatory statement. In respect of purchases made on another stock exchange, the issuer's report must confirm that those purchases were made in accordance with the domestic rules applying to purchases on that other stock exchange. Such reports shall be made on a return in such form

purchase consideration, the cumulative number of shares purchased to date and the number of issued shares after the purchase.

and containing such information as the SEHK may from time to time prescribe. In the event that no shares are purchased on any particular day then no return need be made to the SEHK. The issuer should make arrangements with its brokers to ensure that they provide to the issuer in a timely fashion the necessary information to enable the issuer to make the report to the SEHK.

- (2) An issuer is also required to include in its annual report and accounts a monthly breakdown of purchases of shares made during the financial year under review showing the number of shares purchased each month (whether on the SEHK or otherwise) and the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate price paid by the issuer for such purchases. The directors' report shall contain reference to the purchases made during the year and the directors' reasons for making such purchases.

#### **Solicitation for Proxy**

Investors holding securities in listed companies listed on SEHK through CCASS who want to attend the shareholders' meetings in person or appoint proxies to vote on their behalf have to solicit for proxy by giving instructions to CCASS directly or through their broker firms (as the case may be) to authorise the investors as corporate representatives or proxies of Hong Kong Securities Clearing Company Limited Nominees (or any successor thereto) in respect of such shareholding of the investors in the listed companies.

Depositors who wish to attend and vote at the extraordinary general meeting, and whose names are shown in the records of the Central Depository (Pte) Limited ("CDP") as at a time not earlier than 48 hours prior to the time of the extraordinary general meeting supplied by CDP to the company, may attend the extraordinary general meeting in person. Such depositors who are individuals and who wish to attend the extraordinary general meeting in person need not take any further action and can attend and vote at the extraordinary general meeting.

#### **Issuance of New Shares, Convertible Bonds or Bonds with Warrants**

##### **Sections 140 and 141, Companies Ordinance: Allotment and Issues of Shares**

The directors of a company may exercise a power (i) to allot shares in the company; or (ii) to grant rights to subscribe for, or to

##### **Power of Directors to Allot and Issue Shares**

The power to issue shares in a company is usually vested with the directors of that company subject to any restrictions in the articles of association of that company.



convert any security into, shares in the company, only if the company gives approval in advance by resolution of the company.

**Rules 13.36(1) to (3) HK Listing Rules: Pre-emptive Rights**

Except in the circumstances, mentioned in Rule 13.36(2) of the HK Listing Rules:

- (a) the directors of the issuer shall obtain the consent of shareholders in general meeting prior to allotting, issuing or granting: (i) shares; (ii) securities convertible into shares; or (iii) options, warrants or similar rights to subscribe for any shares or such convertible securities; and
- (b) the directors of the issuer shall obtain consent of the shareholders in general meeting prior to allotting any voting shares if such allotment would effectively alter the control of the issuer.

No such consent as is referred to in Rule 13.36(1)(a) shall be required:

- (a) for the allotment, issue or grant of such securities pursuant to an offer made to the shareholders of the issuer which excludes for that purpose any shareholder that is resident in a place outside Hong Kong provided the directors of the issuer consider such exclusion to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place and, where appropriate, to holders of other equity securities of the issuer entitled to be offered them, pro rata (apart from fractional entitlements) to their existing holdings; or
- (b) if, but only to the extent that, the existing shareholders of the issuer have by ordinary resolution in general meeting given a general mandate to the directors of the issuer, either unconditionally or subject to such

However, notwithstanding anything to the contrary in the articles of association of a company, prior approval of the company at a general meeting is required to authorise the directors to exercise any power of the company to issue shares. Such approval need not be specific but may be general.

**Rule 805, SGX Listing Manual**

Except as provided in Rule 806, an issuer must obtain the prior approval of shareholders in general meeting for the following:–

- (1) the issue of shares or convertible securities or the grant of options carrying rights to subscribe for shares of the issuer; or
- (2) if a principal subsidiary of an issuer issues shares or convertible securities or options that will or may result in:–
  - (a) the principal subsidiary ceasing to be a subsidiary of the issuer; or
  - (b) a percentage reduction of 20.0% or more of the issuer's equity interest in the principal subsidiary.

**Rule 806(1), SGX Listing Manual**

A company need not obtain the prior approval of shareholders in a general meeting for the issue of securities if the shareholders had by ordinary resolution in a general meeting, given a general mandate to the directors of the issuer to issue:

- (i) shares; or
- (ii) convertible securities; or
- (iii) additional convertible securities issued pursuant to Rule 829, notwithstanding that the general mandate may have ceased to be in force at the time the securities are issued, provided that the adjustment does not give the holder a benefit that a shareholder does not receive; or

terms and conditions as may be specified in the resolution, to allot or issue such securities or to grant any offers, agreements or options which would or might require securities to be issued, allotted or disposed of, whether during the continuance of such mandate or thereafter, subject to a restriction that the aggregate number of securities allotted or agreed to be allotted must not exceed the aggregate of (i) 20% of the number of issued shares of the issuer as at the date of the resolution granting the general mandate (or in the case of a scheme of arrangement involving an introduction in the circumstances set out in Rule 7.14(3), 20% of the number of issued shares of an overseas issuer following the implementation of such scheme) and (ii) the number of such securities repurchased by the issuer itself since the granting of the general mandate (up to a maximum number equivalent to 10% of the number of issued shares of the issuer as at the date of the resolution granting the repurchase mandate), provided that the existing shareholders of the issuer have by a separate ordinary resolution in general meeting given a general mandate to the directors of the issuer to add such repurchased securities to the 20% general mandate.

A general mandate to directors to issue and allot shares shall only continue in force until (a) the conclusion of the first annual general meeting of the issuer following the passing of the resolution at which time it shall lapse, unless such mandate is renewed by ordinary resolution passed at that meeting; or (b) revoked or varied by ordinary resolution of the shareholders at general meeting, whichever occurs first.

(iv) shares arising from the conversion of the securities in (ii) and (iii) notwithstanding that the general mandate may have ceased to be in force at the time the shares are to be issued.

#### **Rule 806(2), SGX Listing Manual**

A general mandate must limit the aggregate number of shares and convertible securities that may be issued. The limit must be not more than 50.0% of the total number of issued shares excluding treasury shares, of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must be not more than 20.0% of the total number of issued shares excluding treasury shares.

Unless prior shareholder approval is required under the SGX Listing Manual, an issue of treasury shares will not require further shareholder approval, and will not be included in the aforementioned limits.

#### **Rule 806(6), SGX Listing Manual**

A general mandate may remain in force until the earlier of the following:–

- (a) the conclusion of the first annual general meeting of the issuer following the passing of the resolution. By an ordinary resolution passed at that meeting, the mandate may be renewed, either unconditionally or subject to conditions; or
- (b) it is revoked or varied by ordinary resolution of the shareholders in general meeting.

#### **Specific Mandate Rule 824, SGX Listing Manual**

Every issue of company warrants or other convertible securities not covered under a general mandate must be specifically approved by shareholders in general meeting.

**Rule 13.36(5), HK Listing Rules: Placing of Securities for Cash**

In the case of a placing of securities for cash consideration, the issuer may not issue any securities pursuant to a general mandate given under Rule 13.36 (2)(b) if the relevant price represents a discount of 20% or more to the benchmarked price of the securities, such benchmarked price being the higher of:–

- (a) the closing price on the date of the relevant placing agreement or other agreement involving the proposed issue of securities under the general mandate; and
- (b) the average closing price in the five (5) trading days immediately prior to the earlier of:–
  - (i) the date of the announcement of the placing or the proposed transaction or arrangement involving the proposed issue of securities under the general mandate;
  - (ii) the date of the placing agreement or other agreement involving the proposed issue of securities under the general mandate; and
  - (iii) the date on which the placing or subscription price is fixed,

unless the issuer can satisfy the SEHK that it is in a serious financial position and that the only way it can be saved is by an urgent rescue operation which involves the issue of new securities at a price representing a discount of 20% or more to the benchmarked price of the securities or that there are other exceptional circumstances. The issuer shall provide the SEHK with detailed information on the allottees to be issued with securities under the general mandate.

**Issue of Shares, Company Warrants and Convertible Securities For Cash (Other than Rights Issues)****Rule 811, SGX Listing Manual**

- (1) An issue of shares must not be priced at more than 10.0% discount to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement is signed. If trading in the issuer's shares is not available for a full market day, the weighted average price must be based on the trades done on the preceding market day up to the time the placement agreement is signed.

**Rule 811(2): Issuance of warrants and other convertible securities****Rule 811(2), SGX Listing Manual**

An issue of company warrants or other convertible securities is subject to the following requirements:–

- (a) if the conversion price is fixed, the price must not be more than 10.0% discount to the prevailing market price of the underlying shares prior to the signing of the placement or subscription agreement; and
- (b) if the conversion price is based on a formula, any discount in the price-fixing formula must not be more than 10.0% of the prevailing market price of the underlying shares before conversion.

**Rule 811(3), SGX Listing Manual**

Rules 811(1) and (2) are not applicable if specific shareholder approval is obtained for the issue of shares, company warrants or other convertible securities.

**Rule 15.02, HK Listing Rules: Options, Warrants and Similar Rights**

All warrants must, prior to the issue or grant thereof, be approved by the SEHK and in addition, where they are warrants to subscribe equity securities, by the shareholders in general meeting. In the absence of exceptional circumstances which would include, by way of example, a rescue reorganisation, the SEHK will only grant approval to the issue or grant of warrants to subscribe securities if the following requirements are complied with:

- (a) the securities to be issued on exercise of the warrants must not, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20.0% of the number of issued shares of the issuer at the time such warrants are issued. Options granted under employee or executive share schemes which comply with Chapter 17 of the HK Listing Rules are excluded for the purpose of this limit ; and
- (b) such warrants must expire not less than one (1) and not more than five (5) years from the date of issue or grant and must not be convertible into further rights to subscribe securities which expire less than one (1) year or more than five (5) years after the date of issue or grant of the original warrants.

**Rule 15.03, HK Listing Rules**

The circular or notice to be sent to shareholders convening the requisite meeting under Rule 15.02 must include, at least, the maximum number of securities which could be issued on exercise of the warrants, the period during which the warrants may be exercised and the date when this right commences, the amount payable on the exercise of the warrants, the arrangements for transfer or transmission of the warrants, the rights of the holders on the

**Rule 811(4), SGX Listing Manual**

Where specific shareholders' approval is sought, the circular must include the following:–

- (a) information required under Rule 810 of the SGX Listing Manual; and
- (b) the basis upon which the discount was determined.

**Rule 824, SGX Listing Manual**

Every issue of company warrants or other convertible securities not covered under a general mandate (Rule 806, SGX Listing Manual) must be specifically approved by shareholders in general meeting.

**Rule 825, SGX Listing Manual**

In procuring the approval of shareholders in a general meeting, the circular to the shareholders must include the recommendations of the board of directors of the issuer on such an issue of company warrants or convertible securities and the basis for such recommendation(s).

**Rule 826, SGX Listing Manual**

If application is made for the listing of company warrants or other convertible securities, the SGX-ST will normally require a sufficient spread of holdings to provide for an orderly market in the securities. As a guide, the SGX-ST expects at least 100 warrant holders for a class of company warrants.

**Rule 827, SGX Listing Manual**

Company warrants or other convertible securities may be listed only if the underlying securities are (or will become at the same time) one of the following:–

- (1) a class of equity securities listed on the SGX-ST; or
- (2) a class of equity securities listed or dealt in on a stock market approved by the SGX-ST.

liquidation of the issuer, the arrangements for the variation in the subscription or purchase price or number of securities to take account of alterations to the share capital of the issuer, the rights (if any) of the holders to participate in any distributions and/or offers of further securities made by the issuer, and a summary of any other material terms of the warrants.

**Rule 828, SGX Listing Manual**

Each company warrant must:–

- (1) give the registered holder the right to subscribe for or buy one (1) share in the total number of issued shares excluding treasury shares of the issuer; and
- (2) not be expressed in terms of dollar value.

**Rule 829, SGX Listing Manual**

The terms of the issue must provide for:–

- (1) adjustment to the exercise or conversion price and, where appropriate, the number of company warrants or other convertible securities, in the event of rights, bonus or other capitalisation issues;
- (2) the expiry of the company warrants or other convertible securities to be announced, and notice of expiry to be sent to all holders of the company warrants or other convertible securities at least one (1) month before the expiration date; and
- (3) any material alteration to the terms of company warrants or other convertible securities after issue to the advantage of the holders of such securities to be approved by shareholders, except where the alterations are made pursuant to the terms of the issue.

**Rule 830, SGX Listing Manual**

An issuer must announce any adjustment made pursuant to Rule 829(1).

**Rule 831, SGX Listing Manual**

Except where the alterations are made pursuant to the terms of an issue, an issuer must not:–

- (i) extend the exercise period of an existing company warrant;

- (ii) issue a new company warrant to replace an existing company warrant;
- (iii) change the exercise price of an existing company warrant; or
- (iv) change the exercise ratio of an existing company warrant.

**Rule 832, SGX Listing Manual**

A circular or notice to be sent to shareholders in connection with a general meeting to approve the issue of company warrants or other convertible securities must include at least the following information:–

- (1) the maximum number of the underlying securities which would be issued or transferred on exercise or conversion of the company warrants or other convertible securities;
- (2) the period during which the company warrants or other convertible securities may be exercised and the dates when this right commences and expires;
- (3) the amount payable on the exercise of the company warrants or other convertible securities;
- (4) the arrangement for transfer or transmission of the company warrants or other convertible securities;
- (5) the rights of the holders on the liquidation of the issuer;
- (6) the arrangements for the variation in the subscription or purchase price and in the number of company warrants or other convertible securities in the event of alterations to the share capital of the issuer;
- (7) the rights (if any) of the holders to participate in any distributions and/or offers of further securities made by the issuer;

- (8) a summary of any other material terms of the company warrants or other convertible securities;
- (9) the purpose for and use of proceeds of the issue, including the use of future proceeds arising from the conversion/exercise of the company warrants or other convertible securities; and
- (10) the financial effects of the issue to the issuer.

#### **Rules 7.19(6), HK Listing Rules: Rights Issue**

If the proposed rights issue would increase either the number of issued shares or the market capitalisation of the issuer by more than 50.0% (on its own or when aggregated with any other rights issues or open offers announced by the issuer (i) within the twelve (12) month period immediately preceding the announcement of the proposed rights issue or (ii) prior to such twelve (12) month period where dealing in respect of the shares issued pursuant thereto commenced within such twelve (12) month period, together with any bonus securities, warrants or other convertible securities (assuming full conversion) granted or to be granted to shareholders as part of such rights issues or open offers):

- (a) the rights issue must be made conditional on approval by shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates shall abstain from voting in favour. The issuer must disclose the information required under Rule 2.17 of the HK Listing Rules in the circular to shareholders;
- (b) the issuer shall set out in the circular to shareholders the purpose of the proposed rights issue, together with the total funds expected to be raised

#### **Chapter 8 Part V: Rights Issue**

##### **Rule 814, SGX Listing Manual**

- (1) An issuer which intends to make a right issue must announce (having regard to Rule 704(25)) the issue promptly, stating the following:–
  - (a) price, terms and purpose of the issue, including the amount of proceeds proposed to be raised from the issue and the intended use of such proceeds on a percentage allocation basis (which could be expressed as a range if the exact allocation has not been determined);
  - (b) whether the issue will be underwritten;
  - (c) the financial circumstances which call for the issue; and
  - (d) whether it has obtained or will be seeking the approval of the SGX-ST for the listing and quotation of the new shares arising from the rights issue.

In addition, an issuer must observe the disclosure requirements in Appendix 8.2 of the SGX Listing Manual.

- (2) If a rights issue involves an issue of convertible securities, the issuer must also comply with Part VI of Chapter 8 of the SGX Listing Manual.

and a detailed breakdown and description of the proposed use of the proceeds. The issuer shall also include the total funds raised and a detailed breakdown and description of the funds raised on any issue of equity securities in the twelve (12) months immediately preceding the announcement of the proposed rights issue, the use of such proceeds, the intended use of any amount not yet utilised and how the issuer has dealt with such amount; and

- (c) the SEHK reserves the right to require the rights issue to be fully underwritten.

**Rule 815, SGX Listing Manual**

An issuer must announce any significant disbursement of the proceeds raised from the rights issue.

**Rule 816, SGX Listing Manual**

- (1) Subject to Rule 816(2), a rights issue must provide for the rights to subscribe for securities to be renounceable in part or in whole in favour of a third party at the option of the entitled shareholders.

- (2) (a) An issuer can undertake non-renounceable rights issues:

(i) subject to specific shareholders' approval; or

(ii) in reliance on the general mandate to issue rights shares in a non-renounceable rights issue if the rights shares are priced at not more than 10.0% discount to the weighted average price for trades done on the SGX-ST for the full market day on which the rights issue is announced. If trading in the issuer's shares is not available for a full market day, the weighted average price must be based on the trades done on the preceding market day up to the time the rights issue is announced.

- (b) The non-renounceable rights issue must comply with Part V of Chapter 8 of the SGX Listing Manual except Rule 816(1).

**Rule 823, SGX Listing Manual**

An issuer making a rights issue must observe any time-table published by the SGX-ST.



**Rule 833, SGX Listing Manual**

The following additional requirements apply to an offer of company warrants or other convertible securities by way of a rights issue or bought deal:–

- (1) The issuer's announcement of the rights issue or bought deal must include either:–
  - (a) the exercise or conversion price of the company warrants or other convertible securities; or
  - (b) a price-fixing formula to determine the exercise or conversion price. The price-fixing formula must not contain any discretionary element and the amount of premium or discount (in relation to the underlying share price) must be specified.
- (2) Where a price-fixing formula is adopted:–
  - (a) if the issue is not underwritten, the issuer must fix and announce the exercise or conversion price before the close of the offer; or
  - (b) if the issue is underwritten, the issuer must fix and announce the exercise or conversion price before the commencement of nil-paid rights trading.

**Rule 17.03, HK Listing Rules: Terms of Share Option Schemes**

The terms and provisions of the scheme must provide, *inter alia*:

- (i) the total number of securities which may be issued upon exercise of all options to be granted under the scheme and any other schemes must not in aggregate exceed 10.0% of the relevant class of securities of the listed issuer (or the subsidiary) in issue as at the date of approval of the scheme – the limit on the number of

**Share Option Schemes or Share Schemes****Rule 844, SGX Listing Manual**

Participation in a scheme must be restricted to directors and employees of the issuer and its subsidiaries, except that:–

- (1) directors and employees of an associated company of the issuer may participate in the scheme if the issuer has control over the associated company; and

securities which may be issued upon exercise of all outstanding options granted and yet to be exercised under the scheme and any other schemes must not exceed 30.0% of the relevant class of securities of the listed issuer (or the subsidiary) in issue from time to time. No options may be granted under any schemes of the listed issuer (or the subsidiary) if this will result in the limit being exceeded. The period within which the securities must be taken up under the option, which must not be more than ten (10) years from the date of grant of the option, and the life of the scheme, which must not be more than 10 years;

- (ii) the maximum entitlement of each participant under the scheme (including both exercised and outstanding options) in any twelve (12) month period must not exceed 1.0% of the relevant class of securities of the issuer (or the subsidiary) in issue (unless approved by shareholders);
- (iii) the basis of determination of the exercise price – the exercise price of the scheme, which must be at least the higher of: (i) the closing price of the securities as stated in SEHK's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the securities as stated in SEHK's daily quotations sheets for the five (5) business days immediately preceding the date of grant. For the purpose of calculating the exercise price where an issuer has been listed for less than five (5) business days, the new issue price shall be used as the closing price for any business day falling within the period before listing.

#### Section 270 of the SFO: Insider dealing

In general terms, subject to the specified exempted circumstances, Section 270 of the SFO prohibits persons from dealing in listed securities (or their derivatives) of a corporation, or otherwise counsels or procures another person to deal in such listed shares (or their derivatives) when

- (2) directors and employees of the issuer's parent company and its subsidiaries who have contributed to the success and development of the issuer may participate in the scheme.

#### Rule 845, SGX Listing Manual

A limit on the size of each scheme, the maximum entitlement for each class or category of participant (where applicable), and the maximum entitlement for any one (1) participant (where applicable) must be stated.

For SGX main board issuers, the following limits must not be exceeded:–

- (1) the aggregate number of shares available under all schemes must not exceed 15.0% of the total number of issued shares excluding treasury shares from time to time;
- (2) the aggregate number of shares available to controlling shareholder and their associates must not exceed 25.0% of the shares available under a scheme;
- (3) the number of shares available to each controlling shareholder or his associate must not exceed 10.0% of the shares available under a scheme;
- (4) the aggregate number of shares available to directors and employees of the issuer's parent company and its subsidiaries must not exceed 20.0% of the shares available under a scheme; and
- (5) the maximum discount under the scheme must not exceed 20.0%. The discount must have been approved by shareholders in a separate resolution.

#### Sections 218 and 219, SFA

Sections 218 and 219 of the Singapore SFA prohibit persons from dealing in securities of a corporation if any such person knows or reasonably ought to know that he is in possession of information that is not generally available, and if it was generally

such person is connected with the corporation and has information which he knows is relevant information in relation to the corporation.

**Section 278 of the SFO: Stock Market Manipulation**

Section 278 of the SFO prohibits persons in Hong Kong or elsewhere from:

- (a) entering into or carrying out, directly or indirectly, two (2) or more transactions in securities of a corporation that by themselves or in conjunction with any other transaction increase, or are likely to increase, the price of any securities traded on a relevant recognised market or by means of authorised automated trading services, with the intention of inducing another person to purchase or subscribe for, or to refrain from selling, securities of the corporation or of a related corporation of the corporation;
- (b) entering into or carrying out, directly or indirectly, two (2) or more transactions in securities of a corporation that by themselves or in conjunction with any other transaction reduce, or are likely to reduce, the price of any securities traded on a relevant recognised market or by means of authorised automated trading services, with the intention of inducing another person to sell, or to refrain from purchasing, securities of the corporation or of a related corporation of the corporation; or
- (c) entering into or carrying out, directly or indirectly, two (2) or more transactions in securities of a corporation that by themselves or in conjunction with any other transaction maintain or stabilise, or are likely to maintain or stabilise, the price of any securities traded on a relevant recognised market or by means of authorised automated trading services, with the intention of inducing another person to sell,

available it might have a material effect on the price or value of securities of that corporation.

Such persons include:–

- (1) officers of a corporation or a related corporation;
- (2) substantial shareholders of a corporation or a related corporation; and
- (3) a person who occupies a position reasonably expected to give him access to inside information by virtue of:–
  - any professional or business relationship existing between himself (or his employer or a corporation of which he is an officer) and that corporation or a related corporation; or
  - being an officer of a substantial shareholder in that corporation or in a related corporation.

**Securities Market Manipulation  
Section 198(1), SFA**

No person shall effect, take part in, be concerned in or carry out, directly or indirectly, two (2) or more transactions in securities of a corporation, being transactions that have or are likely to have the effect of raising, lowering, maintaining, or stabilising the price of the securities with intent to induce other persons to subscribe for, purchase or sell securities of the corporation or of a related corporation.

purchase or subscribe for, or to refrain from selling, purchasing or subscribing for, securities of the corporation or of a related corporation of the corporation.

Section 278 of the SFO prohibits persons in Hong Kong from:

- (a) entering into or carrying out, directly or indirectly, two (2) or more transactions in securities of a corporation that by themselves or in conjunction with any other transaction increase, or are likely to increase, the price of any securities traded on a relevant overseas market, with the intention of inducing another person to purchase or subscribe for, or to refrain from selling, securities of the corporation or of a related corporation of the corporation;
- (b) entering into or carrying out, directly or indirectly, two (2) or more transactions in securities of a corporation that by themselves or in conjunction with any other transaction reduce, or are likely to reduce, the price of any securities traded on a relevant overseas market, with the intention of inducing another person to sell, or to refrain from purchasing, securities of the corporation or of a related corporation of the corporation; or
- (c) entering into or carrying out, directly or indirectly, two (2) or more transactions in securities of a corporation that by themselves or in conjunction with any other transaction maintain or stabilise, or are likely to maintain or stabilise, the price of any securities traded on a relevant overseas market, with the intention of inducing another person to sell, purchase or subscribe for, or to refrain from selling, purchasing or subscribing for, securities of the corporation or of a related corporation of the corporation.

**Rules 3.10 and 8.12, HK Listing Rules:  
Board Composition**

Every board of directors of an issuer must include at least three (3) independent non-executive director; and at least one (1) of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise.

A new applicant applying for a primary listing on SEHK must have sufficient management presence in Hong Kong, which normally means that at least two (2) of its executive directors must be ordinarily resident of Hong Kong.

**Rules 3.21, 3.22 and paragraph C.3 of  
Appendix 14, HK Listing Rules: Audit  
Committee**

Every listed issuer must establish an audit committee comprising non-executive directors only. The audit committee must comprise a minimum of three (3) members, at least one (1) of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. The majority of the audit committee members must be independent non-executive directors of the listed issuer. The audit committee must be chaired by an independent non-executive director.

The board of directors of the listed issuer must approve and provide written terms of reference for the audit committee as required under Rule 3.21 and paragraph C.3 of Appendix 14 to the HK Listing Rules.

**Rules 3.25, 3.26 and paragraph B.1 of  
Appendix 14, HK Listing Rules:  
Remuneration Committee**

An issuer must establish a remuneration committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors.

**Board composition****Audit Committee****Rule 12 of the Code of Corporate  
Governance (“COCG”)**

The board of directors (“Board”) should establish an audit committee (“AC”) with written terms of reference which clearly set out its authority and duties.

**Rule 12.1, COCG**

The AC should comprise at least three (3) directors, all non-executive, the majority of whom including the chairman should be independent. All of the members of the AC should be non-executive directors.

**Rule 12.2, COCG**

The Board should ensure that the members of the AC are appropriately qualified to discharge their responsibilities. At least two (2) members of the AC, including the chairman, should have accounting or related financial management expertise or experience, as the board of directors interprets such qualification in its business judgement.

**Remuneration Committee****Rule 7, COCG**

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The board of directors must approve and provide written terms of reference for the remuneration committee which clearly establish its authority and duties, including the terms of references set out in paragraph B.1.2 of Appendix 14 to the HK Listing Rules.

**Paragraphs A.5.1 and A.5.2 of Appendix 14 of the HK Listing Rules: Nomination Committee**

Issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.

The nomination committee should be established with specific written terms of reference which deal clearly with its authority and duties.

**Rule 7.1, COCG**

The Board should establish a Remuneration Committee (“RC”) with written terms of reference which clearly set out its authority and duties. The RC should comprise at least three (3) directors, the majority of whom, including the chairman, should be independent. All of the members of the RC should be non-executive directors.

**Nominating Committee**

**Rule 4, COCG**

There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

**Rule 4.1, COCG**

The Board should establish a nominating committee (“NC”) to make recommendations to the Board on all board appointments, with written terms of reference which clearly set out its authority and duties. The NC should comprise at least three (3) directors, the majority of whom, including the chairman, should be independent. The lead independent director, if any, should be a member of the NC.

**Interested Person Transactions or Connected Transactions**

**Chapter 14A of the HK Listing Rules: (Connected Transactions)**

Chapter 14A of the HK Listing Rules specifies circumstances in which transactions between an issuer and certain specified persons (including connected persons) are, unless otherwise exempted, subject to the shareholders’ approval, annual review and disclosure requirements.

**Rules 14A.07 and 14A.24, HK Listing Rules:**

“Connected person” is defined to include a director, chief executive or substantial shareholder of the listed issuer or any of its subsidiaries; any person who was a director of the listed issuer or any of its subsidiaries

**Chapter 9, SGX Listing Manual**

Chapter 9 of the SGX Listing Manual, which applies to the Company, prescribes situations in which transactions between entities at risk (as defined in the SGX Listing Manual) and interested persons (as defined in the SGX Listing Manual) are required to be disclosed or are subject to the prior approval of shareholders.

**Rule 904, SGX Listing Manual**

For the purposes of Chapter 9, the following definitions apply:–

- (1) “approved exchange” means a stock exchange that has rules which safeguard the interests of

in the last twelve (12) months; a supervisor of a PRC issuer or any of its subsidiaries; an associate of the respective persons as aforesaid; a connected subsidiary; or a person deemed to be connected by the SEHK.

“Financial assistance” includes granting credit, lending money, or providing an indemnity against obligations under a loan, or guaranteeing or providing security for a loan;

“Transactions” include both capital and revenue nature transactions, whether or not conducted in the ordinary and usual course of business of the listed issuer’s group. This includes the following types of transactions:–

- (a) any acquisition or disposal of assets by a listed issuer’s group including a deemed disposal;
- (b) any transaction involving a listed issuer’s group granting, accepting, transferring, exercising or terminating an option to acquire or dispose of assets or to subscribe for securities; or the issuer’s group deciding not to exercise an option to acquire or dispose of assets or to subscribe for securities;
- (c) entering into or terminating finance leases or operating leases or sub-leases;
- (d) granting an indemnity or providing or receiving financial assistance;
- (e) entering into an agreement or arrangement to set up a joint venture entity in any form, such as a partnership or a company, or any other form of joint arrangement;
- (f) issuing new securities of the listed issuer or its subsidiaries;
- (g) providing, receiving or sharing services ; or
- (h) acquiring or providing raw materials, intermediate products and/or finished goods.

shareholders against interested person transactions according to similar principles to Chapter 9;

(2) “entity at risk” means:–

- (a) the issuer;
- (b) a subsidiary of the issuer that is not listed on the SGX-ST or an approved exchange; or
- (c) an associated company of the issuer that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company.

(3) “financial assistance” includes:–

- (a) the lending or borrowing of money, the guaranteeing or providing security for a debt incurred or the indemnifying of a guarantor for guaranteeing or providing security; and
- (b) the forgiving of a debt, the releasing of or neglect in enforcing an obligation of another, or the assuming of the obligations of another.

(4) “interested person” means:–

- (a) a director, chief executive officer, or controlling shareholder of the issuer; or
- (b) an associate of any such director, chief executive officer, or controlling shareholder.

(5) “interested person transaction” means a transaction between an entity at risk and an interested person.

(6) “transaction” includes:–

- (a) the provision or receipt of financial assistance;

- (b) the acquisition, disposal or leasing of assets;
- (c) the provision or receipt of services;
- (d) the issuance or subscription of securities;
- (e) the granting of or being granted options; and
- (f) the establishment of joint ventures or joint investments;

whether or not in the ordinary course of business, and whether or not entered into directly or indirectly (for example, through one or more interposed entities).

**Rules 14A.35 to 14A.37, 14A.49, 14A.71, 14A.76, HK Listing Rules: Reporting, Announcement and Independent Shareholders' Approval Requirements for Connected Transactions**

Rules 14A.35, 14A.36 and 14A.46

Where any connected transaction is proposed, the transaction must be announced as soon as practicable after its terms have been agreed and a circular must be sent to shareholders giving information about the transaction. Prior approval of the shareholders in general meeting will be required before the transaction can proceed, unless it is otherwise exempted under the HK Listing Rules.

Rules 14A.37, 14A.73, 14A.76

Certain categories of transactions are exempt from the general meeting requirement and accept a written shareholder's approval, and certain transactions are subject only to disclosure requirements. Amongst other exemptions under the HK Listing Rules include a connected transaction on normal commercial terms which constitutes a de minimis transaction under Rule 14A.76(1), which will be exempt from shareholders' approval annual review and all disclosure requirements, where each of the percentage ratios (other than the profits ratio) is less than 0.1% or less than 1.0% (where the connected transaction only involves a connected person at the issuer's

**When Announcement Required  
Rule 905, SGX Listing Manual**

- (1) An issuer must make an immediate announcement of any interested person transaction of a value equal to, or more than, 3.0% of the group's latest audited net tangible assets.
- (2) If the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 3.0% or more of the group's latest audited net tangible assets, the issuer must make an immediate announcement of the latest transaction and all future transactions entered into with that same interested person during that financial year.
- (3) Rules 905 (1) and (2) do not apply to any transaction below \$100,000.

**When Shareholder Approval Required  
Rule 906, SGX Listing Manual**

- (1) an issuer must obtain shareholder approval for any interested person transaction of a value equal to, or more than:–
  - (a) 5.0% of the group's latest audited net tangible assets; or



subsidiary's level), or each of the percentage ratios (other than the profits ratio) is less than 5.0% and the total consideration is less than HK\$3,000,000.

**Rules 14A.49, 14A.71, HK Listing Rules: Reporting Requirements**

The listed issuer's annual report must contain the following information on the connected transactions conducted in that financial year (including continuing connected transactions under agreements signed in previous years):

- (a) the transaction date;
- (b) the parties to the transaction and a description of their connected relationship;
- (c) a brief description of the transaction and its purpose;
- (d) the total consideration and terms;
- (e) the nature and extent of the connected person's interest in the transaction; and
- (f) for continuing connected transactions,
  - i. a confirmation from the listed issuer's independent non-executive directors on the matters set out in Rule 14A.55; and
  - ii. a statement from the listed issuer's board of directors whether the auditors have confirmed the matters set out in Rule 14A.56.

- (b) 5.0% of the group's latest audited net tangible assets, when aggregated with other transactions entered into with the same interested person during the same financial year. However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.

- (2) Rule 906(1) does not apply to any transaction below \$100,000.

**Rule 907, SGX Listing Manual**

An issuer must disclose the aggregate value of interested person transactions entered into during the financial year under review in its annual report. The name of the interested person and the corresponding aggregate value of the interested person transactions entered into with the same interested person must be presented in the prescribed format.

**Rule 920, SGX Listing Manual**

- (1) An issuer may seek a general mandate from shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate is subject to annual renewal.

- (a) An issuer must:–
  - (i) disclose the general mandate in the annual report, giving details of the aggregate value of transactions conducted pursuant to the general mandate during the financial year in the prescribed format; and

- (ii) announce the aggregate value of transactions conducted pursuant to the general mandate for the financial periods which it is required to report on pursuant to Rule 705 within the time required for the announcement of such report.
- (b) A circular to shareholders seeking a general mandate must include:–
- (i) the class of interested persons with which the entity at risk will be transacting;
  - (ii) the nature of the transactions contemplated under the mandate;
  - (iii) the rationale for and benefit to the entity at risk;
  - (iv) the methods or procedures for determining transaction prices;
  - (v) the independent financial adviser's opinion on whether the methods or procedures in (iv) are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the issuer and its minority shareholders;
  - (vi) an opinion from the audit committee if it takes a different view to the independent financial adviser;
  - (vii) a statement from the issuer that it will obtain a fresh mandate from shareholders if the methods or procedures in (iv) become inappropriate; and
  - (viii) a statement that the interested person will abstain, and has undertaken to ensure that its associates will abstain, from voting on the resolution approving the transaction.

- (c) An independent financial adviser's opinion is not required for the renewal of a general mandate provided that the audit committee confirms that:–
- (i) the methods or procedures for determining the transaction prices have not changed since last shareholder approval; and
  - (ii) the methods or procedures in Rule 920(1)(c)(i) of the SGX Listing Manual are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the issuer and its minority shareholders.
- (d) Transactions conducted under a general mandate are not separately subject to Rules 905 and 906 of the SGX Listing Manual.

**Rule 14A.81, HK Listing Rules:  
Aggregation of Transactions**

The SEHK will aggregate a series of connected transactions and treat them as if they were one (1) transaction if they were all entered into or completed within a twelve (12) month period or are otherwise related. The listed issuer must comply with the applicable connected transaction requirements based on the classification of the connected transactions when aggregated. The aggregation period will cover twenty-four (24) months if the connected transactions are a series of acquisitions of assets being aggregated which may constitute a reverse takeover.

**Rule 14A.82, HK Listing Rules:  
Aggregation of Transactions**

Factors that the SEHK will consider for aggregation of a series of connected transactions include whether:

- (a) they are entered into by the listed issuer's group with the same party, or parties who are connected with one another;

**Rule 908, SGX Listing Manual**

In interpreting the term "same interested person" for the purpose of aggregation in Rules 905 and 906 of the SGX Listing Manual, the following applies:–

- (1) Transactions between an entity at risk and interested persons who are members of the same group are deemed to be transactions between the entity at risk with the same interested person.
- (2) If an interested person, (which is a member of a group) is listed, its transactions with the entity at risk need not be aggregated with transactions between the entity at risk and other interested persons of the same group, provided that the listed interested person and other listed interested persons have boards the majority of whose directors are different and are not accustomed to act on the instructions of the other interested persons and their associates and have audit committees whose members are completely different.

- (b) they involve the acquisition or disposal of parts of one asset, or securities or interests in a company or group of companies; or
- (c) they together lead to substantial involvement by the listed issuer's group in a new business activity.

**Rule 918, SGX Listing Manual**

If a transaction requires shareholder approval, it must be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction.

**Rule 14A.83, HK Listing Rules: Aggregation of Transactions**

The SEHK may aggregate all continuing connected transactions with a connected person.

**Rule 919, SGX Listing Manual**

In a meeting to obtain shareholder approval, the interested person and any associate of the interested person must not vote on the resolution, nor accept appointments as proxies unless specific instructions as to voting are given.

**Rule 14A.84, HK Listing Rules: Aggregation of Transactions**

The listed issuer must consult the SEHK before the listed issuer's group enters into any connected transaction if:

- (a) the transaction and any other connected transactions entered into or completed by the listed issuer's group in the last twelve (12) months fall under any of the circumstances described in Rule 14A.82; or
- (b) the transaction and any other transactions entered into by the listed issuer's group involve the acquisition of assets from a person or group of persons or any of their associates within twenty-four (24) months after the person(s) gain control (as defined in the HK Takeovers Code) of the listed issuer.

**Rule 14A.85, HK Listing Rules: Aggregation of Transactions**

The listed issuer must provide information to the SEHK on whether it should aggregate the transactions.

**Rule 14A.86, HK Listing Rules:  
Aggregation of Transactions**

The SEHK may aggregate a listed issuer's connected transactions even if the listed issuer has not consulted the SEHK.

**Rules 14A.76, 14A.89, 14A.92 to 14A.95,  
14A.97 to 14A.101, HK Listing Rules:  
Exemptions**

The connected transactions which can be exempt from the connected transaction requirements include:–

- (a) de minimis transactions;
- (b) financial assistance;
- (c) issue of new securities by the listed issuer or its subsidiary if (i) the connected person receives a pro rata entitlement to the issue as a shareholder; (ii) the connected person subscribes for the securities in a rights issue or open offer; (iii) the securities are issued to the connected person under a share option scheme; or (iv) the securities are issued under a "top-up placing and subscription";
- (d) SEHK dealings;
- (e) any buy-back of own securities by a listed issuer or its subsidiary from a connected person on SEHK or a recognised stock exchange or under a general offer made under the Code on Share Buy-backs;
- (f) the entering into of a service contract by a director of the listed issuer with the listed issuer or its subsidiary;
- (g) the buying as customer or selling consumer goods or services to a connected person on normal commercial terms or better in its ordinary and usual course of business if such goods and services are (i) of a type ordinarily supplied for private use or consumption, (ii) for the acquirer's own consumption or use, (iii) consumed or used by the acquirer in

**Exceptions****Rule 915, SGX Listing Manual**

The following transactions are not required to comply with Rules 905, 906 and 907 of the SGX Listing Manual:–

- (1) a payment of dividends, a subdivision of shares, an issue of securities by way of a bonus issue, a preferential offer, or an off-market acquisition of the issuer's shares, made to all shareholders on a pro-rata basis, including the exercise of rights, options or company warrants granted under the preferential offer;
- (2) the grant of options, and the issue of securities pursuant to the exercise of options, under an employees' share option scheme approved by the SGX-ST;
- (3) a transaction between an entity at risk and an investee company, where the interested person's interest in the investee company, other than that held through the issuer, is less than 5.0%;
- (4) a transaction in marketable securities carried out in the open market where the counterparty's identity is unknown to the issuer at the time of the transaction;
- (5) a transaction between an entity at risk and an interested person for the provision of goods or services if:–
  - (a) the goods or services are sold or rendered based on a fixed or graduated scale, which is publicly quoted; and

- the same state as when they were acquired (iv) acquired on terms no more favourable to the connected person or no less favourable to the listed issuer's group than those available from independent third parties;
- (8) the sharing of administrative services between a listed issuer and a connected person on a cost basis;
- (9) transactions with associates of passive investors; and
- (10) transactions with connected persons at the subsidiary level.
- (b) the sale prices are applied consistently to all customers or class of customers.
- Such transactions include telecommunication and postal services, public utility services, and sale of fixed price goods at retail outlets.
- (6) the provision of financial assistance or services by a financial institution that is licensed or approved by the Monetary Authority of Singapore, on normal commercial terms and in the ordinary course of business;
- (7) the receipt of financial assistance or services from a financial institution that is licensed or approved by the Monetary Authority of Singapore, on normal commercial terms and in the ordinary course of business;
- (8) director's fees and remuneration, and employment remuneration (excluding "golden parachute" payments).

#### **Rule 916, SGX Listing Manual**

The following transactions are not required to comply with Rule 906 of the SGX Listing Manual:–

- (1) the entering into, or renewal of a lease or tenancy of real property of not more than three (3) years if the terms are supported by independent valuation;
- (2) investment in a joint venture with an interested person if:–
- (a) the risks and rewards are in proportion to the equity of each joint venture partner;
- (b) issuer confirms by an announcement that its audit committee is of the view that the risks and rewards of the joint venture are in proportion to the equity of each joint venture partner and the terms of the joint

venture are not prejudicial to the interests of the issuer and its minority shareholders; and

- (c) the interested person does not have an existing equity interest in the joint venture prior to the participation of the entity at risk in the joint venture.
- (3) The provision of a loan to a joint venture with an interested person if:–
- (a) the loan is extended by all joint venture partners in proportion to their equity and on the same terms;
  - (b) the interested person does not have an existing equity interest in the joint venture prior to the participation of the entity at risk in the joint venture; and
  - (c) the issuer confirms by an announcement that its audit committee is of the view that:
    - (i) the provision of the loan is not prejudicial to the interests of the issuer and its minority shareholders; and
    - (ii) the risks and rewards of the joint venture are in proportion to the equity of each joint venture partner and the terms of the joint venture are not prejudicial to the interests of the issuer and its minority shareholders.

- (4) the award of a contract by way of public tender to an interested person if:–
- (a) the awarder entity at risk announces the following information:–
    - (i) the prices of all bids submitted;
    - (ii) an explanation of the basis for selection of the winning bid; and
  - (b) both the listed bidder (or if the bidder is unlisted, its listed parent company) and listed awarder (or if the awarder is unlisted, its listed parent company) have boards, the majority of whose directors are different and are not accustomed to act on the instructions of the interested person or its associates and have audit committees whose members are completely different.
- (5) the receipt of a contract which was awarded by way of public tender, by an interested person if:–
- (a) the bidder entity at risk announces the prices of all bids submitted; and
  - (b) both the listed bidder (or if the bidder is unlisted, its listed parent company) and listed awarder (or if the awarder is unlisted, the listed parent company) have boards, the majority of whose directors are different and are not accustomed to act on the instructions of the interested person or its associates and have audit committees whose members are completely different.



**RESTRICTIONS ON DEALINGS OF DIRECTORS BEFORE PUBLICATION OF THE  
FINANCIAL RESULTS****Rules A3, B8 and C14 of Appendix 10,  
HK Listing Rules**Rule A3

A director must not deal in any securities of the listed issuer on any day on which its financial results are published and:–

- (i) during the period of sixty (60) days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) during the period of thirty (30) days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results,

unless the circumstances are exceptional as described in Rule C14 below. In any event, the director must comply with the procedure in the Rules B.8 and B.9 of the Model Code for Securities Transactions by Directors of Listed Issuers (the “Directors Dealing Code”).

The listed issuer must notify the SEHK in advance of the commencement of each period during which directors are not allowed to deal under Rule A3. Such period will cover any period of delay in the publication of a results announcement.

Rule C14

If a director proposes to sell or otherwise dispose of securities of the listed issuer under exceptional circumstances where the sale or disposal is otherwise prohibited under the Directors Dealing Code, the director must comply with the provisions of the Rule B8 of the Directors Dealing Code regarding prior written notice and acknowledgement. The director must satisfy the chairman or the designated director that the circumstances are exceptional and the proposed sale or

**Rule 1207(19)(c), SGX Listing Manual**

A listed issuer and its officers should not deal in the listed issuer’s securities during the period commencing two (2) weeks before the announcement of the company financial statements for each of the first three (3) quarters of its financial year and one (1) month before the announcement of the company’s full year financial statements (if required to announce quarterly financial statements), or one (1) month before the announcement of the company’s half year and full year financial statements (if not required to announce quarterly financial statements).

disposal is the only reasonable course of action available to the director before the director can sell or dispose of the securities. The listed issuer shall give written notice of such sale or disposal to SEHK as soon as practicable stating why it considered the circumstances to be exceptional. The listed issuer shall publish an announcement in accordance with Rule 2.07C of the HK Listing Rules immediately after any such sale or disposal and state that the chairman or the designated director is satisfied that there were exceptional circumstances for such sale or disposal of securities by the director.

#### Rule B8

Under the Directors Dealing Code, a director must not deal in any securities of the listed issuer without first notifying in writing the chairman or a director (otherwise than himself) designated by the board for the specific purpose and receiving a dated written acknowledgement. In his own case, the chairman must first notify the board at a board meeting, or alternatively notify a director (otherwise than himself) designated by the board for the purpose and receive a dated written acknowledgement before any dealing. The designated director must not deal in any securities of the listed issuer without first notifying the chairman and receiving a dated written acknowledgement.

In each case, (a) a response to a request for clearance to deal must be given to the relevant director within five (5) business days of the request being made; and (b) the clearance to deal in accordance with (a) above must be valid for no longer than five (5) business days of clearance being received.

#### Rule B9

The procedure established within the listed issuer must, as a minimum, provide for there to be a written record maintained by the listed issuer that the appropriate notification was given and acknowledged pursuant to Rule B8 of the Directors Dealing Code, and for the director concerned to have received written confirmation to that effect.

**B. TAKEOVER OBLIGATIONS****1. The Singapore Code on Take-over and Mergers (the “Singapore Takeover Code”)**

The Singapore Takeover Code regulates the acquisition of ordinary shares of public companies and contains certain provisions that may delay, deter or prevent a future takeover or change in control of the Company. Any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30.0% or more of the Company’s voting Shares, or, if such person holds, either on his own or together with parties acting in concert with him, between 30.0% and 50.0% (both inclusive) of the Company’s voting Shares, and if he (or parties acting in concert with him) acquires additional voting Shares representing more than 1.0% of the Company’s voting Shares in any six month period, must, except with the consent of the Securities Industry Council in Singapore, extend a takeover offer for the remaining voting Shares in accordance with the provisions of the Singapore Takeover Code.

“Persons acting in concert” comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of Shares in a company, to obtain or consolidate effective control of that company. Without prejudice to the general application of this definition, the following individuals and companies are presumed to be acting in concert with each other (unless the contrary is established). They are as follows:

- a company and its related companies, the associated companies of any of the company and its related companies, companies whose associated companies include any of these companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;
- a company and its directors (including their close relatives, related trusts and companies controlled by any of the directors, their close relatives and related trusts);
- a company and its pension funds and employee share schemes;
- a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- a financial or other professional adviser and its clients in respect of Shares held by the adviser and persons controlling, controlled by or under the same control as the adviser and all the funds managed by the adviser on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10.0% or more of the client’s equity share capital;
- directors of a company (including their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for the company may be imminent;
- partners; and
- an individual and his close relatives, related trusts, any person who is accustomed to act in accordance with his instructions and companies controlled by the individual, his close relatives, his related trusts or any person who is accustomed to act in accordance with his instructions and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights.

A mandatory offer must be in cash or be accompanied by a cash alternative at not less than the highest price paid by the offeror or parties acting in concert with the offeror within the six (6) months preceding the acquisition of Shares that triggered the mandatory offer obligation.

Under the Singapore Takeover Code, where effective control of a company is acquired or consolidated by a person, or persons acting in concert, a general offer to all other shareholders is normally required. An offeror must treat all shareholders of the same class in an offeree company equally. A fundamental requirement is that shareholders in the company subject to the takeover offer must be given sufficient information, advice and time to consider and decide on the offer.

Following the conclusion of an offer, pursuant to section 215 of the Singapore Companies Act, if an offeror acquires 90.0% of the shares of the offeree company, it may, by notice to the dissenting shareholders, sell its shares to it. In calculating the 90% threshold, shares held or acquired by the Offeror, its related corporations and their respective nominees are excluded. The notice must be sent within two months of the satisfaction of the 90% threshold. The shareholder whose shares are thus to be acquired may apply to Court for an order that the offeror is not entitled to acquire the shares, or specifying different acquisition. Where an offeror could acquire the holdings of minority shareholders but does not, a minority shareholder may serve a notice requiring the offeror to do so within three (3) months from the date of receipt of notice from offeror of the fact that the offeror has acquired 90% of the shares of the offeree company. The offeror is then obliged to acquire the shareholder's shares on the same terms as the other shares were acquired during the offer.

## **2. The Codes on Takeover and Merger and Share Buy-backs of Hong Kong (the "HK Takeovers Code")**

Public companies with a primary listing of their equity securities in Hong Kong fall within the regulatory framework of the HK Takeovers Code. The HK Takeovers Code is not legally enforceable. Its purpose is to provide guidelines for companies and their advisers contemplating, or becoming involved in, takeovers and mergers affecting public companies in Hong Kong.

The aim of the HK Takeovers Code is to ensure fair treatment of shareholders affected by takeovers, mergers and share buy-backs. It requires the timely disclosure of adequate information to enable shareholders to make an informed decision as to the merits of any offer. It also provides an orderly framework within which takeovers, mergers and share buy-backs are to be conducted.

The HK Takeovers Code regulates acquisitions of shares (whether by way of takeovers, mergers and share buy-back) in an offeree company, a potential offeree company, or a company in which control may change or be consolidated that is relevant. Control is currently defined as a holding, or aggregate holdings, of 30.0% or more of the voting rights of a company, irrespective of whether that holding or holdings gives de facto control.

The HK Takeovers Code also applies not only to the offeror and the offeree company, but also to those persons "acting in concert" with the offeror. Under the HK Takeovers Code, "persons acting in concert" are persons who "pursuant to an agreement or understanding (whether formal or informal), actively cooperate to obtain or consolidate control of a company through the acquisition by any of them of voting rights of the company". The HK Takeovers Code also describes classes of persons who are presumed to be acting in concert with others in the same class unless the contrary is established.

The HK Takeovers Code requires the making of a mandatory general offer to holders of each class of equity share capital of the offeree company, whether the class carries voting rights or not, and also to the holders of any class of voting non-equity share capital in which such person, or persons acting in concert with him, hold shares, unless a waiver has been granted by the executive of the Securities and Futures Commission, where a person or a group of persons acting in concert (a) acquires control of a company (meaning 30.0% or more of the voting rights), whether by a series of transactions over a period of time, or not; or (b) when already holding between 30.0% and 50.0% of the voting rights of a company, acquires more than 2.0% of the voting rights in the target company in a twelve (12) month period ending on and inclusive of the date of the relevant acquisition.

In either of the above cases, an offer must be made to the shareholders. The offer must be in cash or accompanied by a cash alternative at not less than the highest price paid by the offeror (or any person acting in concert with it) for shares of that class of the offeree company during the offer period and within six (6) months prior to its commencement.

**A. FURTHER INFORMATION ABOUT OUR COMPANY AND THE SUBSIDIARIES OF OUR GROUP****1. Incorporation of our Company**

Our Company was incorporated in Singapore under the Companies Act as a private company limited by shares on 2 August 1984. Our Company changed its name from “Kyodo-Allied Industries Ltd.” to “Weiye Holdings Limited” with effect from 10 August 2011.

Our Company has established a place of business in Hong Kong at Room 2105, 21/F, Office Tower Langham Place, 8 Argyle Street, Mongkok, Kowloon, Hong Kong and was registered on 19 February 2016 as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance. Man Yun Wah of Room 2105, 21/F, Office Tower Langham Place, 8 Argyle Street, Mongkok, Kowloon, Hong Kong has been appointed as our authorised representative for the acceptance of service of process and notices on our behalf in Hong Kong. Our address for service of process and notices in Hong Kong is Room 2105, 21/F, Office Tower Langham Place, 8 Argyle Street, Mongkok, Kowloon, Hong Kong.

As our Company was incorporated in Singapore, its operation is subject to the relevant laws and regulations of Singapore, and our Company’s constitution comprises the Memorandum and the Articles. A summary of our Company’s constitution and the salient provisions of the laws of Singapore is set out in Appendix IV to this listing document and the major differences between certain applicable Hong Kong and Singapore laws and regulations are set out in Appendix V to this listing document.

**2. Changes in share capital of our Company**

Pursuant to the approval of the Shareholders obtained at the extraordinary general meeting held on 27 November 2015, our Shares have been consolidated on the basis of 10 pre-consolidation Shares into 1 current Share with effect from 8 December 2015. Following the share consolidation, the number of our issued Shares was reduced from 1,961,334,713 to 196,133,152 Shares.

Save as disclosed above, there has been no alteration in the share capital of our Company in the two years preceding the date of this listing document.

As at the Latest Practicable Date, our Company has no founder shares, management shares, treasury shares or deferred shares.

**3. Resolution of the Shareholders passed at the general meetings of our Company held on 29 April 2015, 27 November 2015 and 22 December 2015**

At the annual general meeting of our Company held on 29 April 2015, resolutions of Shareholders were passed pursuant to which, amongst other things, pursuant to s.161 of Companies Act and Rule 806 of the SGX-ST Listing Manual, approval was given to the Directors to issue:

- (i) shares in the capital of our Company whether by way of rights, bonus or otherwise; or
- (ii) convertible securities; or
- (iii) additional convertible securities arising from adjustments made to the number of convertible securities previously issued in the event of rights, bonus or capitalisation issues; or
- (iv) shares arising from the conversion of convertible securities,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of our Company may in their absolute discretion deem fit; and

- (v) (notwithstanding the authority conferred by such resolution may have ceased to be in force) issue shares in pursuance of any Instrument (as defined in the Notice of Annual General Meeting of our Company dated 29 April 2015) made or granted by our Directors while such resolution was in force, (the “**Share Issue Mandate**”)

provided that:

- (1) the aggregate number of Shares to be issued pursuant to such resolution (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to such resolution) does not exceed 50% of the issued shares (excluding treasury shares) in the capital of our Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to the existing Shareholders (including Shares to be issued in pursuance of Instruments made or granted pursuant to such resolution) does not exceed 20% of issued Shares (excluding treasury shares) in the capital of our Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued Shares shall be based on the number of issued Shares (excluding treasury shares) in the capital of our Company at the time of the passing of such resolution, after adjusting for:
  - (a) new Shares arising from the conversion or exercise of the Instruments or any convertible securities;
  - (b) new Shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of such resolution; and
  - (c) any subsequent consolidation or subdivision of Shares;
- (3) in exercising the Share Issue Mandate conferred by such resolution, our Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and our Articles; and
- (4) unless revoked or varied by us in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of our next annual general meeting or the date by which our next annual general meeting is required by law to be held, whichever is earlier or (ii) in the case of Shares to be issued in pursuance of the instruments, made or granted pursuant to such resolution, until the issuance of such Shares in accordance with the terms of the instruments.

At two separate extraordinary general meetings of our Company both held on 27 November 2015, resolutions of Shareholders were passed pursuant to which, amongst other things, approval was given for:

- (a) the proposed Spin-Off Listing; and
- (b) the Share Consolidation.

At the extraordinary general meeting of our Company held on 22 December 2015, resolutions of Shareholders were passed pursuant to which, amongst other things, approval was given for:

- (a) the proposed Listing;
- (b) the proposed amendments to our Memorandum of Association; and
- (c) the proposed adoption of new Articles of Association.

#### **4. Changes in share capital or registered capital of the subsidiaries of our Company**

The subsidiaries of our Group are listed in the Accountants' Report set out in Appendix I to this listing document, as well as Zhengzhou Daimashi from the perspective of the Listing Rules.

The following are alterations in the share or registered capital of each of our subsidiaries which have taken place within the two years immediately preceding the date of this listing document:

- (a) On 18 August 2014, the registered and paid-up capital of Henan Xingwei was increased from RMB200,000,000 to RMB241,830,000;
- (b) On 15 October 2014, Hongji Weiye was incorporated with a registered capital of RMB300 million and paid-up capital of RMB50 million;
- (c) On 8 December 2014, Hanwei Zhiye was incorporated with a registered capital of RMB10 million;
- (d) On 2 April 2015, Eindec Corporation was incorporated with an issued and paid-up share capital of S\$1.00 comprising 1 ordinary share;
- (e) On 13 May 2015, Eindec Holdings was incorporated with an issued and paid-up share capital of S\$1.00 comprising 1 ordinary share;
- (f) On 19 May 2015, Eindec Singapore was incorporated with an issued and paid-up share capital of S\$1.00 comprising 1 ordinary share;
- (g) On 15 June 2015, Xie Tong International issued 50,000 ordinary shares at S\$17.06 per share to our Company such that its issued and paid-up share capital increased from S\$1.00 to S\$853,001.00;
- (h) On 20 July 2015, Eindec Corporation issued 1,000,000 ordinary shares at S\$2.93 per share to our Company such that its issued and paid-up share capital increased from S\$1.00 to S\$2,930,001.00;
- (i) On 20 July 2015, Eindec Singapore issued 1,000,000 ordinary shares at S\$2.93 per share to Eindec Holdings Pte. Ltd. such that its issued and paid-up share capital increased from S\$1.00 to S\$2,930,001.00; and
- (j) On 9 July 2015, Eindec Shenzhen was incorporated with a registered capital of RMB20 million, of which RMB3 million was paid-up on 11 August 2015;
- (k) On 29 December 2015, the registered and paid-up capital of Henan Xingwei was increased from RMB241,830,000 to RMB314,070,000; and
- (l) On 27 January 2016, the registered and paid-up capital of Henan Xingwei was increased from RMB314,070,000 to RMB390,000,000.

Other than stated above, there has been no alteration in the share capital of any of the subsidiaries of our Company within two years immediately preceding the Latest Practicable Date.

**B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP****1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this listing document and are or may be material:

- (a) a loan agreement dated 8 April 2014 entered into between Henan Weiye as lender and Hainan Huibang Construction Decoration Engineering Co., Ltd.\* (海南蒼邦建築裝飾工程有限公司) as borrower, pursuant to which Henan Weiye agreed to provide a loan in the principal amount of RMB15,500,000 to Hainan Huibang Construction Decoration Engineering Co., Ltd.\* (海南蒼邦建築裝飾工程有限公司);
- (b) a share transfer agreement dated 15 April 2014 entered into between our Company as transferor and Xie Tong International as transferee, pursuant to which our Company agreed to transfer 100% equity interest in Eindec Shanghai to Xie Tong International for a consideration of USD300,000;
- (c) a loan agreement dated 21 July 2014 entered into between Henan Weiye as lender and Hanfang Yaoye as borrower, pursuant to which Henan Weiye agreed to provide a loan in the principal amount of RMB10,000,000 to Hanfang Yaoye;
- (d) (i) a loan agreement dated 23 July 2014 entered into between Henan Weiye as lender and Feng Chaoling (馮朝嶺) as borrower, pursuant to which Henan Weiye agreed to provide a loan in the principal amount of RMB90,000,000 to Feng Chaoling and (ii) a pledge of equity interest dated 9 July 2014 pursuant to which Feng Chaoling agreed to pledge 49% equity interest in Hanfang Yaoye to Henan Weiye as security for the abovementioned loan;
- (e) a pledge of equity interest dated 25 November 2014 entered into between Feng Chaoling (馮朝嶺) as pledgor and Henan Weiye as pledgee, pursuant to which Feng Chaoling replaced the pledge of 49% equity interest in Hanfang Yaoye by 49% equity interest in Hanwei Zhiye;
- (f) a loan agreement dated 28 May 2015 entered into between Henan Weiye as lender, Henan Meiyuan Industry Co., Ltd.\* (河南梅園實業有限公司) (“Hainan Meiyuan”) as borrower, Xu Jinjian (徐金健) and Zhang Bo (張波), pursuant to which Henan Weiye agreed to provide a loan in the principal amount of RMB104,300,000 to Hainan Meiyuan and as security for the loan, Xu Jinjian (徐金健) and Zhang Bo (張波) has agreed to pledge their equity interest in Hainan Meiyuan;
- (g) a share sale and purchase agreement dated 1 July 2015 entered into between Xie Tong International as vendor and Eindec Corporation as purchaser, pursuant to which Xie Tong International sold 100% equity interest in the registered capital of Eindec Malaysia, Eindec Shanghai and Kyodo-Allied (Thailand) Co. Ltd. to Eindec Holdings (as a nominee of Eindec Corporation);
- (h) a supplemental agreement dated 15 July 2015 in relation to the share sale and purchase agreement referred to in paragraph (g) above, amending, *inter alia*, the consideration of the transfer;
- (i) an asset sale and purchase agreement dated 1 July 2015 entered into between Xie Tong Technology as vendor and Eindec Corporation as purchaser, pursuant to which Xie Tong Technology transferred all the businesses and assets of Xie Tong Technology as at 30 June 2015, save for a term loan, to Eindec Singapore (as a nominee of Eindec Corporation);




- (j) a supplemental agreement dated 15 July 2015 in relation to the asset sale and purchase agreement referred to in paragraph (i) above, amending, *inter alia*, the consideration of the transfer;
- (k) a deed of indemnity dated 20 July 2015 given by our Company in favour of Eindec Group, pursuant to which our Company agreed to indemnify Eindec Group from all claims, losses and costs in relation to, *inter alia*, any breach of the term loan taken out by Xie Tong Technology and any delay by Xie Tong Technology in complying with the terms of such term loan;
- (l) a deed of undertaking dated 22 September 2015 entered into between our Company and Eindec Corporation governing the outstanding amount of S\$2.36 million owing by Eindec Group to our Group (which, for the purposes of the deed, specifically excludes Eindec Group) as at the date of entry into the deed ("**Outstanding Amount**"), pursuant to which, *inter alia*, our Group has agreed to continue to extend the Outstanding Amount to Eindec Group on an unsecured basis with no fixed repayment terms, and any repayment of the Outstanding Amount shall only be made after the date of admission of Eindec Corporation to Catalist, taking into account certain factors including the financial position of Eindec Group (including cash flow);
- (m) a moratorium undertaking dated 28 September 2015 given by our Company, pursuant to which our Company has undertaken that it will not, for a period of six (6) months from the date of Eindec Corporation's admission to Catalist ("**First Moratorium Period**"), dispose of or create any security over any part of its existing shareholding in the capital of Eindec Corporation, and, in the subsequent six (6) months after the First Moratorium Period, not to dispose of or create any security over more than 50% of its original shareholding in Eindec Corporation;
- (n) the Deed of Indemnity;
- (o) the Deed of Non-Competition; and
- (p) a sponsor's agreement dated 24 March 2016 entered into between the Company, the executive Directors of the Company, namely Mr. Zhang Wei and Mr. Chen Zhiyong, and the Sole Sponsor relating to the Listing.






## 2. Intellectual property rights

### (a) Trademarks

#### (i) Registered trademarks owned by our Group

As at the Latest Practicable Date, our Group was the registered owner of the following trademarks which are material in relation to our business:

|   | Name of proprietor | Registration number | Class | Trademark   | Place of registration | Duration of validity (date. month. year)/Date of Registration |
|---|--------------------|---------------------|-------|---|-----------------------|---|
| 1 | Henan Weiye        | 8014176             | 36    |  | PRC                   | 28 March 2011 to 27 March 2021                                |

|    | Name of proprietor | Registration number | Class  | Trademark   | Place of registration | Duration of validity (date, month, year)/Date of Registration |
|----|--------------------|---------------------|--------|---|-----------------------|---|
| 2  | Henan Weiye        | 8014171             | 36     |    | PRC                   | 28 March 2011 to 27 March 2021                                |
| 3  | Hainan Weiye       | 9692724             | 36     |    | PRC                   | 21 August 2012 to 20 August 2022                              |
| 4  | Hainan Weiye       | 9696481             | 36     |    | PRC                   | 7 September 2012 to 6 September 2022                          |
| 5  | Henan Weiye        | 1749566             | 36     |   | PRC                   | 14 April 2012 to 13 April 2022                                |
| 6  | Henan Tiandao      | 12644557            | 36     | 天道象湖国际  | PRC                   | 14 October 2014 to 13 October 2024                            |
| 7  | Henan Tiandao      | 12644665            | 37     | 天道象湖国际  | PRC                   | 21 October 2014 to 20 October 2024                            |
| 8  | Henan Tiandao      | 12644531            | 36     | 天道象湖湾   | PRC                   | 21 October 2014 to 20 October 2024                            |
| 9  | Henan Tiandao      | 12644690            | 37     | 天道象湖湾   | PRC                   | 21 October 2014 to 20 October 2024                            |
| 10 | Our Company        | 303512592           | 36, 37 |  | Hong Kong             | 20 August 2015 to 19 August 2025                              |

*Note:* For details of the classifications of goods and services for trademarks listed in 1-9 above, see the paragraph "B. Further Information about the Business of our Group – 2. Intellectual Property Rights – (a) Trademarks – (iii) Classification of goods for trademarks registered in the PRC". For details of the classes and specifications for trademark listed in 10 above, see paragraph "B. Further Information about the Business of our Group – 2. Intellectual Property Rights – (a) Trademarks – (iv) Classes and specifications for trademarks in Hong Kong.

*(ii) Applications for registration of trademarks*

As at the Latest Practicable Date, our Group had applied for registration of the following trademarks, the registration of which had not yet been granted:

|   | <b>Name of applicant</b> | <b>Trademark</b>  | <b>Place of Registration</b> | <b>Class</b> | <b>Trademark application number</b> | <b>Application date (date. month. year)</b> |
|---|--------------------------|---|------------------------------|--------------|-------------------------------------|---|
| 1 | Our Company              |  | Hong Kong                    | 36, 37       | 303512583                           | 20 August 2015                              |
| 2 | Our Company              |  | Hong Kong                    | 36, 37       | 303512574                           | 20 August 2015                              |

*Note:* For details of the classes and specifications for trademarks pending registration as listed above, see the paragraph "B. Further Information about the Business of our Group – 2. Intellectual Property Rights – (a) Trademarks – (iv) Classes and specifications for trademarks in Hong Kong".

*(iii) Classification of goods for trademarks registered in the PRC*

The table below sets out the classification of goods for trademarks registered in the PRC (the detailed classification in relation to the relevant trademarks depends on what is set out in the relevant trademark certificate and may differ from the list below):

| <b>Class Number</b> | <b>Goods</b>   |
|---------------------|--|
| 36                  | Insurance; financial affairs; monetary affairs; real estate affairs. |
| 37                  | Building construction; repair; installation services.                |

*(iv) Classes and specifications for trademarks in Hong Kong*

The table below sets out the classes and specifications for trademarks in Hong Kong:

| <b>Class Number</b> | <b>Classes and specifications</b>  |
|---------------------|--|
| 36                  | Capital investment; leasing of real estate; real estate agencies; real estate appraisal; real estate management; real estate investment; real estate brokerage; financial valuation; rental of apartments; apartment house management; housing agencies; accommodation bureaus apartments.   |
| 37                  | Building construction supervision; construction; underwater construction; development and redevelopment of land and property (construction services); building of fair stalls and shops; installation of doors and windows, pipeline construction and maintenance; construction, maintenance and repair of buildings and building structures; renovation of buildings; construction engineering; cleaning of buildings (interior); electric appliance installation and repair; elevator installation and repair. |

**(b) Domain names**

As at the Latest Practicable Date, our Group had registered the following domain name which has been currently used by us:

|   | <u>Domain name</u> | <u>Registered owner</u> | <u>Place of registration</u> | <u>Registration date</u> | <u>Expiry date</u> |
|---|--------------------|-------------------------|------------------------------|--------------------------|--------------------|
| 1 | weiyeholdings.com  | Henan Weiye             | PRC                          | 24 October 2011          | 24 October 2016    |

Save as aforesaid, there are no other trade or service marks, patents, other intellectual property rights which are material in relation to our business.

**3. Property interests**

For details of our owned and leased properties, please refer to the property valuation report prepared by DTZ Debenham Tie Leung Limited as set out in Appendix III to this listing document.

**C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS****1. Disclosure of interests****(a) Interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying shares and debentures of our Company and its associated corporations**

So far as our Directors are aware, immediately following completion of the Introduction, the interests or short positions of our Directors and chief executive of our Company in the Shares or underlying shares of or debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to notify our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

Interests or short positions in our Company:

| <u>Name of Director</u> | <u>Capacity/Nature of interest</u> | <u>Number and class of securities</u> | <u>Approximate percentage of interest</u> |
|-------------------------|------------------------------------|---------------------------------------|---|
| Zhang Wei (Note 1)      | Beneficial interest                | 91,029,648 (L)                        | 46.41%                                    |
| Chen Zhiyong (Note 2)   | Beneficial interest                | 40,240,256 (L)                        | 20.52%                                    |

Notes:

- (1) As of 15 March 2016 (being the latest information ascertainable before the Latest Practicable Date), Zhang Wei is directly interested in 71,029,648 Shares and is deemed interested in 20,000,000 Shares held under the nominee account, Raffles Nominees (Pte) Limited. Save and except any Shares (i) to be lent by Mr. Zhang Wei pursuant to the Stock Borrowing and Lending Agreements or (ii) to be sold by Mr. Zhang Wei pursuant to the Sale and Repurchase Agreement, Zhang Wei will be beneficially interested in 91,029,648 Shares representing approximately 46.41% of the issued capital of the Company immediately following the Listing. Zhang Wei is the brother of Zhang Jianwei and the brother-in-law of Chen Zhiyong.
- (2) As of 15 March 2016 (being the latest information ascertainable before the Latest Practicable Date), Chen Zhiyong is deemed interested in 40,240,256 Shares held under the nominee account, Raffles Nominees (Pte) Limited. Chen Zhiyong will be beneficially interested in 40,240,256 Shares representing approximately 20.52% of the issued capital of the Company immediately following the Listing. Chen Zhiyong is the brother-in-law of Zhang Wei and Zhang Jianwei.

\* (L) denotes Long position and (S) denotes Short position

**(b) Interests and short positions of substantial shareholders in the Shares and underlying Shares**

So far as our Directors are aware, immediately following completion of the Introduction, other than a Director or chief executive of our Company whose interests are disclosed under the sub-paragraph headed “Interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying shares or debentures of our Company and its associated corporations” above, the following persons have interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Interests or short positions in our Company:

| <u>Name of substantial shareholder</u> | <u>Capacity/Nature of interest</u> | <u>Number and class of securities</u> | <u>Percentage of interest in our Company</u> |
|--|------------------------------------|---------------------------------------|--|
| Raffles Nominees (Pte) Limited (Note)  | Nominee for other persons          | 73,117,659 (L)*                       | 37.28%                                       |

*Note:* To the best knowledge of our Directors, having made all reasonable enquiries, as at 15 March 2016, being the latest information ascertainable before the Latest Practicable Date, Raffles Nominees (Pte) Limited held these 73,117,659 Shares as nominee for certain corporations and individuals. Among those Shares, 20,000,000 Shares, 833,867 Shares and 40,240,256 Shares are held for and beneficially owned by Zhang Wei, Zhang Jianwei and Chen Zhiyong, respectively. The remaining Shares are held by Raffles Nominees (Pte) Limited as nominee for other Shareholders.

\* (L) denotes Long position and (S) denotes Short position

**2. Particulars of Directors' service agreements****(1) Executive Directors**

Mr. Zhang Wei (張偉) entered into a service agreement with our Company on 30 June 2011, pursuant to which he has been appointed as an executive chairman of our Company commencing from 15 August 2011 for an initial period of three (3) years with an automatic extension clause for another three (3) years and subject to retirement for re-election by our Shareholders pursuant to our Articles, with an annual basic salary of S\$300,000 subject to any increment as recommended by the remuneration committee. The annual basic salary of Mr. Zhang Wei has been revised to RMB2,000,000 commencing from 1 March 2014.

Mr. Chen Zhiyong (陳志勇) entered into a service agreement with our Company on 1 February 2013, pursuant to which he has been appointed as chief operating officer of our Company commencing from 15 August 2011 for an initial period of three (3) years with an automatic extension clause for another three (3) years and subject to retirement for re-election by our Shareholders pursuant to our Articles, with an annual basic salary of S\$200,000 subject to any increment as recommended by the remuneration committee. The annual basic salary of Mr. Chen Zhiyong has been revised to RMB1,100,000 commencing from 1 March 2014.

Pursuant to the service agreement of Mr. Zhang Wei and Mr. Chen Zhiyong with our Company, each of Mr. Zhang Wei and Mr. Chen Zhiyong shall also be entitled to a performance incentive bonus.

**(2) Non-executive Director**

Mr. Dong Xincheng (董心誠) was appointed as an independent Director of our Company on 15 August 2011 for an initial period of three (3) years subject to retirement for re-election by our Shareholders pursuant to our Articles with an annual basic director's fee S\$40,000.

In anticipation of the Listing, Mr. Dong Xincheng has been re-designated as a non-executive Director on 10 March 2016 for a term of three (3) years subject to retirement for re-election by our Shareholders pursuant to our Articles.

**(3) Independent non-executive Directors**

Each of Mr. Ong Kian Guan (王建源) and Mr. Oh Eng Bin (胡榮明) has been appointed as an independent Director since 1 May 2012 and 1 April 2014 respectively for a period of three (3) years, subject to retirement for re-election by the Shareholders pursuant to our Articles. Mr. Ong Kian Guan is appointed as a lead independent Director.

In anticipation of the Listing, each of Mr. Ong Kian Guan, Mr. Oh Eng Bin and Mr. Siu Man Ho has been appointed as independent non-executive Director of our Company on 10 March 2016 for a term of three (3) years. Each of the independent non-executive Directors is entitled to a basic annual director's fee of S\$40,000. Save for the director's fees, our non-executive Directors (including independent non-executive Directors) is expected to receive an additional annual fee of S\$10,000 for being a chairman of any of the Remuneration Committee, Nominating Committee and Audit Committee and an additional annual fee of S\$5,000 for being a lead independent Director. Other than stated herein, none of our non-executive Directors (including independent non-executive Directors) is expected to receive any other remuneration, for holding their office as a non-executive Director or an independent non-executive Director.

Save as disclosed above, none of our Directors has or is proposed to have a service contract with our Company or any of the subsidiaries of our Company other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

**3. Directors' remuneration**

- (i) For the three (3) years ended 31 December 2013, 2014, 2015, the aggregate remuneration and directors' fees paid by our Group to our Directors were approximately RMB3,438,000, RMB4,190,000 and RMB4,255,000, respectively. The remuneration paid to our Directors in the past three years included payment to Zhang Jianwei, who was a non-executive Director of our Company until he resigns as a non-executive Director on 5 August 2015.
- (ii) Our Directors confirm that our Company's remuneration policies for Directors will remain the same immediately after the Introduction.
- (iii) Under the arrangements currently in force, the aggregate remuneration paid and benefit in kind granted (excluding the discretionary bonus) payable by our Group to our Directors (including our non-executive Directors (in their respective capacity as directors)) for the year ending 31 December 2016, are expected to be approximately RMB3,560,000 for our executive Directors and approximately SGD185,000 for our non-executive Director and independent non-executive Directors.

- (iv) None of our Directors or any past directors of any members of our Group has been paid any sum of money for each of the three years ended 31 December 2015 as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any members of our Group.
- (v) There has been no arrangement under which a Director waived or agreed to waive any emoluments for each of the three years ended 31 December 2015.

#### **4. Personal guarantee**

Save as disclosed in the section headed “Connected Transactions – Related party transactions – (B) Discontinued related party transactions – Security provided by connected persons”, none of the Directors has provided personal guarantee in favour of any lenders in connection with banking facilities granted or to be granted to any member of our Group.

#### **5. Related party transactions**

Our Group had entered into related party transactions within the two years immediately preceding the date of this listing document as mentioned in Note 24 headed “Significant related parties transactions” to the audited financial statements set out in the Accountants’ Report as set out in Appendix I to this listing document and the section headed “Connected transactions” in this listing document.

#### **6. Disclaimers**

Save as disclosed in this listing document:

- (a) none of our Directors or chief executive has any interest and/or short position in the shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to us and the Stock Exchange once our Shares are listed;
- (b) our Directors are not aware of any person (not being a Director or the chief executive of our Company) who will, immediately after completion of the Introduction, have an interest or a short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal values of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group;
- (c) none of our Directors nor any of the parties listed in the paragraph headed “7. Qualifications of experts” in the paragraph headed “D. Other information” in this Appendix has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this listing document, acquired or disposed of by or leased to our Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group;

- (d) none of our Directors nor any of the parties listed in the paragraph headed “7. Qualifications of experts in the paragraph headed “D. Other Information” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this listing document which is significant in relation to the business of our Group;
- (e) none of our Directors has any existing or proposed service contracts with our Company or any of its subsidiaries, excluding contracts which are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation);
- (f) our Directors confirm that none of our Directors, their respective associates or our Shareholders who are interested in 5% or more of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group during the Track Record Period;
- (g) none of our Directors is interested in any business apart from the business of our Group, which competes or is likely to compete, either directly or indirectly, with our Group’s business; and
- (h) none of the experts referred to in the paragraph headed “7. Qualifications of experts” in the paragraph headed “D. Other information” in this Appendix has any shareholding in our Company or any of its subsidiaries or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of its subsidiaries.

## D. OTHER INFORMATION

### 1. Deed of Indemnity

Our Controlling Shareholders (collectively the “**Indemnifiers**”), have entered into the Deed of Indemnity (being one of the material contracts referred to in the section headed “B. Further information about the business of our Group – 1. Summary of material contracts” of this Appendix) to provide indemnities to our Group on a joint and several basis in respect of, among other matters, any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of section 35 or section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to any member of our Group on or before the date on which our shares are listed on the Stock Exchange (“**Effective Date**”). Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries under the laws of the PRC and Singapore, being jurisdictions in which one or more of the companies comprised our Group are incorporated.

Under the Deed of Indemnity, the Indemnifiers have also given indemnities to our Group on a joint and several basis in relation to any and all tax liabilities together with all reasonable costs (including all legal costs), expenses or other liabilities which in whatever part of the world might be payable by any member of our Group in respect of among other matters any income, profits, gains, transactions, events, matters or things earned, accrued or received or entered into (or deemed to be so earned, accrued, received or entered into) on or before the Effective Date.

The Deed of Indemnity does not cover any claim, and the Indemnifiers shall be under no liability under the Deed of Indemnity, in respect of any taxation:

- (a) to the extent that provision has been made for such taxation in the audited accounts of our Company or any of its subsidiaries up to 31 December 2015; or



- (b) to the taxation falling on any member of our Group in respect of their accounting periods or any accounting period commencing on or after 1 January 2016 unless liability for such taxation would not have arisen but for some act or omission of, or transaction voluntarily effected by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) with the prior written consent or agreement of the Indemnifiers other than any such act, omission or transaction:
  - (i) carried out or effected in the ordinary course of business after 31 December 2015; or
  - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the date on which dealings in the Shares first commence on the Stock Exchange or pursuant to any statement of intention made in this listing document.

Under the Deed of Indemnity, the Indemnifiers have also undertaken to indemnify, on a joint and several basis, any member of our Group against:

- (a) any fines, penalties, losses, damages, liabilities, fees, costs, expenses, demands, claims, proceedings, actions (including without limitation any legal costs) and taxation which our Company or any of its subsidiaries may suffer, sustain or incur or which may be commenced, brought or instituted against any member of our Group arising in connection with the non-compliance incidents as referred to in the paragraphs headed “Business – Legal Proceedings, Compliance and Internal Control – Past Non-compliance Incidents” in this listing document; and
- (b) any fines, penalties, losses, damages, liabilities, fees, costs, expenses, demands, claims, proceedings, actions (including without limitation any legal costs) which any member of our Group may suffer, sustain or incur by any member of our Group as a result of any act, non-performance, non-compliance, omission or otherwise of any Group Company and/or shareholders on or before the Effective Date.

## **2. Litigation**

No member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group, that would have a material adverse effect on the results of operations or financial condition of our Group as at the Latest Practicable Date.

## **3. Preliminary expense**

The preliminary expenses of the Introduction are estimated to be approximately RMB26.0 million and are payable by our Company.

## **4. Promoters**

Our Company does not have promoter. Within the two years preceding the Latest Practicable Date, no cash, securities other benefit has been paid, allotted or give or is proposed to be paid, allotted or given to any promoter in connection with the Introduction and the related transactions described in this listing document.

## 5. Sponsor's fee, agency fees or commissions received

The Sole Sponsor will receive a fee of HK\$5.0 million to act as the sponsor to our Company in connection with the Introduction. Such sponsor's fee and expenses, together with the Stock Exchange listing fees, legal and other professional fees, and printing and other expenses relating to the Introduction, which are estimated to amount in aggregate to approximately RMB26.0 million, will be payable by our Company.

## 6. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in, the Shares in issue as mentioned in this listing document. All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

The Sole Sponsor has declared pursuant to Rule 3A.08 of the Listing Rules that it is independent pursuant to Rule 3A.07 of the Listing Rules.

## 7. Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice which are included in this listing document:

| Name                           | Qualification   |
|--------------------------------|---|
| CLC International Limited      | Licensed under the SFO for types 1 (dealing in securities) and 6 (advising on corporate finance) of the regulated activities as defined under the SFO |
| KPMG                           | Certified Public Accountants  |
| Bird & Bird ATMD LLP           | Qualified Singapore legal advisers  |
| Grandall Law Firm (Shanghai)   | Qualified PRC legal advisers  |
| Nexia TS Risk Advisory Pte Ltd | Internal control consultant   |
| DTZ Debenham Tie Leung Limited | Chartered surveyors and valuers   |
| DTZ Debenham Tie Leung Limited | Industry Consultant   |

## 8. Consents of experts

Each of CLC International Limited, KPMG, Bird & Bird ATMD LLP, Grandall Law Firm (Shanghai), Nexia TS Risk Advisory Pte Ltd, DTZ Debenham Tie Leung Limited as both chartered surveyors and valuers and Industry Consultant has given and has not withdrawn its written consent to the issue of this listing document with the inclusion of its report, letter, summary of valuation, valuation certificate, opinion or summaries of opinions (as the case may be) and the references to its name included herein in the form and context in which they respectively included.

As at the Latest Practicable Date, none of the experts named in the sub-paragraph headed "7. Qualifications of experts" in the paragraph headed "D. Other information" in this Appendix has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

## 9. Taxation of holders of Shares

### (1) *Hong Kong*

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Introduction can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The sale, purchase and transfer of Shares registered with Hong Kong Branch Share Register will be subject to Hong Kong Stamp Duty, the current rate of which is 0.2% of the consideration or, if higher, of the fair value of the Shares being sold or transferred.

### (2) *Singapore*

#### (a) *Dividend Distributions*

Dividends paid by a Singapore tax resident company would be considered as sourced from Singapore. Dividends received from a Singapore tax resident company by either Singapore tax resident or non-Singapore tax resident shareholders are not subject to Singapore withholding tax.

Under the one-tier corporate tax system in Singapore, the tax paid by a Singapore tax resident company is a final tax and the after-tax profits of the company can be distributed to its shareholders as tax exempt (one-tier) dividends.

As our Company is a Singapore tax resident company, the dividends distributed by our Company will be tax exempt (one-tier) dividends. The dividends will be exempt from Singapore income tax in the hands of our shareholders, regardless of whether the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident.

#### (b) *Gains on Disposals of Ordinary Shares*

Singapore does not impose tax on capital gains. There are no specific laws or regulations which deal with the characterisation of whether a gain is revenue or capital in nature. The characterisation would usually depend on the facts and circumstances surrounding the purchase and sale of a particular asset. In general, gains or profits derived from the disposal of our Shares acquired for long-term investment purposes should be considered as capital gains and not subject to Singapore tax.

On the other hand, gains may be construed to be of an income nature and subject to Singapore income tax if they arise from or are otherwise connected with activities which the Comptroller regards as the carrying on of a trade or business of dealing in shares in Singapore.

For any disposal of our ordinary Shares from 1 June 2012 to 31 May 2017 (both dates inclusive) by a company, upfront "non-taxation" certainty may however be granted on any gains derived by the divesting company if immediately prior to the date of share disposal, the divesting company has held at least 20% of our Shares for a continuous period of at least 24 months.

For share disposals that do not satisfy the above conditions, the tax treatment on any gains/ losses that may arise from the disposal of shares (i.e. whether the gains/ losses are capital or revenue in nature) would continue to be determined based on a consideration of the specific facts and circumstances of the case and by reference to established case law principles.

In addition, corporate shareholders who apply, or who are required to apply, the Singapore Financial Reporting Standard 39 Financial Instruments – Recognition and Measurement (“**SFRS 39**”) for the purposes of Singapore income tax may be required to recognise revenue gains or losses (i.e. excluding capital gains or losses) in accordance with the provisions of SFRS 39 (as modified by the applicable provisions of Singapore income tax law) even though no sale or disposal of our Shares have been made.

*(c) Stamp Duty*

No stamp duty is payable on the subscription and issuance of our Shares. Stamp duty is also not applicable to electronic transfers of our Shares through the CDP.

Where existing Shares evidenced in certificated form are acquired in Singapore, stamp duty is payable on the instrument of transfer of the Shares at the rate of S\$0.20 for every S\$100.00 or any part thereof of the consideration for or market value of, the Shares, whichever is higher. The purchaser is liable for the stamp duty charge, unless otherwise agreed by the parties to the transaction.

No stamp duty is payable if no instrument of transfer is executed (such as in the case of scripless shares, the transfer of which does not require an instrument of transfer to be executed) or if the instrument of transfer is executed outside of Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is subsequently brought into Singapore.

*(d) Estate Duty*

Singapore estate duty was abolished with effect from 15 February 2008.

*(e) Goods and Services Tax (“GST”)*

The sale of our Shares by a GST-registered investor belonging in Singapore through a SGX-ST member or to another person belonging in Singapore is an exempt supply not subject to GST.

Any GST (for example, GST on brokerage) incurred by the GST-registered investor in connection with the making of this exempt supply will generally become an additional cost to the investor unless the investor satisfies certain conditions prescribed under the GST legislation or by the Comptroller of GST.

Where our Shares are sold by a GST-registered investor to a person belonging outside Singapore (and who is outside Singapore at the time of supply), the sale is a taxable supply subject to GST at zero rate. Consequently, any GST (for example, GST on brokerage) incurred by him in the making of this zero-rated supply for the purpose of his business will, subject to the provisions of the GST legislation, be recoverable as an input tax credit in his GST returns.

Investors should seek their own tax advice on the recoverability of GST incurred on expenses in connection with the purchase and sale of our Shares.

Services such as brokerage and handling services rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor's purchase or sale of our Shares will be subject to GST at the prevailing rate (currently 7.0%). Similar services rendered contractually to an investor belonging outside Singapore are subject to GST at zero-rate provided that the investor is not physically present in Singapore at the time the services are performed and the services do not directly benefit a person who belongs in Singapore.

**(3) Consultation with professional advisers**

Potential holders of the Shares are recommended to consult their professional advisers if they are in any doubt about the taxation implications of the subscription, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Shares. It is emphasised that none of our Company, the Sole Sponsor, any of their respective directors, agents, employees, advisors or affiliates or any other person involved in the Introduction accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Shares.

**10. Bilingual Document**

The English language and Chinese language versions of this listing document are being published separately. This listing document is written in English language and the Chinese language version is for information purposes only. Should there be any discrepancy between the English language version and the Chinese language version of this listing document, the English language version shall prevail.

**11. Register of members and branch register of members**

Subject to the provisions of Companies Act, the principal register of members of our Company is maintained in Singapore and the branch register of members of our Company will be maintained in Hong Kong. Unless the Directors otherwise agree, all transfers and other documents of title of Shares which are traded on the Stock Exchange must be lodged for registration with and registered by, Hong Kong Branch Share Registrar and may not be lodged in Singapore.

**12. No material adverse change**

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2015 (being the date to which the latest audited consolidated financial statements of our Group were made up) which would materially affect the information shown in this listing document.

**13. Miscellaneous**

- (1) Save as disclosed in this listing document, within the two years immediately preceding the date of this listing document:
  - (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iii) neither our Company nor any of its subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
  - (iv) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;
  - (v) there is no arrangement under which future dividends are waived or agreed to be waived; and
  - (vi) our Group has no outstanding convertible debt securities or debentures.
- (2) Save for our Company and Eindex Corporation, no member of our Group is presently listed on any stock exchange or traded on any trading system.
- (3) Our Directors confirm that there has not been any interruption in the business of our Group which may have or have had a material and adverse effect on the financial position of our Group in the 12 months immediately preceding the date of this listing document.

Copies of the following documents will be available for inspection at the office of Bird & Bird at 4th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this listing document:

- (a) the new Articles of our Company;
- (b) the accountants' report prepared by KPMG, the text of which is set out in Appendix I to this listing document;
- (c) the report to the unaudited pro forma financial information of our Group prepared by KPMG, the text of which is set out in Appendix II to this listing document;
- (d) the audited consolidated financial statements of our Group for the three financial years ended 31 December 2013, 2014 and 2015;
- (e) the annual reports of our Company for each of the two years ended 31 December 2013 and 2014;
- (f) the property valuation report relating to the property interests of our Group prepared by DTZ Debenham Tie Leung Limited, the text of which is set out in Appendix III to this listing document;
- (g) the letter of advice prepared by Bird & Bird ATMD LLP, our legal advisers as to Singapore law, summarising certain aspects of the laws of Singapore referred to in Appendix IV to this listing document;
- (h) the PRC legal opinion (in Chinese) prepared by Grandall Law Firm (Shanghai), our legal advisers as to PRC law;
- (i) the Thailand legal opinion prepared by Thanathip & Partners, our legal advisers as to Thailand law;
- (j) the material contracts referred to in the sub-paragraph headed "1. Summary of material contracts" under the paragraph headed "B. Further information about the business of our Group" in Appendix VI to this listing document;
- (k) the service agreements with each of the executive Directors referred to in the sub-paragraph headed "2. Particulars of Directors' service agreements" under the paragraph headed "C. Further information about Directors, substantial shareholders" in Appendix VI to this listing document; and
- (l) the written consents referred to in the paragraph headed "8. Consents of experts" under the paragraph headed "D. Other Information" in Appendix VI to this listing document.

In addition, prospective investors and/or Shareholders can access copies of the following documents (all of which are very large documents) via the following weblinks:

Singapore Companies Act (Chapter 50) of Singapore

<http://statutes.agc.gov.sg/>

Singapore Securities and Futures Act (Chapter 289) of Singapore

<http://statutes.agc.gov.sg/>

The Singapore Code on Take-overs and Mergers

<http://www.mas.gov.sg/~media/resource/sic/2015%20Code%20Amendments%20Response%20Press%20Release/Annex%202.pdf>

The Listing Manual of the Singapore Exchange Securities Trading Limited

[http://rulebook.sgx.com/en/display/display\\_main.html?rbid=3271&element\\_id=1](http://rulebook.sgx.com/en/display/display_main.html?rbid=3271&element_id=1)



**WEIYE HOLDINGS LIMITED**  
**偉業控股有限公司\***