

APPENDIX I

ACCOUNTANTS’ REPORT ON THE TARGET GROUP



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29 February 2016

The Directors

First Mobile Group Holdings Limited
Cinda International Capital Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to China General (HK) Company Limited (“China General”) and its subsidiaries (hereinafter collectively referred to as the “China General Group”) for each of the three years ended 31 December 2014 and the ten months ended 31 October 2015 (the “Relevant Periods”) for inclusion in the circular of First Mobile Group Holdings Limited (the “Company”) dated 29 February 2016 in connection with the proposed acquisition of China General (the “Circular”).

China General was incorporated in Hong Kong with limited liability under the Hong Kong Company Ordinance on 1 September 1992. The Company is an investment holding company.

Through a group reorganisation (the “Group Reorganisation”) which was completed on 9 October 2014 and details of which are set out in note 2 in Section A of this report, 惠安中總房地產開發有限公司 (for identification purpose, Hui An China General Real Estate Development Company Limited), a directly owned subsidiary of China General, established a wholly-owned subsidiary in the People’s Republic of China (the “PRC”) named 福建省厚德企業管理有限公司 (for identification purpose, Fujian Province Houde Enterprise Management Company Limited) which acquired the entire paid-up capital of 恒德(石獅)投資有限公司 (for identification purpose, Hengde (Shishi) Investment Company Limited, together with its subsidiaries referred to as “Dehui Sub-group”), established in the PRC. Thereafter, China General became the holding company of companies now comprising the China General Group.

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At the date of this report, China General has equity interest in the following subsidiaries:

Name of subsidiaries	Place of establishment	Legal form	Date of establishment	Registered capital/paid-up capital	Attributable equity interest held by the China General Group				At the date of the report	Principal activities
					At 31 December		At 31 October			
					2012	2013	2014	2015		
Direct										
惠安中總房地產開發有限公司 Hui An China General Real Estate Development Company Limited* (“Hui An China General”)	The PRC	Limited liability company	22 February 2006	Registered capital of RMB62,000,000 and paid-up capital of RMB62,000,000	98.387%	98.387%	98.387%	98.387%	98.387%	Property development
Indirect										
福建省厚德企業管理有限公司 Fujian Province Houde Enterprise Management Company Limited* (“Houde Enterprise”)	The PRC	Limited liability company	20 August 2014	Registered capital of RMB10,000,000 and paid-up capital of RMB10,000,000	N/A	N/A	98.387%	98.387%	98.387%	Investment holding
恒德(石獅)投資有限公司 Hengde (Shishi) Investment Company Limited* (“Hengde”)	The PRC	Limited liability company	2 July 2012	Registered capital of RMB10,000,000 and paid-up capital of RMB10,000,000	100%	100%	98.387%	98.387%	98.387%	Investment holding
揚州德輝房地產開發有限公司 Yangzhou Dehui Real Estate Development Company Limited* (“Yangzhou Dehui”)	The PRC	Limited liability company	17 August 2012	Registered capital of RMB388,000,000 and paid-up capital of RMB388,000,000	100%	100%	98.387%	98.387%	98.387%	Property development
揚州德泰物業服務有限公司 Yangzhou Detai Property Services Company Limited* (“Yangzhou Detai”)	The PRC	Limited liability company	2 September 2013	Registered capital of RMB1,000,000 and paid-up capital of RMB1,000,000	N/A	100%	98.387%	98.387%	98.387%	Inactive

* *English names are for identification purpose only*

All companies now comprising the China General Group adopted 31 December as their financial year end date.

The statutory financial statements of China General for the years ended 31 December 2012, 2013 and 2014 were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and were audited by Deloitte Touche Tohmatsu.

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The statutory financial statements of other subsidiaries established in the PRC for the Relevant Periods, or since their respective dates of establishment, where this is a shorter period, were prepared in accordance with relevant accounting principles and financial regulations applicable to enterprises registered in the PRC and were audited by certified public accountants registered in the PRC referred to as below.

Name	Financial Periods	Auditors
Hui An China General	For the years ended 31 December 2012, 2013 and 2014	Xiamen Zhong Yong Xu Accounting Firm Limited Liability Company 廈門中永旭會計事務所有限公司
Houde Enterprise	For the period from 20 August 2014 (date of establishment) to 31 December 2014	Xiamen Zhong Yong Xu Accounting Firm Limited Liability Company 廈門中永旭會計事務所有限公司
Hengde	For the period from 2 July 2012 (date of establishment) to 31 December 2012 and for the years ended 31 December 2013 and 2014	Xiamen Zhong Yong Xu Accounting Firm Limited Liability Company 廈門中永旭會計事務所有限公司
Yangzhou Dehui	For the period from 17 August 2012 (date of establishment) to 31 December 2012 and for the years ended 31 December 2013 and 2014	Yangzhou De Cheng C.P.A. Partnership 揚州德誠聯合會計事務所
Yangzhou Detai	For the period from 2 September 2013 (date of establishment) to 31 December 2013 and for the year ended 31 December 2014	Yangzhou De Cheng C.P.A. Partnership 揚州德誠聯合會計事務所

For the purpose of this report, the directors of China General have prepared the consolidated financial statements of the China General Group for the Relevant Periods in accordance with HKFRSs issued by the HKICPA (the “Underlying Financial Statements”). We have undertaken an independent audit on the Underlying Financial Statements in accordance with the Hong Kong Standards of Auditing and have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “[REDACTED] and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the China General Group for the Relevant Periods as set out in this report has been prepared from the Underlying Financial Statements. No adjustments are considered necessary to the Underlying Financial Statements in the preparation of this report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of China General who approve their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

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In our opinion, on the basis of preparation set out in note 2 to Section A below, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the financial position of the China General Group and China General as at 31 December 2012, 2013 and 2014 and at 31 October 2015 and of the financial performance and cash flows of the China General Group for the Relevant Periods.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the China General Group for the ten months ended 31 October 2014 together with the notes thereon have been extracted from the China General Group’s unaudited consolidated financial information for the same period (the “October 2014 Financial Information”) which was prepared by the directors of China General solely for the purpose of this report. We conducted our review on the October 2014 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Our review of the October 2014 Financial Information consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the October 2014 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the October 2014 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

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A. FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	<i>Notes</i>	Years ended 31 December			Ten months ended 31 October	
		2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>	2014 <i>RMB'000</i> (unaudited)	2015 <i>RMB'000</i>
Revenue	6	90,603	203,689	256,532	183,120	86,796
Cost of sales		<u>(63,802)</u>	<u>(156,007)</u>	<u>(186,705)</u>	<u>(134,234)</u>	<u>(39,425)</u>
Gross profit		26,801	47,682	69,827	48,886	47,371
Other income	7	448	930	1,404	1,227	4,569
Other gains and losses	8	191	1,399	(428)	(48)	(1,182)
Fair value change of investment properties	17	5,900	7,850	4,400	4,300	1,900
Selling expenses		(4,854)	(7,723)	(9,252)	(7,746)	(4,855)
Administrative expenses		(6,039)	(8,752)	(10,313)	(8,403)	(7,774)
Finance costs	9	<u>—</u>	<u>(1,650)</u>	<u>(1,977)</u>	<u>(1,797)</u>	<u>(207)</u>
Profit before tax		22,447	39,736	53,661	36,419	39,822
Income tax expense	10	<u>(7,152)</u>	<u>(12,364)</u>	<u>(17,848)</u>	<u>(12,827)</u>	<u>(18,837)</u>
Profit and total comprehensive income for the year/period	11	<u>15,295</u>	<u>27,372</u>	<u>35,813</u>	<u>23,592</u>	<u>20,985</u>
Profit and total comprehensive income for the year/period attributable to:						
Owners of China General		15,031	26,836	35,094	23,053	20,598
Non-controlling interests		<u>264</u>	<u>536</u>	<u>719</u>	<u>539</u>	<u>387</u>
		<u>15,295</u>	<u>27,372</u>	<u>35,813</u>	<u>23,592</u>	<u>20,985</u>

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Consolidated Statements of Financial Position

China General Group

		At 31 December			At
		2012	2013	2014	31 October
	Notes	RMB’000	RMB’000	RMB’000	RMB’000
NON-CURRENT ASSETS					
Plant and equipment	16	1,952	2,129	1,316	745
Investment properties	17	101,500	112,800	117,200	119,100
Deferred tax assets	27	296	1,386	4,669	6,663
		<u>103,748</u>	<u>116,315</u>	<u>123,185</u>	<u>126,508</u>
CURRENT ASSETS					
Inventories	19	659,540	714,045	645,440	732,576
Amount due from a related party	26	—	23,301	—	—
Trade and other receivables	20	28,342	29,009	14,999	31,502
Prepaid land appreciation tax		15,406	14,766	11,040	3,409
Structured deposits	21	—	25,000	—	—
Restricted and pledged bank deposits	22	11,209	17,038	12,147	31,470
Time deposits, bank balances and cash	22	21,974	29,522	125,607	110,782
		<u>736,471</u>	<u>852,681</u>	<u>809,233</u>	<u>909,739</u>
CURRENT LIABILITIES					
Trade and bills payables	23	29,279	48,078	2,953	5,484
Other payables and accruals	24	30,821	92,150	77,247	113,013
Pre-sales proceeds received on sales of properties	25	272,265	224,983	86,687	135,817
Amounts due to related parties	26	413,409	422,766	54,112	55,626
Secured bank borrowings	28	6,600	55,600	17,175	10,000
Income tax payable		4,949	4,998	6,494	13,004
		<u>757,323</u>	<u>848,575</u>	<u>244,668</u>	<u>332,944</u>
NET CURRENT (LIABILITIES) ASSETS		<u>(20,852)</u>	<u>4,106</u>	<u>564,565</u>	<u>576,795</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>82,896</u>	<u>120,421</u>	<u>687,750</u>	<u>703,303</u>
NON-CURRENT LIABILITIES					
Secured bank borrowings	28	8,000	14,300	170,000	165,000
Deferred tax liabilities	27	5,282	9,135	16,850	16,418
		<u>13,282</u>	<u>23,435</u>	<u>186,850</u>	<u>181,418</u>
NET ASSETS		<u>69,614</u>	<u>96,986</u>	<u>500,900</u>	<u>521,885</u>
CAPITAL AND RESERVES					
Share capital/paid-up capital	29	21,089	21,089	389,190	389,190
Reserves		46,821	73,657	102,950	123,548
Equity attributable to owners of China General		67,910	94,746	492,140	512,738
Non-controlling interests		1,704	2,240	8,760	9,147
TOTAL EQUITY		<u>69,614</u>	<u>96,986</u>	<u>500,900</u>	<u>521,885</u>

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Statements of Financial Position

China General

		At 31 December			At
		2012	2013	2014	31 October
	Notes	RMB'000	RMB'000	RMB'000	2015
					RMB'000
NON-CURRENT ASSETS					
Interests in subsidiaries	18	61,038	61,038	156,600	156,600
Amount due from a subsidiary	26	<u>—</u>	<u>—</u>	<u>285,743</u>	<u>299,863</u>
		<u>61,038</u>	<u>61,038</u>	<u>442,343</u>	<u>456,463</u>
CURRENT ASSETS					
Other receivables		—	—	336	326
Bank balances and cash	22	<u>13</u>	<u>12</u>	<u>11,584</u>	<u>11,924</u>
		<u>13</u>	<u>12</u>	<u>11,920</u>	<u>12,250</u>
CURRENT LIABILITIES					
Accruals		64	70	39	46
Amounts due to related parties	26	<u>43,318</u>	<u>41,915</u>	<u>54,112</u>	<u>55,626</u>
		<u>43,382</u>	<u>41,985</u>	<u>54,151</u>	<u>55,672</u>
NET CURRENT LIABILITIES		<u>(43,369)</u>	<u>(41,973)</u>	<u>(42,231)</u>	<u>(43,422)</u>
TOTAL ASSETS LESS					
CURRENT LIABILITIES		<u>17,669</u>	<u>19,065</u>	<u>400,112</u>	<u>413,041</u>
CAPITAL AND RESERVES					
Share capital	29	11,089	11,089	389,190	389,190
Reserves	30	<u>6,580</u>	<u>7,976</u>	<u>10,922</u>	<u>23,851</u>
TOTAL EQUITY		<u>17,669</u>	<u>19,065</u>	<u>400,112</u>	<u>413,041</u>

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Consolidated Statements of Changes in Equity

	Attributable to owners of China General						
	Share capital/ paid-up capital RMB’000	Other non-distributable reserves RMB’000 (Note a)	Other reserve RMB’000	Accumulated profits RMB’000	Total RMB’000	Non-controlling interests RMB’000	Total equity RMB’000
At 1 January 2012	11,089	4,813	—	26,977	42,879	1,440	44,319
Profit and total comprehensive income for the year	—	—	—	15,031	15,031	264	15,295
Transfer of non-distributable reserves	—	2,043	—	(2,043)	—	—	—
Capital contribution to Hengde	10,000	—	—	—	10,000	—	10,000
At 31 December 2012	21,089	6,856	—	39,965	67,910	1,704	69,614
Profit and total comprehensive income for the year	—	—	—	26,836	26,836	536	27,372
Transfer of non-distributable reserves	—	1,621	—	(1,621)	—	—	—
At 31 December 2013	21,089	8,477	—	65,180	94,746	2,240	96,986
Profit and total comprehensive income for the year	—	—	—	35,094	35,094	719	35,813
Transfer of non-distributable reserves	—	1,099	—	(1,099)	—	—	—
Issue of shares	378,101	—	—	—	378,101	—	378,101
Group Reorganisation (Note b)	(10,000)	—	(5,801)	—	(15,801)	5,801	(10,000)
At 31 December 2014	389,190	9,576	(5,801)	99,175	492,140	8,760	500,900
Profit and total comprehensive income for the period	—	—	—	20,598	20,598	387	20,985
At 31 October 2015	389,190	9,576	(5,801)	119,773	512,738	9,147	521,885
At 1 January 2014	21,089	8,477	—	65,180	94,746	2,240	96,986
Profit and total comprehensive income for the period	—	—	—	23,053	23,053	539	23,592
Issue of shares	378,101	—	—	—	378,101	—	378,101
Group Reorganisation (Note b)	(10,000)	—	(5,801)	—	(15,801)	5,801	(10,000)
At 31 October 2014 (unaudited)	389,190	8,477	(5,801)	88,233	480,099	8,580	488,679

Note:

- (a) Other non-distributable reserves principally represent statutory reserves required to be appropriated from profit after income tax of the subsidiaries established in the PRC, under the relevant laws and regulations. Allocation to the statutory reserves shall be approved by the board of directors of the relevant subsidiaries. The appropriation to statutory reserves may cease if the balance of the statutory reserves has reached 50% of the registered capital of the respective subsidiaries. The statutory reserves may be used to make up losses or for conversion into capital. The relevant subsidiaries may, upon the approval by a resolution of shareholders’ general meeting/board of directors’ meeting, convert their statutory reserves into capital in proportion to their then existing shareholdings. However, when converting the statutory reserves into capital, the balance of such reserve remaining unconverted must not be less than 25% of the registered capital of the relevant subsidiary.
- (b) Pursuant to the Group Reorganisation (detailed in note 2), Houde Enterprise acquired from 福建建弘投资有限公司 (“Jianhong Investment”) the entire paid-up capital of Hengde at a consideration of RMB10,000,000 in cash and the transaction was completed on 9 October 2014. Upon completion of acquisition, Hengde became a wholly-owned subsidiary of Houde Enterprise. The consideration is accounted for as a deemed distribution to Controlling Equity Holders (defined and explained in note 2) and the dilution in Group’s ownership interest in Dehui Sub-group amounting to RMB5,801,000 is charged to equity attributable to owners of China General.

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Consolidated Statements of Cash Flows

	Years ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
OPERATING ACTIVITIES					
Profit before tax	22,447	39,736	53,661	36,419	39,822
Adjustments for:					
Impairment loss (reversal of impairment loss) on trade and other receivable	43	20	(68)	(39)	—
Bank interest income	(244)	(682)	(1,151)	(1,015)	(2,193)
Finance costs	—	1,650	1,977	1,797	207
Depreciation of plant and equipment	568	970	1,042	955	594
Write-off of plant and equipment	—	—	283	—	—
Fair value changes on investment properties	(5,900)	(7,850)	(4,400)	(4,300)	(1,900)
Fair value changes on structured deposits designated as at FVTPL	—	(14)	(30)	(30)	—
Net unrealised foreign exchange (gains) losses	(234)	(1,405)	243	117	1,182
Operating cash flows before movements in working capital	16,680	32,425	51,557	33,904	37,712
(Increase) decrease in inventories	(262,314)	(51,513)	82,882	55,150	(74,867)
(Increase) decrease in trade and other receivables	(17,158)	(687)	14,078	11,230	(16,503)
Increase (decrease) in trade and bills payables	23,212	18,799	(45,125)	(45,068)	2,531
(Decrease) increase in other payables and accruals	(10,827)	61,329	(14,903)	(31,501)	35,766
Increase (decrease) in pre-sales proceeds received on sales of properties	108,075	(47,282)	(138,296)	(87,587)	49,130
Cash (used in) generated from operations	(142,332)	13,071	(49,807)	(63,872)	33,769
PRC income tax and land appreciation tax paid	(15,487)	(8,912)	(8,194)	(6,575)	(7,123)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(157,819)	4,159	(58,001)	(70,447)	26,646
INVESTING ACTIVITIES					
Decrease in restricted deposits	(47)	(829)	(10,109)	(7,494)	(19,323)
Placement of pledged bank deposits	(10,000)	(15,000)	—	—	—
Purchase of structured deposits	—	(45,000)	—	—	—
Additions to investment properties under construction	(4,600)	(3,450)	—	—	—
Advance to a related party	—	(23,301)	(16,419)	(16,419)	—
Repayment from a related party	—	—	39,720	39,720	—
Purchase of plant and equipment	(1,221)	(1,147)	(512)	(408)	(23)
Withdrawal of pledged bank deposits	—	10,000	15,000	15,000	—
Redemption of structured deposits	—	20,014	25,030	25,030	—
Interest received from bank deposits	244	682	1,151	1,015	2,193
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(15,624)	(58,031)	53,861	56,444	(17,153)

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	Years ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
FINANCING ACTIVITIES					
Advance from directors	92,496	68,545	11,954	11,916	—
Advance from a related party	216,838	74,013	—	—	—
Repayment to directors	(153,120)	(131,796)	—	—	—
Repayment to a related party	—	—	(2,750)	(2,750)	—
Repayment of bank borrowings	(10,730)	(8,700)	(21,855)	(18,860)	(12,175)
Interest expense and bills discounting charges paid	(1,931)	(4,642)	(16,254)	(13,897)	(12,476)
New bank borrowings raised	14,000	64,000	139,130	139,130	—
Deemed distribution to Controlling Equity Holders	—	—	(10,000)	(10,000)	—
Capital contribution to Hengde	10,000	—	—	—	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES	167,553	61,420	100,225	105,539	(24,651)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,890)	7,548	96,085	91,536	(15,158)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	27,864	21,974	29,522	29,522	125,607
Effect of foreign exchange rate changes	—	—	—	—	333
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	21,974	29,522	125,607	121,058	110,782

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Notes to the Financial Information

1. GENERAL

China General was incorporated in Hong Kong with limited liability with its registered office at Room 401–402, 4/F., Westlands Centre, 70 Westlands Road, Quarry Bay, Hong Kong. The principal place of business is at Daihongbu, Luoyang Town, Huian County, Fujian Province, PRC.

China General is an investment holding company and the principal activities of its subsidiaries are engaged in property development in the PRC.

The Financial Information is presented in Renminbi (“RMB”), which is also the functional currency of China General.

2. GROUP REORGANISATION AND BASIS OF PREPARATION OF FINANCIAL INFORMATION

Prior to the commencement of the Group Reorganisation in 2014, throughout the Relevant Periods, the group entities were under control of Mr. Tsoi Kin Sze (蔡建四) and Mr. Shie Tak Chung (余德聰) (together referred to as the “Controlling Equity Holders”). Mr. Tsoi Kin Sze and Mr. Shie Tak Chung held 55% and 45% of the issued share capital of China General and each of them also held 50% beneficial interest in 福建建弘投資有限公司 (for identification purpose, Fujian Jianhong Investment Company Limited or “Jianhong Investment”). On 23 October 2014, Mr. Tsoi Kin Sze and Mr. Shie Tak Chung have executed an acting in concert confirmation in respect of China General and Jianhong Investment whereby they confirmed the existence of their acting in concert arrangements in the past, present and future to collectively control over the China General Group. The Group Reorganisation comprised of the following steps:

- On 20 August 2014, Hui An China General established a wholly-owned subsidiary in the PRC, namely Houde Enterprise, for the purpose of acquiring Hengde.
- On 9 October 2014, Houde Enterprise acquired from Jianhong Investment the entire paid-up capital of Hengde at a consideration of RMB10,000,000 in cash. Upon completion of the foregoing, Hengde and its subsidiaries became subsidiaries of China General.

Pursuant to the Group Reorganisation, China General became the holding company of all the companies now comprising China General Group on 9 October 2014. Since the Controlling Equity Holders controlled all the companies now comprising China General Group before and after the Group Reorganisation, the China General Group comprising China General and its subsidiaries resulting from the Group Reorganisation is regarded as a continuing entity. The Financial Information of the China General Group has been prepared on the basis as if China General had always been the holding company of the China General Group using the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Relevant Periods which include the results, changes in equity and cash flows of the entities comprising the China General Group have been prepared as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of establishment where it is a shorter period.

The consolidated statements of financial position at 31 December 2012 and 2013 have been prepared to present the assets and liabilities of the entities comprising the China General Group as if the current group structure had been in existence at those dates.

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3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the China General Group has consistently adopted HKFRSs, Hong Kong Accounting Standards (“HKAS”), amendments and interpretations which are effective for the China General Group’s financial period beginning on 1 January 2015 throughout the Relevant Periods.

At the date of this report, the following new and revised HKFRSs have been issued but are not yet effective. The China General Group has not early applied these standards and amendments.

HKFRS 9	Financial Instruments ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKAS 1	Disclosure Initiative ³
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ³
Amendments to HKAS 27	Equity Method in Separate Financial Statements ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle ³

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2016

⁴ Effective for annual periods beginning on or after a date to be determined

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category.

Specifically, pursuant to HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Under HKFRS 9, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. Furthermore, HKFRS 9 requires certain simple debt instruments to be measured at FVTOCI when certain requirements are met. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

In relation to the impairment of financial assets, HKFRS 9 adopts an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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The directors of China General consider that the adoption of HKFRS 9 in the future may affect the China General Group’s financial assets including the impairment assessment but is unlikely to affect the China General Group’s financial liabilities. However, it is not practicable to provide a reasonable estimate of the financial effect on the China General Group’s financial statements until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

In 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of China General have yet to perform a detailed review on the potential impacts of HKFRS 15. Hence, it is not practicable to provide a reasonable estimate of the financial effect and the relevant disclosures at this juncture.

Except as described above, the directors of China General consider that the application of the other new and revised standards and amendments is unlikely to have a material impact on the China General Group’s financial position and performance as well as disclosure.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the following accounting policies which conform with HKFRSs issued by HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the China General Group takes into account the characteristics of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is

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determined on such a basis, except leasing transactions that are within the scope of HKAS 17 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of China General and entities controlled by China General (its subsidiaries). Control is achieved when China General:

- has power over the investee;
- is exposed, or has the rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The China General Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the China General Group obtains control over the subsidiary and ceases when the China General Group loses control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the Relevant Periods are included in the consolidated statements of profit or loss and other comprehensive income from the date the China General Group gains control until the date when the China General Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of China General and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of China General and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the China General Group.

All significant intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the China General Group’s equity therein.

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Merger accounting for business combination involving entities under common control

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party’s perspective. No amount is recognised in respect of goodwill or excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over existing book values at the time of common control combination, to the extent of the continuation of the controlling party’s interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Investment in a subsidiary

Investment in a subsidiary included in the China General’s statement of financial position is stated at cost less any identified impairment loss.

The result of the subsidiary is accounted for on the basis of dividends received and receivable during the Relevant Periods.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the China General Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the China General Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the China General Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Delivery takes place on the date when the property buyers sign the delivery documents or a specific number of days after the date of final collection notice sent by the China General Group to the property buyers pursuant to the sales contract. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position as “Pre-sales proceeds received on sales of properties” under current liabilities.

Interest income is recognised when it is probable that the economic benefits will flow to the China General Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

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Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The China General Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The China General Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Foreign currencies

In preparing the financial information of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans including state-managed retirement benefit schemes in the PRC are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from ‘profit before tax’ as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The China General Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can

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be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business consolidation) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the China General Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the China General Group expects, at the end of each reporting period, to cover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Plant and equipment

Plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purpose.

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Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Impairment of tangible assets

At the end of each reporting period, the China General Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the China General Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years/periods. A reversal of an impairment loss is recognised as income immediately.

Inventories

Properties held-for-sale and properties under development held-for-sale

Properties held-for-sale and properties under development held-for-sale which are intended to be sold in the ordinary course of business upon completion of development are stated at the lower of cost and net realisable value on an individual basis. Costs comprise the acquisition costs, borrowing cost capitalised in accordance with the Group’s accounting policy and other direct costs attributable to such properties and allocated to each unit in each phase based on sellable floor area, using weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and the costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

The China General Group’s financial assets are classified as loans and receivables and financial assets at FVTPL. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the finance assets, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than financial assets classified as FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets at FVTPL represents financial assets designated as FVTPL on initial recognition.

A financial asset may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the China General Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with changes in fair value arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in other gains and losses.

Fair value is determined in the manner described in Note 32(c)(i).

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Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from a related party and a subsidiary, structured deposits, restricted and pledged bank deposits, time deposits and bank balances and cash) are carried at amortised cost using effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the financial asset’s original effective interest rate.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the China General Group after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

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Financial liabilities

Financial liabilities including trade and bills payables, other payables, amounts due to related parties and secured bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts issued by the China General Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition

The China General Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The China General Group derecognises financial liabilities when, and only when, the China General Group’s obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the China General Group’s accounting policies, which are described in note 4, the directors of China General are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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Critical judgment in applying accounting policies

The following is the critical judgment that the directors of China General have made in the process of applying the China General Group’s accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Deferred taxation on investment properties

For the purposes of measuring deferred taxation arising from investment properties that are measured using the fair value model in HKAS 40, the directors of China General have reviewed the China General Group’s investment property portfolios together with certain properties characteristics. Investment properties amounting to RMB10,400,000, RMB10,800,000, RMB11,200,000 and RMB11,300,000 as at 31 December 2012, 2013 and 2014 and 31 October 2015 respectively are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring deferred taxation on these investment properties the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The China General Group has estimated the deferred tax taking into account both the land appreciation tax and enterprise income tax on disposal of these investment properties.

For other investment properties amounting RMB91,100,000, RMB102,000,000, RMB106,000,000 and RMB107,800,000 as at 31 December 2012, 2013 and 2014 and 31 October 2015 respectively, the directors of China General have concluded that they are held under a business model to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale as these investment properties cannot be sold or transferred to third parties. For these investment properties, the presumption that investment properties measured using the fair value model are recovered through sale is rebutted and the China General Group has estimated the deferred tax taking into account of enterprise income tax.

Key sources of estimation uncertainty

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

Land appreciation tax

The China General Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain property development projects of the China General Group have not finalised their land appreciation tax calculations and payments with local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the land appreciation tax based on management’s best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

Determination of net realisable value of properties under development for sale and completed properties for sale

Properties under development for sale and completed properties for sale are stated at the lower of cost and net realisable value with an aggregate carrying amount of RMB659,540,000, RMB714,045,000, RMB645,440,000 and RMB732,576,000 as at 31 December 2012, 2013 and 2014 and 31 October 2015 respectively. Cost, including the cost of land, development expenditure, borrowing costs capitalised in accordance with the China General Group’s accounting policy and other attributable expenses, are allocated to each unit in each phase based on sellable gross floor area, using the weighted average method. The net realisable value is the estimated selling price less estimated selling expenses and estimated cost of completion (if any), which are determined based on best available information. Where

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there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, there may be write-down on the properties under development for sale and completed properties for sale.

Estimation of fair value of investment properties

The valuations of investment properties were determined based on the investment approach by considering the capitalised rental incomes derived from the existing tenancies with due provision for any reversionary income potential of the property interests. For the properties which are currently vacant, or under development the valuation was based on capitalisation of the hypothetical and reasonable market rents with a typical lease term and taking account of estimated cost of completion, where appropriate. Note 17 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties of the China General Group.

The carrying amount of investment properties at 31 December 2012, 2013 and 2014 and 31 October 2015 was approximately RMB101,500,000, RMB112,800,000, RMB117,200,000 and RMB119,100,000. Notwithstanding that the management employs independent professionally qualified valuers to perform fair value assessments based on these assumptions, the fair value of these investment properties may be higher or lower depending on the future market conditions.

6. REVENUE AND SEGMENT INFORMATION

The China General Group is engaged in the property development and revenue represents the net amounts received and receivable for properties sold by the China General Group in the normal course of business to customers for the years ended 31 December 2012, 2013 and 2014 and the ten months ended 31 October 2014 and 2015.

Information reported to the management of the China General Group, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance is on a project by project basis. Each individual project constitutes an operating segment. For operating segments that have similar economic characteristics, are produced using similar production process, distributed and sold to similar classes of customers and under similar regulatory environment, their segment information is aggregated into property development operation, as a single reportable segment. The management of the China General Group assesses the performance of the reportable segment based on the revenue and gross profit for the year/period of the China General Group as presented in the consolidated statements of profit or loss and other comprehensive income. The accounting policies of the reportable segment are the same as the China General Group’s accounting policies described in note 4. No analysis of the China General Group’s assets and liabilities is regularly provided to the management of China General Group for review.

Entity-wide disclosures

Major Products

Revenue during the Relevant Periods represents sales of properties in a property development project called Binjiang International Project in Huian, Fujian, PRC.

Geographical information

The China General Group’s operations are located in the PRC. All revenue and non-current assets of the China General Group are generated from and located in the PRC.

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Major Customers

During the Relevant Periods, the revenue from a single customer or a group of customers under common control which contributed over 10% of total revenue of the China General Group is as follows:

	Years ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Customer A	<u>Note</u>	<u>Note</u>	<u>Note</u>	<u>Note</u>	<u>33,931</u>

Note: The corresponding revenue did not contribute over 10% of the total revenue of the China General Group. There is no single customer or a group of customers under common control which contributed over 10% of the China General Group’s revenue for the years ended 31 December 2012, 2013 and 2014 and the ten months ended 31 October 2014.

7. OTHER INCOME

	Years ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Rental income from investment properties	202	246	253	212	2,376
Bank interest income	244	682	1,151	1,015	2,193
Others	<u>2</u>	<u>2</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>448</u>	<u>930</u>	<u>1,404</u>	<u>1,227</u>	<u>4,569</u>

8. OTHER GAINS AND LOSSES

	Years ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Net foreign exchange gains (losses)	234	1,405	(243)	(117)	(1,182)
Fair value changes on structured deposits designated as at FVTPL	—	14	30	30	—
Write-off of plant and equipment	—	—	(283)	—	—
Impairment loss on trade receivables	—	(20)	—	—	—
(Impairment loss) reversal of impairment loss on other receivables	<u>(43)</u>	<u>—</u>	<u>68</u>	<u>39</u>	<u>—</u>
	<u>191</u>	<u>1,399</u>	<u>(428)</u>	<u>(48)</u>	<u>(1,182)</u>

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9. FINANCE COSTS

	Years ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Bills discounting charges (<i>Note</i>)	800	3,191	1,664	1,664	—
Interest on secured bank borrowings wholly repayable within five years	1,131	1,451	14,590	12,233	12,476
Less: amounts capitalised in the cost of qualifying assets	<u>(1,931)</u>	<u>(2,992)</u>	<u>(14,277)</u>	<u>(12,100)</u>	<u>(12,269)</u>
	<u>—</u>	<u>1,650</u>	<u>1,977</u>	<u>1,797</u>	<u>207</u>

Note: During the Relevant Periods, the China General Group issued bills to suppliers for settlement of the outstanding balances. As part of the financing arrangement, the China General Group agrees to bear the discounting charges imposed by the banks when the suppliers discounted the bills to banks for monies.

Borrowing costs are capitalised on properties under development for sale in respect of bank and other borrowings obtained specifically for financing the property development.

10. INCOME TAX EXPENSE

	Years ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Current tax:					
PRC Enterprise Income Tax (“EIT”)	6,569	7,853	7,890	5,448	9,915
PRC Land Appreciation Tax (“LAT”)	<u>1,370</u>	<u>1,748</u>	<u>5,526</u>	<u>4,126</u>	<u>11,348</u>
	7,939	9,601	13,416	9,574	21,263
Deferred tax (<i>Note 27</i>)	<u>(787)</u>	<u>2,763</u>	<u>4,432</u>	<u>3,253</u>	<u>(2,426)</u>
	<u>7,152</u>	<u>12,364</u>	<u>17,848</u>	<u>12,827</u>	<u>18,837</u>

China General is subject to Hong Kong Profits Tax. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the years ended 31 December 2012, 2013 and 2014 and the ten months ended 31 October 2014 and 2015. No provision for taxation in Hong Kong has been made as the China General Group’s income neither arises in, nor is derived from, Hong Kong.

Current tax provision represents provision for PRC EIT and PRC LAT. Under the Law of People’s Republic of China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25%.

In addition, under the Provisional Regulations of LAT (《中華人民共和國土地增值稅暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, being the proceeds of sales of properties less deductible expenditures including borrowing costs and property development

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expenditures in relation to the gains arising from sales of properties in the PRC effective from 1 January 2004, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

Under the relevant tax law and implementation regulations in the PRC, withholding income tax is applicable to dividend earned and payable to investors that are “non-tax resident enterprises” in respect of profits earned by PRC subsidiaries since 1 January 2008, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such interest or dividends have their sources within the PRC. Under such circumstances, dividends paid by the PRC subsidiaries to offshore group entities shall be subject to the withholding tax at 10% or a lower treaty rate. China General is subject to withholding tax in relation to the dividends paid by Hui An China General. As China General has decided not to declare any dividends from undistributed earning of Hui An China General amounting to approximately RMB68,393,000, RMB84,598,000, RMB96,284,000 and RMB99,781,000 as at 31 December 2012, 2013 and 2014 and 31 October 2015 respectively to China General in the foreseeable future, no deferred tax liability has been recognised in respect of these undistributed earnings during the Relevant Periods.

The income tax expense for the year/period can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Years ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit before tax	<u>22,447</u>	<u>39,736</u>	<u>53,661</u>	<u>36,419</u>	<u>39,822</u>
Tax at PRC EIT of 25% (note)	5,611	9,934	13,415	9,105	9,956
Tax effect of expenses not deductible for tax purpose	351	1,244	343	577	657
Tax effect of income not taxable for tax purpose	(60)	(352)	(1)	(1)	—
PRC LAT	1,370	1,748	5,526	4,126	11,348
Tax effect of PRC LAT	(343)	(437)	(1,382)	(1,031)	(2,837)
Utilisation of deductible temporary difference previously not recognised	—	—	—	—	(223)
Deferred tax effect of LAT in respect of fair value change of investment properties	113	113	113	113	30
Others	<u>110</u>	<u>114</u>	<u>(166)</u>	<u>(62)</u>	<u>(94)</u>
Income tax expense for the year/period	<u>7,152</u>	<u>12,364</u>	<u>17,848</u>	<u>12,827</u>	<u>18,837</u>

Note: The tax rate represents the statutory tax rate in the jurisdiction where the operations of the China General Group are substantially based. Details of deferred tax movement have been set out in note 27.

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11. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD

	Years ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Profit and total comprehensive income for the year/period has been arrived at after charging (crediting):					
Auditor’s remuneration	17	22	20	16	36
Depreciation of plant and equipment	568	970	1,042	955	594
Rental expenses in respect of rented premises under operating lease	94	487	647	477	74
Gross rental income from investment properties	(202)	(246)	(253)	(212)	(2,376)
Less: direct operating expenses incurred	<u>42</u>	<u>43</u>	<u>53</u>	<u>44</u>	<u>516</u>
	<u>(160)</u>	<u>(203)</u>	<u>(200)</u>	<u>(168)</u>	<u>(1,860)</u>
Cost of properties held-for-sale recognised as an expenses	63,802	156,007	186,705	134,234	39,425
Staff costs					
— other staff costs	1,160	2,439	3,057	2,306	2,849
— retirement benefits contributions	<u>420</u>	<u>808</u>	<u>1,038</u>	<u>736</u>	<u>714</u>
Total staff costs, excluding directors’ remunerations	<u>1,580</u>	<u>3,247</u>	<u>4,095</u>	<u>3,042</u>	<u>3,563</u>

12. DIRECTORS’ AND CHIEF EXECUTIVES’ EMOLUMENTS AND EMPLOYEES’ REMUNERATION

The following table sets forth certain information in respect of the directors of China General during the Relevant Periods:

Name	Position	Date of joining China General and appointment as director	Date of resignation
Mr. Tsoi Kin Sze	Chairman and Director	17 January 2005	N/A
Mr. Shie Tak Chung	Director and Chief Executive Officer	17 January 2005	N/A
Ms. Lin Lina 林麗娜	Director	17 January 2005	22 October 2014

Mr. Tsoi Kin Sze and Mr. Shie Tak Chung are also the chief executives of the Company and during the Relevant Periods, no emoluments were paid to any of the directors of China General or for the services rendered as the chief executives.

Neither the chief executives nor any of the directors of China General waived any emoluments during the Relevant Periods.

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Employees’ remuneration

None of the five highest paid employees in the China General Group were directors of China General for the years ended 31 December 2012, 2013 and 2014 and the ten months ended 31 October 2014 and 2015. The emoluments of the five highest paid individuals for the years ended 31 December 2012, 2013 and 2014 and the ten months ended 31 October 2014 and 2015, were as follows:

	Years ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Salaries and allowances	528	749	804	574	635
Contributions to retirement benefits scheme	<u>109</u>	<u>176</u>	<u>196</u>	<u>125</u>	<u>172</u>
	<u>637</u>	<u>925</u>	<u>1,000</u>	<u>699</u>	<u>807</u>

The remunerations of each of the five highest paid individuals during the years ended 31 December 2012, 2013 and 2014 and the ten months ended 31 October 2014 and 2015, respectively are within HK\$1,000,000.

During the Relevant Periods, no emoluments were paid by the China General Group to any of the directors of China General or the five highest paid individual of the China General Group as an inducement to join or upon joining the China General Group or as compensation for loss of office.

13. DIVIDENDS

The China General Group and China General

No dividend was proposed during the years ended 31 December 2012, 2013 and 2014 and the ten months ended 31 October 2014 and 2015.

14. EARNINGS PER SHARE

No earnings per share information is presented, as its inclusion, for the purpose of this report, is not considered meaningful.

15. EMPLOYEE BENEFITS

In accordance with the relevant rules and regulations of the PRC, the China General Group’s PRC subsidiaries are required to make contributions to the retirement fund administered by the PRC government ranging from 10% to 22% of the total monthly basic salaries of the current employees. In addition, the China General Group’s PRC subsidiaries are required by law to contribute 2% to 15% of basic salaries of the employees for social insurance in relation to staff welfare, housing, medical and education benefits. During the years ended 31 December 2012, 2013 and 2014 and the ten months ended 31 October 2014 and 2015, the costs charged under such arrangements for the China General Group’s PRC subsidiaries amounted to approximately RMB420,000, RMB808,000, RMB1,038,000, RMB736,000 (unaudited) and RMB714,000 respectively.

The China General Group does not have any other significant retirement benefit plans.

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16. PLANT AND EQUIPMENT

	Leasehold improvement <i>RMB’000</i>	Furniture and equipment <i>RMB’000</i>	Motor vehicles <i>RMB’000</i>	Total <i>RMB’000</i>
COST				
At 1 January 2012	—	872	1,771	2,643
Additions	<u>—</u>	<u>368</u>	<u>853</u>	<u>1,221</u>
At 31 December 2012	—	1,240	2,624	3,864
Additions	<u>852</u>	<u>295</u>	<u>—</u>	<u>1,147</u>
At 31 December 2013	852	1,535	2,624	5,011
Additions	—	267	245	512
Eliminated on write-off	<u>(852)</u>	<u>—</u>	<u>—</u>	<u>(852)</u>
At 31 December 2014	—	1,802	2,869	4,671
Additions	<u>—</u>	<u>23</u>	<u>—</u>	<u>23</u>
At 31 October 2015	<u>—</u>	<u>1,825</u>	<u>2,869</u>	<u>4,694</u>
ACCUMULATED DEPRECIATION				
At 1 January 2012	—	396	948	1,344
Provided for the year	<u>—</u>	<u>255</u>	<u>313</u>	<u>568</u>
At 31 December 2012	—	651	1,261	1,912
Provided for the year	<u>249</u>	<u>276</u>	<u>445</u>	<u>970</u>
At 31 December 2013	249	927	1,706	2,882
Provided for the year	320	257	465	1,042
Eliminated on write-off	<u>(569)</u>	<u>—</u>	<u>—</u>	<u>(569)</u>
At 31 December 2014	—	1,184	2,171	3,355
Provided for the period	<u>—</u>	<u>235</u>	<u>359</u>	<u>594</u>
At 31 October 2015	<u>—</u>	<u>1,419</u>	<u>2,530</u>	<u>3,949</u>
CARRYING AMOUNTS				
At 31 December 2012	<u>—</u>	<u>589</u>	<u>1,363</u>	<u>1,952</u>
At 31 December 2013	<u>603</u>	<u>608</u>	<u>918</u>	<u>2,129</u>
At 31 December 2014	<u>—</u>	<u>618</u>	<u>698</u>	<u>1,316</u>
At 31 October 2015	<u>—</u>	<u>406</u>	<u>339</u>	<u>745</u>

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The above items of plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

Leasehold improvement	2 to 4 years
Furniture and equipment	3 to 5 years
Motor vehicles	4 to 5 years

17. INVESTMENT PROPERTIES

	Completed investment properties <i>RMB’000</i>	Investment properties under construction <i>RMB’000</i>	Total <i>RMB’000</i>
Fair value			
At 1 January 2012	86,600	4,400	91,000
Additions	—	4,600	4,600
Increase in fair value recognised in profit or loss	<u>4,600</u>	<u>1,300</u>	<u>5,900</u>
At 31 December 2012	91,200	10,300	101,500
Additions	—	3,450	3,450
Increase in fair value recognised in profit or loss	<u>3,600</u>	<u>4,250</u>	<u>7,850</u>
At 31 December 2013	94,800	18,000	112,800
Increase in fair value recognised in profit or loss	4,400	—	4,400
Transfer	<u>18,000</u>	<u>(18,000)</u>	<u>—</u>
At 31 December 2014	117,200	—	117,200
Increase in fair value recognised in profit or loss	<u>1,900</u>	<u>—</u>	<u>1,900</u>
At 31 October 2015	<u>119,100</u>	<u>—</u>	<u>119,100</u>
	Years ended 31 December		
	2012	2013	2014
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
			Ten months ended
			31 October
			2014
			<i>RMB’000</i>
			2015
			<i>RMB’000</i>
			(unaudited)
Unrealised gains on investment properties revaluation included in consolidated statement of profit or loss and other comprehensive income	<u>5,900</u>	<u>7,850</u>	<u>4,400</u>
			<u>4,300</u>
			<u>1,900</u>

All of the China General Group’s property interests held under operating leases to earn rentals or intended to earn rentals in future or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The carrying amount of investment properties are situated on land under the medium term lease in PRC.

The fair value of the China General Group’s investment properties at the end of each reporting period have been arrived at on the basis of a valuation carried out at these dates by DTZ Debenham Tie Leung Limited, 16/F, Jardine House, 1 Connaught Place, Central, Hong Kong, a firm of independent and qualified professional valuers not connected with the China General Group.

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In estimating the fair value of an investment properties, the directors of China General have determined the appropriate valuation techniques and inputs for fair value measurements. The China General Group uses market-observable data to the extent it is available. The China General Group engages third party qualified valuers to perform the valuation. The management of China General Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The China General Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of investment properties.

The fair value was grouped under level 3 and was determined based on the investment approach, by considering the capitalised rental income derived from the existing tenancies with due provision for any reversionary income potential of the property interests. For the properties which are currently not rented out or under development, the valuation was based on capitalisation of the hypothetical and reasonable market rents with a typical lease term, taking account of estimated cost of completion, where appropriate. One of the key inputs in valuing the investment properties is the term yield and reversion yield. The term yield and reversion yield is determined by reference to the yields derived from analysing the sales transactions of similar properties in Huian, Fujian Province, PRC and adjusted to take into account the market expectation from property investors to reflect factors specific to the China General Group’s investment properties.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the China General Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Car parking spaces and a kindergarten located in Fujian, the PRC	Level 3	Investment Approach Key inputs are: — Term yield — Reversion yield — Market rent of comparable properties	Key and unobservable inputs are: — Term yield and reversion yield of car parking spaces: 3.5% and 4.5% — Term yield and reversion yield of kindergarten is 4% and 4.5% — Market rent of comparable properties, by taking accounts of the accessibility, size, locations and environment of properties.	— The higher the term yield and reversion yield, the lower the fair value. — The higher the market rent, the higher the fair value.
Car parking spaces under development located in Fujian, the PRC as at 31 December 2012 and 2013	Level 3	Investment Approach Key inputs are: — Term yield — Reversion yield — Market rent of comparable properties — Future construction cost to completion	Key and unobservable inputs are: — Term yield and reversion yield of car parking spaces: 3.5% and 4.5% — Term yield and reversion yield of kindergarten is 4% and 4.5% — Market rent of comparable properties, by taking accounts of the accessibility, size, locations and environment of properties.	— The higher the term yield and reversion yield, the lower the fair value. — The higher the market rent, the higher the fair value.

As at 31 December 2012, 2013 and 2014 and 31 October 2015, investment properties amounting to RMB91,100,000, RMB102,000,000, RMB106,000,000 and RMB107,800,000 represented completed car parking spaces and car parking spaces under construction at 31 December 2012 and 2013 and completed car parking spaces at 31 December 2014 and 31 October 2015, respectively, without title certificates which cannot be sold or transferred to other parties according to the relevant laws and regulations in the PRC.

There has been no change from the valuation technique used in the Relevant Periods. In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use.

There were no transfers into or out of level 3 during the Relevant Periods.

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18. INTERESTS IN SUBSIDIARIES

China General

	At 31 December			At
	2012	2013	2014	31 October
	RMB'000	RMB'000	RMB'000	2015
Unlisted investment, at cost	61,038	61,038	61,038	61,038
Deemed contribution	—	—	95,562	95,562
	<u>61,038</u>	<u>61,038</u>	<u>156,600</u>	<u>156,600</u>

Deemed contribution of RMB95,562,000 made in 2014 represented the fair value adjustment on non-current interest-free amount due from a subsidiary at initial recognition. Details of amount due from a subsidiary are disclosed in note 26.

19. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	At 31 December			At
	2012	2013	2014	31 October
	RMB'000	RMB'000	RMB'000	2015
Property development				
Properties under development for sale	508,320	537,283	545,575	672,136
Properties held-for-sale	<u>151,220</u>	<u>176,762</u>	<u>99,865</u>	<u>60,440</u>
	<u>659,540</u>	<u>714,045</u>	<u>645,440</u>	<u>732,576</u>

All of the properties under development and completed properties held-for-sale are located in the PRC. All the properties held-for-sale are stated at cost.

At 31 December 2012, 2013 and 2014 and 31 October 2015, property under development of RMB508,320,000, RMB537,283,000, RMB364,067,000 and RMB476,589,000 are not expected to be realised within one year.

Details of the China General Group’s inventories and other assets being pledged to secure borrowings and the general banking facilities are set out in note 28.

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20. TRADE AND OTHER RECEIVABLES

	At 31 December			At
	2012	2013	2014	31 October
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Trade receivables	2,888	2,938	6,989	7,012
Less: impairment loss recognised	<u>(10)</u>	<u>(30)</u>	<u>(30)</u>	<u>(30)</u>
	<u>2,878</u>	<u>2,908</u>	<u>6,959</u>	<u>6,982</u>
Other receivables, net of impairment loss recognised	336	1,189	226	792
Prepaid taxes other than land appreciation tax	11,971	8,808	3,901	7,679
Deposits paid to suppliers	11,869	13,771	3,779	15,920
Other deposits and prepayments	<u>1,288</u>	<u>2,333</u>	<u>134</u>	<u>129</u>
	<u>28,342</u>	<u>29,009</u>	<u>14,999</u>	<u>31,502</u>

The China General Group generally grants no credit period to property buyers and only allows certain customers to settle their balances by instalments. The following is an aged analysis of gross trade receivables based on the date when the revenue from sale of the respective properties was recognised, at the end of each reporting period:

	At 31 December			At
	2012	2013	2014	31 October
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
0–30 days	—	450	—	1,890
31–90 days	1,230	729	—	5,092
91–180 days	1,100	1,420	4,479	—
181–365 days	470	329	2,510	—
Over 365 days	<u>88</u>	<u>10</u>	<u>—</u>	<u>30</u>
	<u>2,888</u>	<u>2,938</u>	<u>6,989</u>	<u>7,012</u>

Ageing of trade receivables (net of impairment loss recognised) which are past due but not impaired

	At 31 December			At
	2012	2013	2014	31 October
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
1–30 days	—	450	—	1,890
31–90 days	1,230	729	—	5,092
91–180 days	1,100	1,420	4,479	—
181–365 days	470	309	2,480	—
Over 365 days	<u>78</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>2,878</u>	<u>2,908</u>	<u>6,959</u>	<u>6,982</u>

Trade receivables that were past due but not provided for impairment loss relate to a number of independent customers. Based on past experience, management believes that no impairment allowance is necessary in respect of these remaining balances as there has not been a significant change in credit quality and the remaining balances are still considered fully recoverable.

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Movement in the allowance on doubtful debts

	At 31 December			At
	2012	2013	2014	31 October
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
At beginning of the year/period	10	10	30	30
Impairment losses recognised in profit or loss	—	20	—	—
At end of the year/period	10	30	30	30

21. STRUCTURED DEPOSITS

	At 31 December			At
	2012	2013	2014	31 October
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Unlisted investment, at fair value	—	25,000	—	—

The structured deposits as at 31 December 2013 of RMB25,000,000 are denominated in Renminbi and issued by a bank in the PRC. The return and principal were not guaranteed by the relevant bank. The structured deposits are designated at FVTPL on initial recognition as they contain non closely related embedded derivative. The directors of China General consider the fair values of the structured deposits, which are measured by reference to the discounted cash flow approach as disclosed in Note 32(c), approximate to their carrying values at 31 December 2013. The expected return rate is 2.4% per annum as at 31 December 2013.

Amount of RMB20,000,000 structured deposits were redeemed in December 2013 and the remaining RMB25,000,000 were redeemed in January 2014 at their principal amounts together with returns which approximated the expected return. The change in fair value up to the date of redemption is not significant.

No structured deposit was acquired during the years ended 31 December 2012 and 2014 and the ten months ended 31 October 2014 and 2015.

22. TIME DEPOSITS, BANK BALANCES AND CASH AND RESTRICTED AND PLEDGED BANK DEPOSITS

The China General Group

Bank balances carry interest at market rates which ranged from 0.0001% to 1.265% per annum as at 31 December 2012, 2013, 2014 and 31 October 2015. The restricted and pledged bank deposits carry interest at market rate which ranged from 0.30% to 0.40% per annum as at 31 December 2012, 2013, 2014 and 31 October 2015.

Time deposits with original maturity of three months amounting to RMB24,000,000 and RMB60,728,000 as at 31 December 2014 and 31 October 2015 carry interest at market rates which ranged from 1.35% to 2.35% per annum respectively.

Time deposits with original maturity more than three months but less than six months amounting to RMB44,000,000 and RMB5,000,000 as at 31 December 2014 and 31 October 2015 carry interest at market rates which ranged from 1.55% to 2.55% per annum respectively. Since the time deposits could be withdrawn before the original maturity date and without giving any notices to the banks, those time deposits are classified as cash and cash equivalents.

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Pledged bank deposits amounting to RMB10,000,000 and RMB15,000,000 as at 31 December 2012 and 2013 respectively are pledged to banks to secure general banking facility granted to the China General Group as set out in note 28. Restricted bank deposits amounting to RMB1,209,000, RMB2,038,000, RMB12,147,000 and RMB31,470,000 as at 31 December 2012, 2013 and 2014 and 31 October 2015 respectively represented designated bank accounts solely for collecting pre-sales proceeds and settlement of construction costs of properties and will be released upon the completion of the development of properties.

At 31 December 2012 and 2013, included in bank balances and cash of RMB8,762,000 and RMB3,369,000 respectively were kept in personal bank accounts under the name of Mr. Wang De Lin, the General Manager of the China General Group. These bank accounts under the name of Mr. Wang De Lin were closed in 2014.

China General

Bank balances carry interest at market rates which ranged from 0.0001% to 0.01% per annum as at 31 December 2012, 2013 and 2014 and 31 October 2015 respectively.

23. TRADE AND BILLS PAYABLES

	At 31 December			At
	2012	2013	2014	31 October
	RMB'000	RMB'000	RMB'000	2015
Trade payables	4,279	3,078	2,953	5,484
Bills payables	25,000	45,000	—	—
	<u>29,279</u>	<u>48,078</u>	<u>2,953</u>	<u>5,484</u>

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of each of the reporting period.

	At 31 December			At
	2012	2013	2014	31 October
	RMB'000	RMB'000	RMB'000	2015
0–60 days	177	91	44	2,730
61–90 days	—	122	—	10
91–180 days	25,750	25,050	116	26
181 days–1 year	66	20,040	274	563
Over 1 year	3,286	2,775	2,519	2,155
	<u>29,279</u>	<u>48,078</u>	<u>2,953</u>	<u>5,484</u>

The credit period on construction payable and bills payable is normally within 90 days from the invoice date and 1 year from the bills issue date, respectively for the years ended 31 December 2012, 2013 and 2014 and the ten months ended 31 October 2015.

The China General Group has financial risk management policies in place to ensure all payables are settled within the credit frame.

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24. OTHER PAYABLES AND ACCRUALS

	At 31 December		At 31 October	
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued construction costs	20,361	79,387	62,032	97,383
Accrual of social insurance and housing fund	3,355	4,040	4,628	4,628
Accrued staff costs	256	578	640	194
Public maintenance fund received from customers (<i>Note</i>)	3,709	3,805	4,014	4,247
Other tax payables	1,456	2,446	3,945	4,789
Accrual agency fee	132	433	555	865
Interest payable	—	99	—	—
Deposits received from suppliers	1,125	904	904	154
Others	427	458	529	753
	<u>30,821</u>	<u>92,150</u>	<u>77,247</u>	<u>113,013</u>

Note: The public maintenance fund is received on behalf of the Ministry of Housing and Urban-Rural Development of PRC from the property buyers as maintenance fund for the public facilities within the residential properties. Such fund would be returned to Ministry of Housing and Urban-Rural Development upon request.

25. PRE-SALES PROCEEDS RECEIVED ON SALES OF PROPERTIES

Pre-sales proceeds received on sales of properties represent proceeds received on property unit sales that have not been recognised as revenue in accordance with the China General Group’s revenue recognition policy.

26. AMOUNTS DUE FROM (TO) RELATED PARTIES

Directors’ and a related company current account disclosed pursuant to Companies Ordinance are as follows:

The China General Group

		Maximum amount outstanding during							
		At 31 December		At	Years ended 31 December		Ten months ended		
		2012	2013	2014	2012	2013	2014	31 October	2015
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Tsoi Kin Sze	Unsecured, non-interest bearing and repayable on demand	(151,571)	(41,915)	(27,056)	(27,813)	N/A	N/A	N/A	N/A
Mr. Shie Tak Chung	Unsecured, non-interest bearing and repayable on demand	(45,000)	—	(27,056)	(27,813)	N/A	N/A	N/A	N/A
Jianhong Investment	Non-trade, unsecured, non-interest bearing and repayable on demand	(216,838)	(380,851)	—	—	N/A	N/A	N/A	N/A
		<u>(413,409)</u>	<u>(422,766)</u>	<u>(54,112)</u>	<u>(55,626)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Mr. Tsoi Kin Sze	Unsecured, non-interest bearing and repayable on demand	—	23,301	—	—	—	23,301	23,301	—

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China General

		At 31 December			At
		2012	2013	2014	31 October
		RMB'000	RMB'000	RMB'000	2015
					RMB'000
Mr. Tsoi Kin Sze	Unsecured, non-interest bearing and repayable on demand	(43,318)	(41,915)	(27,056)	(27,813)
Mr. Shie Tak Chung	Unsecured, non-interest bearing and repayable on demand	—	—	(27,056)	(27,813)
		<u>(43,318)</u>	<u>(41,915)</u>	<u>(54,112)</u>	<u>(55,626)</u>

The amounts due from (to) directors represented advance from (to) Mr. Tsoi Kin Sze and Mr. Shie Tak Chung, directors of China General as at 31 December 2012, 2013 and 2014 and 31 October 2015.

The amount due to Jianhong Investment represented advances from Mr. Tsoi Kin Sze and Mr. Shie Tak Chung through Jianhong Investment (defined and explained in note 2), as at 31 December 2012 and 2013. The amount is non-trade nature, unsecured, non-interest bearing and has no fixed repayment term. In 2013, Mr. Tsoi Kin Sze and Mr. Shie Tak Chung assigned their loans to the China General Group of RMB45,000,000 each to Jianhong Investment. On 1 January 2014, Mr. Tsoi Kin Sze and Mr. Shie Tak Chung agreed with Jianhong Investment to assign the balance payable by the China General Group to Jianhong Investment amounting to RMB378,101,000 to Mr. Tsoi Kin Sze and Mr. Shie Tak Chung.

During the year ended 31 December 2012, Mr. Tsoi Kin Sze and Mr. Shie Tak Chung paid RMB90,000,000 on behalf of the China General Group for settlement of certain land costs.

In respect of amounts due to Mr. Tsoi Kin Sze and Mr. Shie Tak Chung, on 23 October 2014, China General, Mr. Tsoi Kin Sze and Mr. Shie Tak Chung entered into a deed of assignment, pursuant to which Mr. Tsoi Kin Sze and Mr. Shie Tak Chung shall assign their interests, rights and benefits in balances due from Hengde to China General amounting of RMB170,145,000 and RMB207,956,000, respectively in consideration for the issue of 4,500,000 shares and 5,500,000 shares of China General, respectively, at an issue price of HK\$48 (equivalent to approximately RMB38 per share) and these contributed as non-cash transactions. The aforesaid consideration shares were allotted and issued to Mr. Tsoi Kin Sze and Mr. Shie Tak Chung on 23 October 2014.

The amount due from a director was fully settled in October 2014. The amounts due to directors are expected to be fully settled prior to completion of acquisition of China General by the Company.

As at 31 December 2014 and 31 October 2015, the amount due from a subsidiary with carrying amount of RMB285,743,000 and RMB299,863,000 respectively (principal amount of RMB378,101,000) is unsecured, non-interest bearing, repayable on demand and denominated in RMB. In the opinion of the directors of China General, China General will not demand repayment within one year from the end of reporting period and the amount due from a subsidiary is therefore considered as non-current. Such interest-free advance is measured at amortised cost using the 5 years PRC Benchmark Lending Rate at 6% per annum at 31 December 2014 based on estimated timing of repayment.

27. DEFERRED TAX

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of deferred tax balances for financial reporting purposes.

		At 31 December			At
		2012	2013	2014	31 October
		RMB'000	RMB'000	RMB'000	2015
					RMB'000
Deferred tax assets		296	1,386	4,669	6,663
Deferred tax liabilities		<u>(5,282)</u>	<u>(9,135)</u>	<u>(16,850)</u>	<u>(16,418)</u>
		<u>(4,986)</u>	<u>(7,749)</u>	<u>(12,181)</u>	<u>(9,755)</u>

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The following are the major deferred tax assets and liabilities recognised and movements thereon during the Relevant Periods:

	Revaluation of investment properties <i>RMB’000</i>	LAT on presold properties <i>RMB’000</i>	Deferred tax on pre-sales proceeds <i>RMB’000</i>	Tax losses <i>RMB’000</i>	Total <i>RMB’000</i>
At 1 January 2012	(10,449)	(1,897)	6,573	—	(5,773)
(Charge) credit to profit or loss	<u>(1,588)</u>	<u>(1,974)</u>	<u>4,053</u>	<u>296</u>	<u>787</u>
At 31 December 2012	(12,037)	(3,871)	10,626	296	(4,986)
(Charge) credit to profit or loss	<u>(2,076)</u>	<u>(4)</u>	<u>(1,773)</u>	<u>1,090</u>	<u>(2,763)</u>
At 31 December 2013	(14,113)	(3,875)	8,853	1,386	(7,749)
(Charge) credit to profit or loss	<u>(1,212)</u>	<u>714</u>	<u>(5,797)</u>	<u>1,863</u>	<u>(4,432)</u>
At 31 December 2014	(15,325)	(3,161)	3,056	3,249	(12,181)
(Charge) credit to profit or loss	<u>(505)</u>	<u>1,380</u>	<u>2,454</u>	<u>(903)</u>	<u>2,426</u>
At 31 October 2015	<u>(15,830)</u>	<u>(1,781)</u>	<u>5,510</u>	<u>2,346</u>	<u>(9,755)</u>

At 31 December 2012, 2013 and 2014 and 31 October 2015, the China General Group has unused tax losses of RMB1,184,000, RMB5,544,000, RMB12,996,000 and RMB9,384,000 respectively available for offset against future profits and deferred tax asset in respect of such losses has been fully recognised. The tax losses will be expired ranging from 2017 to 2020.

28. SECURED BANK BORROWINGS

	At 31 December			At 31 October
	2012	2013	2014	2015
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
The maturity profile of secured bank borrowings is as follows:				
Within one year	6,600	7,600	17,175	10,000
More than one year but not exceeding two years	5,600	5,500	170,000	165,000
More than two years but not more than five years	<u>2,400</u>	<u>56,800</u>	<u>—</u>	<u>—</u>
	14,600	69,900	187,175	175,000
Less: Carrying amount of secured bank borrowing that are repayable on demand due to breach of loan covenants (shown under current liabilities)	—	(50,000)	—	—
Less: Amounts due for settlement within one year shown under current liabilities	<u>(6,600)</u>	<u>(5,600)</u>	<u>(17,175)</u>	<u>(10,000)</u>
Amounts due for settlement after one year	<u>8,000</u>	<u>14,300</u>	<u>170,000</u>	<u>165,000</u>

During the year ended 31 December 2013, in respect of bank borrowings with a carrying amount of RMB50,000,000 as at 31 December 2013, the China General Group discovered they may breach a term of the loan agreement, which is the debt-to-asset ratio of a subsidiary. On discovery of the potential breach, the management of China General Group informed the lender. Since the lender has not confirmed to waive its right to demand immediate payment, the secured bank borrowing has been classified as a current liability as at 31 December 2013. On 31 August 2014, the bank agreed to repay based on original repayment term of the loan pursuant to a confirmation from the bank.

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Secured bank borrowings of RMB14,600,000 and RMB19,900,000 as at 31 December 2012 and 2013, respectively, are guaranteed by certain directors and immediate family member of a director of China General. The guarantees were released in 2014.

As at 31 December 2012 and 2013, certain directors of China General have provided unlimited personal guarantee to banks in respect of general facilities granted to China General. The personal guarantees were released in 2014.

The China General Group pledged the following assets to banks for the borrowings and other general banking facilities granted to the China General Group:

	At 31 December		At 31 October	
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Inventories	31,594	361,779	342,275	336,934
Pledged bank deposits	<u>10,000</u>	<u>15,000</u>	<u>—</u>	<u>—</u>
	<u>41,594</u>	<u>376,779</u>	<u>342,275</u>	<u>336,934</u>

At 31 December 2012, 2013 and 2014 and 31 October 2015, all borrowings are denominated in RMB and the analysis of the China General Group’s fixed-rate borrowings based on their contractual maturity dates are as follows:

	At 31 December		At 31 October	
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Fixed-rate borrowings within one year	<u>3,100</u>	<u>—</u>	<u>—</u>	<u>—</u>

In addition, the China General Group has variable-rate borrowings which carry interest linked to PRC Benchmark Lending Rate and interest is reset annually. The analysis of the China General Group’s variable-rate borrowings based on their contractual maturity dates (or reset dates) are as follows:

	At 31 December		At 31 October	
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Variable-rate borrowings:				
Within one year	3,500	7,600	17,175	10,000
More than one year, but not exceeding two years	5,600	5,500	170,000	165,000
More than two years, but not exceeding five years	<u>2,400</u>	<u>56,800</u>	<u>—</u>	<u>—</u>
	<u>11,500</u>	<u>69,900</u>	<u>187,175</u>	<u>175,000</u>

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The ranges of effective interest rates (which are the contracted interest rates) on the China General Group’s borrowings are as follows:

	At 31 December 2012	2013	2014	At 31 October 2015
Effective interest rate per annum:				
Fixed-rate borrowings	5.85%	N/A	N/A	N/A
Variable-rate borrowings:				
PRC Benchmark Lending Rate	+ 1.92%	+ 0.31% to 1.92%	+ 0.30%	+0.30%

29. SHARE CAPITAL/PAID-UP CAPITAL

The China General Group

The share capital/paid-up capital as at 31 December 2012 and 2013 represented the combined share capital of China General and the paid-up capital of Hengde.

The share capital as at 31 December 2014 and 31 October 2015, represented the share capital of China General.

China General

	Number of shares	Share capital RMB’000
Authorised:		
At 1 January 2012, 31 December 2012 and 31 December 2013 — ordinary shares of HK\$1 each	10,000,000	11,089
At 31 December 2014 and 31 October 2015 (<i>Note 1</i>)	N/A	N/A
Issued and fully paid:		
At 1 January 2012, 31 December 2012 and 31 December 2013 — ordinary shares of HK\$1 each	10,000,000	11,089
Issue of shares on 23 October 2014 (<i>note 2</i>)	<u>10,000,000</u>	<u>378,101</u>
At 31 December 2014 and 31 October 2015 with no par value	<u>20,000,000</u>	<u>389,190</u>

Notes:

- (1) Under the Hong Kong Companies Ordinance (Cap. 622) with effect from 3 March 2014, the concept of authorised share capital no longer exists and China General’s shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.
- (2) On 23 October 2014, the Company allotted and issued 4,500,000 and 5,500,000 shares, at a price of HK\$48 (equivalent to approximately RMB38) per share to Mr. Tsoi Kin Sze and Mr. Shie Tak Chung respectively for capitalization of shareholder loans as disclosed in note 26. The new shares ranked pari passu with the existing shares in all respects.

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30. RESERVES OF CHINA GENERAL

	Accumulated profits RMB’000
At 1 January 2012	6,355
Profit and total comprehensive income for the year	<u>225</u>
At 31 December 2012	6,580
Profit and total comprehensive income for the year	<u>1,396</u>
At 31 December 2013	7,976
Profit and total comprehensive income for the year	<u>2,946</u>
At 31 December 2014	10,922
Profit and total comprehensive income for the period	<u>12,929</u>
At 31 October 2015	<u><u>23,851</u></u>

31. CAPITAL RISK MANAGEMENT

The China General Group manages its capital to ensure that entities in the China General Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The China General Group’s overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the China General Group consists of debt, which includes amounts due to related parties and secured bank borrowings, as disclosed in notes 26 and 28, respectively, net of time deposits, bank balances and cash and equity attributable to owners of China General, comprising share capital/ paid up capital and reserves.

The management of the China General Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the China General Group will balance its overall capital structure through the payment of dividends, the issue of new shares, new debts or the redemption of existing debts.

32. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	THE CHINA GENERAL GROUP				CHINA GENERAL			
	At 31 December		At 31 October		At 31 December		At 31 October	
	2012	2013	2014	2015	2012	2013	2014	2015
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Financial assets								
Loans and receivables (including cash and cash equivalents)	36,278	73,630	144,752	149,679	13	12	297,663	312,113
Structured deposits designated as at FVTPL	—	25,000	—	—	—	—	—	—
Financial liabilities								
Amortised cost	<u>457,715</u>	<u>541,202</u>	<u>244,769</u>	<u>236,863</u>	<u>43,318</u>	<u>41,915</u>	<u>54,112</u>	<u>55,626</u>

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b. Financial risk management objectives and policies

The China General Group’s and China General’s major financial instruments include trade and other receivables, amounts due from a related party and a subsidiary, structured deposits, restricted and pledged bank deposits, time deposits, bank balances and cash, trade and bills payables, other payables, amounts due to related parties, secured bank borrowings and financial guarantee contracts. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (interest rate risk, other price risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

(i) Interest rate risk

The China General Group is exposed to cash flow interest rate risk in relation to secured bank borrowings, restricted and pledged bank deposits, time deposits and bank balances. The cash flow interest rate risk is mainly concentrated on fluctuations associated with variable rate linked to PRC Benchmark Lending Rate in respect of secured bank borrowings and variable rate restricted and pledged bank deposits, time deposits and bank balances.

The China General Group was also exposed to fair value interest rate risk in relation to fixed rate secured bank borrowings in 2012.

China General is exposed to insignificant interest rate risk as the interest rates of its interest bearing financial assets are not expected to fluctuate significantly at the each of the reporting periods.

The China General Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

No sensitivity analysis of time deposits and bank balances is presented as a reasonably possible change in interest rate would not have significant impact on profit or loss of the China General Group.

In addition, no sensitivity analysis is presented for variable-rate borrowings as they were raised for property development and any change in interest rate would substantially be capitalised to property under development for sale and have no material impact to profit or loss of the China General Group until sale of these properties take place.

(ii) Other price risk

The China General Group is exposed to price risk through its investment in structured deposits which is designated as financial assets at FVTPL. The China General Group’s price risk is mainly concentrated on market price of the underlying equity and debts instruments and exchange rate in foreign currency market. The China General Group currently does not use any derivative contracts to hedge its exposure to other price risk. However, the management considered the price risk is insignificant given the short maturity of the structured deposits.

(iii) Currency risk

The China General Group and China General have a portion of amounts due to related parties and bank balance and cash which are denominated in foreign currency of relevant group entity, hence they are exposed to foreign exchange risk.

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The carrying amounts of the China General Group’s and China General’s foreign currency denominated monetary assets and liabilities at the end of each of the reporting period are as follows:

The China General Group and China General

	Assets			At
	At 31 December			31 October
	2012	2013	2014	2015
	RMB’000	RMB’000	RMB’000	RMB’000
HKD	<u>13</u>	<u>12</u>	<u>11,584</u>	<u>11,924</u>
	Liabilities			At
	At 31 December			31 October
	2012	2013	2014	2015
	RMB’000	RMB’000	RMB’000	RMB’000
HKD	<u>43,318</u>	<u>41,915</u>	<u>54,112</u>	<u>55,626</u>

The China General Group and China General do not enter into any derivative contracts to minimise the currency risk exposure. However, management monitors foreign exchange exposure and will consider hedging significant foreign exchange risk should the need arises.

Sensitivity analysis

The China General Group is mainly exposed to the effects of fluctuations of HKD.

The following table details the China General Group’s and China General’s sensitivity to a reasonably possible change of 5% in HKD against RMB while all other variables are held constant. 5% is the sensitivity rate used which represents management’s assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each of the reporting period for a 5% change in foreign currency rates.

An analysis of sensitivity to currency risk is as follows:

	Years ended 31 December			Ten months ended
	2012	2013	2014	31 October
	RMB’000	RMB’000	RMB’000	2015
Increase (decrease) in post-tax profit for the year/period				
— if RMB weakens against HKD	(2,166)	(2,096)	(2,126)	(2,185)
— if RMB strengthens against HKD	<u>2,166</u>	<u>2,096</u>	<u>2,126</u>	<u>2,185</u>

In management’s opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year/period end exposure does not reflect the exposure during the year/period.

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Liquidity risk

In the management of the liquidity risk, the China General Group monitors and maintains a level of time deposits, bank balances and cash deemed adequate by the management to finance the China General Group’s operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings.

The following tables detail the China General Group’s and China General’s remaining contractual maturities for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the China General Group and China General can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

The China General Group

	Weighted average effective interest rate %	Repayable on demand or less than 3 months RMB’000	3 months to 1 year RMB’000	1–2 years RMB’000	2–5 years RMB’000	Total undiscounted cash flows RMB’000	Carrying amount RMB’000
At 31 December 2012							
Trade and bills payables	—	4,279	25,000	—	—	29,279	29,279
Other payables	—	427	—	—	—	427	427
Amounts due to related parties	—	413,409	—	—	—	413,409	413,409
Secured bank borrowings							
— fixed rate	5.85	45	3,128	—	—	3,173	3,100
— variable rate	8.32	236	4,221	6,266	2,488	13,211	11,500
Corporate guarantee for mortgage facilities granted to property buyers	—	289,773	—	—	—	289,773	—
		<u>708,169</u>	<u>32,349</u>	<u>6,266</u>	<u>2,488</u>	<u>749,272</u>	<u>457,715</u>
	Weighted average effective interest rate %	Repayable on demand or less than 3 months RMB’000	3 months to 1 year RMB’000	1–2 years RMB’000	2–5 years RMB’000	Total undiscounted cash flows RMB’000	Carrying amount RMB’000
At 31 December 2013							
Trade and bills payables	—	3,078	45,000	—	—	48,078	48,078
Other payables	—	458	—	—	—	458	458
Amounts due to related parties	—	422,766	—	—	—	422,766	422,766
Secured bank borrowings							
— variable rate	7.03	50,634	6,654	4,367	11,257	72,912	69,900
Corporate guarantee for mortgage facilities granted to property buyers	—	333,582	—	—	—	333,582	—
		<u>810,518</u>	<u>51,654</u>	<u>4,367</u>	<u>11,257</u>	<u>877,796</u>	<u>541,202</u>
	Weighted average effective interest rate %	Repayable on demand or less than 3 months RMB’000	3 months to 1 year RMB’000	1–2 years RMB’000	2–5 years RMB’000	Total undiscounted cash flows RMB’000	Carrying amount RMB’000
At 31 December 2014							
Trade and bills payables	—	2,953	—	—	—	2,953	2,953
Other payables	—	529	—	—	—	529	529
Amounts due to related parties	—	54,112	—	—	—	54,112	54,112
Secured bank borrowings							
— variable rate	6.38	2,943	25,913	170,969	—	199,825	187,175
Corporate guarantee for mortgage facilities granted to property buyers	—	336,554	—	—	—	336,554	—
		<u>397,091</u>	<u>25,913</u>	<u>170,969</u>	<u>—</u>	<u>593,973</u>	<u>244,769</u>

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	Weighted average effective interest rate %	Repayable on demand or less than 3 months RMB’000	3 months to 1 year RMB’000	1–2 years RMB’000	2–5 years RMB’000	Total undiscounted cash flows RMB’000	Carrying amount RMB’000
At 31 October 2015							
Trade and bills payables	—	5,484	—	—	—	5,484	5,484
Other payables	—	753	—	—	—	753	753
Amounts due to related parties	—	55,626	—	—	—	55,626	55,626
Secured bank borrowings							
— variable rate	4.99	2,153	15,579	166,862	—	184,594	175,000
Corporate guarantee for mortgage facilities granted to property buyers	—	353,457	—	—	—	353,457	—
		<u>417,473</u>	<u>15,579</u>	<u>166,862</u>	<u>—</u>	<u>599,914</u>	<u>236,863</u>

* As explained in note 28, the China General Group breached certain of the terms of the bank borrowings with a carrying amount of RMB50,000,000 as at 31 December 2013.

Since the lender has not confirmed to waive its right to demand immediate payment at 31 December 2013, the loan has been included in the “Repayable on demand or less than 3 months” time band in the above maturity analysis. On 31 August 2014, the bank agreed to repay based on original repayment term for the loan pursuant to a confirmation from the bank.

The following table details the China General Group’s aggregate principal and interest cash outflows for bank borrowings with breached terms based on scheduled repayment date set out in the loan agreements. To the extent that interest flows are variable rate, the undiscounted amount is derived from interest rate at the end of reporting period.

The China General Group

	Weighted average effective interest rate %	Less than 3 month RMB’000	3 months to 1 year RMB’000	1–2 year RMB’000	2–5 years RMB’000	Total undiscounted cash flows RMB’000	Carrying amount RMB’000
Bank borrowings that the China General Group has breached certain borrowing terms							
As at 31 December 2013	7.026%	<u>866</u>	<u>4,647</u>	<u>5,373</u>	<u>48,949</u>	<u>59,835</u>	<u>50,000</u>

The amounts included above for variable interest rate financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each of the reporting period.

China General

	Weighted average effective interest rate %	Repayable on demand RMB’000	Total undiscounted cash flows RMB’000	Carrying amount RMB’000
At 31 December 2012				
Amount due to a related party	—	<u>43,318</u>	<u>43,318</u>	<u>43,318</u>

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	Weighted average effective interest rate %	Repayable on demand RMB’000	Total undiscounted cash flows RMB’000	Carrying amount RMB’000
At 31 December 2013				
Amount due to a related party	—	<u>41,915</u>	<u>41,915</u>	<u>41,915</u>
	Weighted average effective interest rate %	Repayable on demand RMB’000	Total undiscounted cash flows RMB’000	Carrying amount RMB’000
At 31 December 2014				
Amounts due to related parties	—	<u>54,112</u>	<u>54,112</u>	<u>54,112</u>
	Weighted average effective interest rate %	Repayable on demand RMB’000	Total undiscounted cash flows RMB’000	Carrying amount RMB’000
At 31 October 2015				
Amounts due to related parties	—	<u>55,626</u>	<u>55,626</u>	<u>55,626</u>

The amounts included above for financial guarantee contracts are the maximum amounts the China General Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of each reporting period, the China General Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Credit risk

The China General Group’s maximum exposure to credit risk in the event of the counterparties’ failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statements of financial position and the financial guarantee provided by China General Group as disclosed in note 35. The China General Group’s credit risk is primarily attributable to its trade and other receivables, amount due from a related party, structured deposits, restricted and pledged bank deposits, time deposits and bank balances.

The China General Group’s concentration of credit risk by geographical locations is mainly in PRC, which accounted for 99% of the total financial assets as at 31 December 2012 and 2013 and 92% of the total financial assets as at 31 December 2014 and 31 October 2015.

In order to minimise the credit risk on trade and other receivables, the management of the China General Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the China General Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of China General considers that the China General Group’s credit risk is significantly reduced.

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In relation to the provision of guarantees by China General Group to banks to secure obligations of the purchasers of the property units for the repayment of their mortgage loans, if there is a default in repayment by these purchasers, the China General Group is responsible for repaying the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted purchasers to banks. Under such circumstances, the China General Group is able to take over the ownership of the relevant properties and sell the properties to recover any amounts paid by the China General Group to banks. In this regard, the directors of China General consider that the China General Group’s credit risk on such guarantees is significantly reduced. Detailed disclosure of these guarantees has been made in note 35.

Other than concentration of credit risk on structured deposits, restricted and pledged bank deposits, time deposits and bank balances, which are deposited with several banks in PRC with good reputation, the China General Group does not have any other significant concentration of credit risk.

c. Fair value measurements of financial instruments

(i) Fair value of the China General Group’s financial assets that are measured at fair value on recurring basis

Certain China General Group’s financial assets are measured at fair value at the end of each reporting period.

The fair value hierarchy of structured deposits is level 3. The valuation of structured deposits classified as financial assets designed at FVTPL is determined using the discounted cash flows. Key unobservable inputs included expected return rate and a discount rate that reflects the credit risk of the counterparty bank.

The directors of China General consider that the impact of the fluctuation in the expected return rate to the fair value of the structured deposits was insignificant as the structured deposits have short maturity and have been redeemed in January 2014, and therefore no sensitivity analysis is presented.

Reconciliation of Level 3 fair value measurements of financial asset.

	At 31 December			At
	2012	2013	2014	31 October
	RMB’000	RMB’000	RMB’000	2015
				RMB’000
At the beginning of the year/ period	—	—	25,000	—
Acquired during the year/period	—	45,000	—	—
Proceeds received on redemption	—	(20,014)	(25,030)	—
Fair value change recognised in profit or loss	—	14	30	—
At the end of the year/period	—	25,000	—	—

(ii) Fair value of the China General Group’s financial assets and financial liabilities that are not measured at fair value on recurring basis

The directors of China General consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate to their fair values based on discounted cash flows analysis.

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33. OPERATING COMMITMENTS

The China General Group as lessor

Completed investment properties with a carrying amount of approximately RMB10,400,000, RMB10,800,000, RMB11,200,000 and RMB119,100,000 as at 31 December 2012, 2013 and 2014 and 31 October 2015 respectively are held for rental purpose.

At the end of each of the reporting period, the China General Group had contracted with tenants for the following future minimum lease payments in respect of leasing of certain investment properties. Leases are negotiated for terms of 20 years with fixed rentals.

	At 31 December			At
	2012	2013	2014	31 October
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Leasing of investment properties				
Within one year	217	246	246	254
In the second to fifth year inclusive	1,045	1,090	1,135	1,182
After five years	<u>4,976</u>	<u>4,686</u>	<u>4,394</u>	<u>4,134</u>
	<u>6,238</u>	<u>6,022</u>	<u>5,775</u>	<u>5,570</u>

The China General Group as lessee

At the end of each of the reporting period, the China General Group had commitment for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 December			At
	2012	2013	2014	31 October
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Within one year	190	426	161	79
In the second to fifth year inclusive	<u>—</u>	<u>97</u>	<u>22</u>	<u>22</u>
	<u>190</u>	<u>523</u>	<u>183</u>	<u>101</u>

Operating lease payment represented rentals payable by the China General Group for certain office premises. Leases are negotiated for an average term of 1 to 3 years with fixed rental.

34. OTHER COMMITMENTS

	At 31 December			At
	2012	2013	2014	31 October
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Construction commitments in respect of properties under development for sale contracted for but not provided in the Financial Information	<u>43,647</u>	<u>72,308</u>	<u>354,973</u>	<u>236,517</u>

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35. CONTINGENT LIABILITIES

	At 31 December			At
	2012	2013	2014	31 October
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Corporate guarantee given to banks in respect of mortgage facilities granted to property buyers	<u>289,773</u>	<u>333,582</u>	<u>336,554</u>	<u>353,457</u>

In accordance with market practice, the China General Group provides guarantees for the property buyers’ mortgage loans with PRC banks to facilitate their purchases of China General Group’s properties. Guarantees for mortgages on properties begin simultaneously with the respective mortgage, and are generally discharged at the earlier of: (i) the property buyers obtains the individual property ownership certificate, and (ii) the full settlement of mortgage loans by the property buyers. The outstanding financial guarantee providing with guarantee period up to the full settlement of mortgage loan as at 31 December 2012, 2013 and 2014 and 31 October 2015 amounted to RMB289,773,000, RMB333,582,000, RMB336,554,000 and RMB353,457,000 respectively. Pursuant to terms of the guarantees, for a given mortgage loan, if there is any default of the mortgage payments by a property buyer, the China General Group is responsible to repay to the bank outstanding balance of the mortgage loan as well as accrued interests and penalties owned by the defaulted property buyer. If the China General Group fails to do so, the mortgage bank will first deduct the bank balance existing in the bank owned by the property buyer. Any shortfall will be recovered through auction the underlying property and recover the remaining balance from the China General Group if the outstanding loan amount exceeds the net foreclosure sale proceed. The China General Group do not conduct independent credit checks on their property buyers but rely on the credit checks conducted by the mortgage banks.

In the opinion of the directors of China General, the fair values of the financial guarantee contracts of the China General Group are insignificant at initial recognition and the directors of China General consider that the possibility of default by the relevant buyers is remote and, in case of default in payments, the net realisable value of the related properties is expected to cover the outstanding mortgage principals together with the accrued interest and penalties. Accordingly, no provision has been made in the Financial Information for these guarantees.

During the year ended 31 December 2014, the China General Group has pledged its inventories and provided guarantee of RMB27,000,000 in respect of banking facility to a related company, 泉州華建商貿有限公司 which is controlled by sister-in-law of Mr Tsoi Kin Sze. Based on the valuation performed by an independent valuer, DTZ Debenham Tie Leung Limited, this financial guarantee has no fair value at inception date as the assets pledged exceeded the borrowing granted to the related company. In October 2014, the guarantee provided to the related company has been released.

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36. RELATED PARTY DISCLOSURES

Apart from details of the balances with related parties disclosed in the consolidated statements of financial position and other details disclosed elsewhere in the Financial Information, the China General Group has not entered into any significant transactions with related parties during the Relevant Periods.

Compensation of key management of personnel

The remuneration of directors and other members of key management during the Relevant Periods was as follows:

	Years ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Short-term benefits	457	719	773	569	627
Post-employment benefits	<u>100</u>	<u>164</u>	<u>176</u>	<u>128</u>	<u>167</u>
	<u>557</u>	<u>883</u>	<u>949</u>	<u>697</u>	<u>794</u>

The remuneration of directors and key executives is determined by having regard to the performance of individuals of the China General Group and market trends.

B. DIRECTORS’ REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable to the China General’s directors by China General or any of its subsidiaries during the Relevant Periods.

C. SUBSEQUENT EVENTS

Subsequent to 31 October 2015, the China General Group has no significant subsequent events.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the China General Group, China General or any of its subsidiaries have been prepared in respect of any period subsequent to 31 October 2015.

Yours faithfully
Deloitte Touche Tohmatsu
Certified Public Accountants
 Hong Kong