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**If you have sold or transferred** all your shares in Beijing Properties (Holdings) Limited (the “**Company**”), you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**BEIJING PROPERTIES (HOLDINGS) LIMITED**

**北京建設（控股）有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 925)**

**MAJOR TRANSACTION  
IN RELATION TO  
DEEMED DISPOSAL OF 35% INTEREST IN  
CHINA LOGISTICS GROUP**

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A letter from the Board is set out on pages 7 to 26 of this circular.

28 August 2014

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## CONTENTS

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	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	7
<b>APPENDIX I – FINANCIAL INFORMATION OF THE GROUP</b> .....	I-1
<b>APPENDIX II – PROPERTY VALUATION REPORT</b> .....	II-1
<b>APPENDIX III – GENERAL INFORMATION</b> .....	III-1

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## DEFINITIONS

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

“Announcements”	the announcements of the Company dated 11 July 2014 and 14 July 2014 in relation to the Subscription Agreement, the Shareholders Agreement and the transactions contemplated therein
“Assessed NAV”	has the meaning as set out under the heading “Introduction”
“Asset Sale”	the sale by China Logistics or any member of the China Logistics Group to the Company or any other third party in respect of all or part of its assets (together with all liabilities attaching thereto) at the net asset value of the relevant assets appraised by Jones Lang LaSalle or any other valuer unanimously approved by the board of directors of China Logistics
“associates”	has the meaning ascribed to it under the Listing Rules
“Beijing Beijian”	北京北建通成國際物流有限公司 (Beijing Inland Port Co., Ltd.), a sino-foreign joint venture company incorporated in the PRC (an indirect 75.4% owned joint venture of China Logistics)
“Beijing Beijian Group”	Beijing Beijian, together with its BVI holding companies, Fine Leap Limited and Yiguang Limited, and HK holding companies, New Fine International Development Limited and New Concord Properties Limited
“BEGREC”	北京北控置業有限責任公司 (Beijing Enterprises Group Real-Estate Co., Ltd.), a limited liability company incorporated in the PRC
“BEREHK”	Beijing Enterprises Real Estate (HK) Limited, a wholly-owned subsidiary of BEGREC and a substantial shareholder of the Company
“Board”	board of Directors
“Brilliant Bright”	Brilliant Bright Holdings Limited, a wholly-owned subsidiary of BEREHK and a substantial shareholder of the Company

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## DEFINITIONS

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“BVI”	British Virgin Islands
“China Logistics”	China Logistics Infrastructures (Holdings) Limited, a limited liability company incorporated under the laws of BVI
“China Logistics Group”	China Logistics and its subsidiaries
“Company”	Beijing Properties (Holdings) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Subscription
“Conditions”	the conditions precedent to the Completion
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the price of RMB888,000,000 (equivalent to approximately HK\$1,120,066,599) for the Subscription Shares
“Director(s)”	director(s) of the Company
“Further Subscription”	the subscription by the Subscriber of the Further Subscription Shares
“Further Subscription Shares”	the additional ordinary shares in China Logistics to be subscribed by the Subscriber so long as the shareholding in China Logistics held by the Subscriber does not exceed 40% (including the Subscription Shares) immediately after completion of the Further Subscription
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of PRC
“Hong Kong High Broad”	Hong Kong High Broad International Investment Group Limited, a limited liability company incorporated in Hong Kong and an indirect 70% owned subsidiary of China Logistics

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## DEFINITIONS

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“Hong Kong High Church”	Hong Kong High Church Group Limited, a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of China Logistics
“Hong Kong Phoenix”	Phoenix Real Estate Fund Wai Gao Qiao Holdings Limited, a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of China Logistics
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Investment Amount”	the total amount of investment actually made by the Subscriber for the Subscription Shares
“Latest Practicable Date”	25 August 2014, being the latest practicable date prior to the publication of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“New Bank Account”	the new bank account to be opened by China Logistics to receive the Consideration
“PMC Group”	the Project Management Company, together with its BVI and HK holding company incorporated
“PRC”	People’s Republic of China
“Project Land Phase I”	the state owned land located at Majuqiao, Tongzhou District, Beijing, PRC for logistics purposes and with an area of 259,301 square metres
“Project Land Phase II”	the state owned land located at Majuqiao, Tongzhou District, Beijing, PRC for commercial and residential purpose and with an area of 35,626.8 square metres

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## DEFINITIONS

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“Project Management Company”	the wholly foreign owned enterprise to be incorporated in Beijing, PRC in accordance with the applicable PRC law and an indirect wholly-owned subsidiary of China Logistics to provide PRC subsidiaries of the China Logistics Group with services including, development and operation of logistics facilities and any other ancillary services
“Put Option”	the right granted to the Subscriber to require the Company to purchase from it all (but not portion) of the shares then held by the Subscriber in China Logistics exercisable pursuant to the terms set out in the Shareholders Agreement
“Qualified IPO”	the closing of an initial public offering by China Logistics of its shares on the Stock Exchange, the Singapore Exchange Limited or any other internationally recognized stock exchange acceptable and agreed to by the shareholders of China Logistics
“Redemption Right”	the right exercisable by the Subscriber to require China Logistics to redeem all (but not part) of the Subscription Shares as set out under the sub-headings “Post-completion Obligations – Project Land Phase I” and “Deadlock”
“REIT”	the real estate investment trust and/or business trust
“REIT IPO”	the closing of an initial public offering of the units of a REIT of which assets are originated by China Logistics from all or part of the logistics and warehousing facilities then directly or indirectly owned by the China Logistics Group, in the Stock Exchange, the Singapore Exchange Limited or any other internationally recognized stock exchange acceptable and agreed to by the shareholders of China Logistics
“RMB”	Renminbi, the lawful currency of PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)

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## DEFINITIONS

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“Shanghai Phoenix Group”	上海凡宜和倉儲有限公司 (Shanghai Fanyihe Warehouse Co., Ltd.), a wholly foreign owned enterprise incorporated in the PRC (an indirect wholly-owned subsidiary of China Logistics), together with its BVI holding company, Advance Wit Limited, and its HK holding company, Hong Kong Phoenix
“Shareholders Agreement”	the shareholders agreement dated 11 July 2014 entered into between China Logistics, the Company and the Subscriber, pursuant to which the parties agreed on the conduct and management of China Logistics
“Shareholder Advance”	has the meaning as set out under the heading “Introduction”
“Shareholders”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	MJQ Investment Limited, a limited liability company incorporated under the laws of Hong Kong
“Subscription”	the subscription by the Subscriber of the Subscription Shares
“Subscription Agreement”	the share subscription agreement dated 11 July 2014 entered into between China Logistics, the Company and the Subscriber, pursuant to which the Subscriber shall subscribe for the Subscription Shares
“Subscription Shares”	the 35 redeemable shares, each of par value of US\$1.00 of China Logistics
“substantial shareholders”	has the meaning ascribed to it under the Listing Rules
“Tianjian Wanshilong Group”	天津萬士隆國際物流有限公司 (Tianjin Transwell International Logistics Co., Ltd.), a sino-foreign joint venture company incorporated in the PRC (an indirect 70% owned subsidiary of China Logistics), together with its BVI holding company, Fubao Global Limited, and its HK holding company, Hong Kong High Broad

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## DEFINITIONS

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“Tianyu Wanlong Group”	天域萬隆物流(天津)有限公司 (Transwealth Logistics (Tianjin) Co., Ltd.), a wholly foreign owned enterprise incorporated in the PRC (an indirect 70% owned subsidiary of China Logistics), together with its BVI holding company, Hong Heng Limited, and its HK holding company, Hong Kong High Church
“Total NAV”	has the meaning as set out under the heading “Introduction”
“%”	per cent

*In this circular, the English translation of certain Chinese names and entities is included for information purpose only and should not be regarded as official English translation of such Chinese names and entities.*



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## LETTER FROM THE BOARD

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### BEIJING PROPERTIES (HOLDINGS) LIMITED

### 北京建設（控股）有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 925)**

*Executive Directors:*

Mr. Yu Li (*Vice-Chairman*)  
Mr. Qian Xu  
Mr. Jiang Xinhao  
Ms. Meng Fang  
Mr. Siu Kin Wai  
Mr. Yu Luning  
Mr. Liu Xueheng  
Mr. Ang Renyi

*Independent Non-executive Directors:*

Mr. Goh Gen Cheung  
Mr. Ma Chiu Cheung, Andrew  
Mr. Ng Tang Fai, Ernesto  
Mr. Zhu Wuxiang  
Mr. James Chan

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and principal place of  
business in Hong Kong:*

66th Floor  
Central Plaza  
18 Harbour Road  
Wanchai, Hong Kong

28 August 2014

*To the Shareholders*

Dear Sir or Madam,

### MAJOR TRANSACTION IN RELATION TO DEEMED DISPOSAL OF 35% INTEREST IN CHINA LOGISTICS GROUP

#### INTRODUCTION

Reference is made to the Company's announcements dated 11 July 2014 and 14 July 2014. On 11 July 2014, the Company and China Logistics entered into (a) the Subscription Agreement with the Subscriber, pursuant to which the Subscriber conditionally agreed to subscribe for, and China Logistics conditionally agreed to issue, the Subscription Shares representing 35% of the issued share capital of China Logistics as enlarged by the issue of the Subscription Shares at the Consideration; and (b) the Shareholders Agreement with the Subscriber to regulate the conduct of business and management of China Logistics.

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## LETTER FROM THE BOARD

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The Subscriber is MJQ Investment Limited, which is held as to 60% by Mitsui & Co., Ltd. and as to 40% by Mitsubishi Estate Co., Ltd., is a company incorporated in Hong Kong for the sole purpose of holding the Subscription Shares. The Company and the Subscriber has agreed to develop China Logistics Group into a group with: (a) a target total net asset scale of not less than approximately RMB3.23 billion (equivalent to approximately HK\$4.07 billion) (the “**Total NAV**”), which is arrived at with reference to: (i) current existing net asset value of approximately RMB2.1 billion of the China Logistics Group assessed internally by the Subscriber (the “**Assessed NAV**”) with reference to the total consolidated net assets of approximately HK\$424 million (equivalent to approximately RMB336 million) of the China Logistics Group as at 31 December 2013 including the current pipelines of assets situated in Beijing (including Project Land Phase I & Project Land Phase II to be acquired), Shanghai and Tianjin; the agreed capitalization of the cash advance of approximately HK\$1,656 million (equivalent to approximately RMB1,314 million) which represents advances made by the Company to the China Logistics Group for its acquisitions of projects in Beijing, Shanghai and Tianjin in previous years and outstanding as at the date of the Subscription Agreement (the “**Shareholder Advance**”); and the business prospect of the China Logistics Group; and (ii) the maximum amount of approximately RMB1.13 billion that will be injected by the Subscriber if both the Company and the Subscriber have finally agreed to invest in Project Land Phase II (out of which approximately RMB0.888 billion is the Consideration); and (b) the target asset scale of not less than approximately RMB6 billion (equivalent to approximately HK\$7.57 billion), which is arrived at by using the above Total NAV plus assets size of certain pipeline assets that are under review for acquisitions after the Completion but all of which are still under negotiations and no definitive agreement has been signed so far.

The purpose of this circular is to provide the Shareholders with further details of the Subscription Agreement, the Shareholders Agreement and the transactions contemplated therein, together with such other information as required by the Listing Rules.

### SUBSCRIPTION AGREEMENT

#### Date

11 July 2014

#### Parties

- (1) the Company as the existing shareholder of China Logistics and guarantor;
- (2) China Logistics (a wholly-owned subsidiary of the Company) as the target company;  
and
- (3) the Subscriber as the subscriber.

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## LETTER FROM THE BOARD

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To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

### **Subject matter**

Pursuant to the Subscription Agreement, the Subscriber conditionally agreed to subscribe for and China Logistics conditionally agreed to issue the Subscription Shares at the Consideration representing 35% of its issued share capital as enlarged by the issue of the Subscription Shares.

The Subscription Shares shall rank pari passu in all respects inter se and with all other shares of China Logistics in issue, except the redemption rights and conversion rights granted under the Subscription Agreement and the Shareholders Agreement.

As at the Latest Practicable Date, China Logistics is a wholly owned subsidiary of the Company. Immediately after the Completion, the shareholding of the Company in the China Logistics will be diluted and reduced to 65%, and therefore the Subscription constitutes a deemed disposal of the Company.

### **Consideration**

The Consideration of RMB888,000,000 (equivalent to approximately HK\$1,120,066,599) shall be paid by wire transfer of immediately available fund in the following manner:

- (a) the first instalment of RMB511,000,000 (equivalent to approximately HK\$644,542,829) shall be paid upon Completion; and
- (b) the second instalment of RMB377,000,000 (equivalent to approximately HK\$475,523,770) shall be paid upon the conversion of the Subscription Shares into ordinary shares of China Logistics.

The New Bank Account under the name of China Logistics will be opened to receive the Consideration.

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## LETTER FROM THE BOARD

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The Consideration was arrived at arm's length negotiation between the parties with reference to:

- (a) The Subscriber's internally assessed Assessed NAV of the China Logistics Group after considering:
  - (i) the intrinsic value of the China Logistics Group which includes but not limited to the expertise of the management and the ability of the Company and the China Logistics Group in accessing prime assets of the logistics industry in the PRC;
  - (ii) the current market value of the lands and buildings (as disclosed in Appendix II to this circular);
  - (iii) the audited net assets value of approximately HK\$424 million (equivalent to approximately RMB336 million) of the China Logistics Group as at 31 December 2013;
  - (iv) the capitalization effect of the Shareholder Advance as at the date of the Subscription Agreement; and
  - (v) the future prospect of the projects currently held by the China Logistics Group.
- (b) The dilution effect of the 35% Subscription Shares applicable to the Total NAV minus the extra fund that would require additional injection by the Subscriber for Project Land Phase II (i.e. RMB3.23 billion x 35% – RMB0.242 billion) as this is yet to be determined to proceed.

As such, the Directors consider that the Consideration for the Subscription Shares is fair and reasonable.

### **Conditions precedent**

Completion of the Subscription shall be conditional upon fulfillment of certain events, which, inter alia, includes:

- (a) the passing of a resolution at a special general meeting of the Company by the Shareholders (or, if allowed by the Listing Rules or permitted by the Stock Exchange, the approval in written form by the Shareholders of the Company holding together more than 50% in nominal value of shares of the Company) to approve the Subscription Agreement, the Shareholders Agreement and the transactions contemplated therein;

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## LETTER FROM THE BOARD

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- (b) the obtaining of consent from the finance parties which has existing loans or facilities with the Company and the China Logistics Group agreeing or waiving that the entering into of the Subscription Agreement, the Shareholders Agreement and the transactions contemplated therein will not constitute any default in the relevant finance documents;
- (c) the attendance and carrying out of all corporate procedures by the Company and China Logistics that are required to effect the execution, delivery and performance of the Subscription Agreement, the Shareholders Agreement and the transactions contemplated therein;
- (d) the completion of the due diligence investigations by the Subscriber and the results of which are satisfactory;
- (e) the completion of the merger filing by the Subscriber (if it is required);
- (f) the completion of capitalization of the Shareholder Advance;
- (g) the warranties given by each of the parties shall be true, correct and complete; and
- (h) there being no occurrence of any event or transaction likely to have a material adverse effect on the Company and the China Logistics Group.

The Company and China Logistics shall use their respective best endeavours to procure that the above Conditions are fulfilled on or before 31 December 2014. The Subscriber may waive any of the above Conditions and none of them have been waived as at the Latest Practicable Date. Save that the Company has obtained approval in written form by the Shareholders holding together more than 50% in nominal value of Shares of the Company, the above Conditions are yet to be fulfilled.

### **Post-completion Obligations**

#### ***Project Land Phase I***

If the land use right certificate for the Project Land Phase I in the name of Beijing Beijian is issued on or prior to 31 March 2015 (or such other date as agreed by the parties), the Subscriber shall issue a conversion notice to China Logistics to convert the Subscription Shares into ordinary shares of China Logistics and pay for the second installment of the Consideration for the Subscription.

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## LETTER FROM THE BOARD

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If the land use right certificate for the Project Land Phase I in the name of Beijing Beijian is not obtained on or prior to 31 March 2015 (or such other date as agreed by the parties), the Subscriber is entitled to serve a written notice within fifteen (15) business days after 31 March 2015 (or such other date as agreed by the parties) to:

- (a) redemption right: require China Logistics to redeem all (but not part) of the Subscription Shares at the Investment Amount plus accrued interest earned in the New Bank Account;
- (b) put option: require the Company to purchase from it all (but not part) of the Subscription Shares at the Investment Amount plus accrued interest earned in the New Bank Account; or
- (c) disposal of the Beijing Beijian Group: remain as a shareholder of China Logistics and, in order to maintain the Total NAV, the Company has to acquire from China Logistics the entire interest of the Beijing Beijian Group at a consideration of RMB470 million (equivalent to approximately HK\$593 million, which shall be subject to the obtaining of approvals from the Shareholders in general meeting as may be required under the Listing Rules and any other applicable laws and regulations. The acquisition cost of RMB470 million for the entire interest of the Beijing Beijian Group is arrived at with reference to: (i) the share of net assets of approximately RMB351 million of the Beijing Beijian Group as at 31 December 2013; and (ii) the share of estimated appreciation of approximately RMB121 million for the Project Land Phase I as assessed internally by the Subscriber. The estimated appreciation is approximately RMB161 million if the China Logistics Group obtains the Project Land Phase I. According to the China Logistics Group's shareholding percentage in the Beijing Beijian Group, the share of estimated appreciation of approximately RMB161 million for the Project Land Phase I is approximately RMB121 million. Upon completion of the acquisition of the Beijing Beijian Group by the Company, that is, such assets in China Logistics will be changed into cash, the Subscriber shall issue a conversion notice to China Logistics to convert the Subscription Shares into ordinary shares of China Logistics and pay for the second instalment of the Consideration for the Subscription.

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## LETTER FROM THE BOARD

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### ***Project Land Phase II***

Project Land Phase II is a parcel of land situated besides Project Land Phase I, which will be opened for auction. If the Company and the Subscriber decide that China Logistics, through its subsidiaries, to participate with the land bid and auction for Project Land Phase II, the Company and the Subscriber shall firstly provide additional funding by way of shareholders loan on a pro rata basis to satisfy the land auction deposit amount required by the relevant government authority, however, the deposit amount is still unknown at the moment.

If the bid for Project Land Phase II is successful, the contributions to be made by the Company and the Subscriber, by way of subscription of ordinary shares in China logistics, shall be RMB300 million (equivalent to approximately HK\$378 million) and RMB242 million (equivalent to approximately HK\$305 million) respectively and part of which shall be settled by capitalization of the shareholders loan provided for the land auction deposit, however, the respective shareholding of the Company and the Subscriber in China Logistics will not be changed even the contributions is not made in proportion of 65%:35%, their respective shareholding. The difference is due to the internal assessment done by the Subscriber which indicated that Project Land Phase II will have appreciation in value and so the Subscriber is willing to subscribe the additional ordinary shares of China Logistics at a premium.

However, provided that if the bid for Project Land Phase II is unsuccessful, but the Company and the Subscriber decide to maintain the Total NAV of the Group, contribution will then be made by way of subscription of ordinary shares in China Logistics, according to their respective shareholding, that is, RMB450 million (equivalent to approximately HK\$568 million) and RMB242 million (equivalent to approximately HK\$305 million) respectively, and part of which shall be settled by capitalization of the shareholders loan provided for the land auction deposit.

### ***Further Subscription of Shares***

During the period commencing from Completion and ending on the subscription of ordinary shares mentioned in the sub-heading “Post-completion Obligations – Project Land Phase II” above, the Subscriber is entitled to subscribe for additional number of ordinary shares in China Logistics so long as its shareholding interest in China Logistics does not exceed 40% immediately after completion of such further subscription.

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## LETTER FROM THE BOARD

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### *Further Subscription Consideration*

The Subscriber is entitled to subscribe not more than 5% of additional number of ordinary shares in China Logistics. The consideration shall be determined as follows:

- (a) if the notice from the Subscriber is issued on or after the investment in China Logistics to be made by the Company and the Subscriber for the purpose of the land bid auction for the Project Land Phase II, the further subscription consideration shall be calculated as follows:

$$\text{Further subscription consideration} = \frac{\text{Assessed NAV}}{\text{Shareholding percentage of the Company in China Logistics immediately after the further subscription completion}} \times \text{Shareholding percentage of the Subscriber in China Logistics immediately after the further subscription completion} - \text{RMB1,130 million}$$

The amount of RMB2,100 million is the Assessed NAV of the China Logistics Group. The amount of RMB1,130 million is the Consideration of RMB888 million and the investment amount of RMB242 million for the Project Land Phase II from the Subscriber. According to above formula, the further subscription consideration shall be approximately RMB270 million if the Subscriber is to subscribe all the 5% additional shareholding in China Logistics.

- (b) if the notice from the Subscriber is issued prior to the date of the investment in China Logistics to be made by the Company and the Subscriber for the purpose of the land bid auction for the Project Land Phase II, the further subscription consideration shall be calculated as follows:

$$\text{Further subscription consideration} = \frac{\text{Assessed NAV-assessed value of approximately RMB450 million of Project Land Phase II}}{\text{Shareholding percentage of the Company in China Logistics immediately after the further subscription completion}} \times \text{Shareholding percentage of the Subscriber in China Logistics immediately after the further subscription completion} - \text{RMB888 million}$$



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## LETTER FROM THE BOARD

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According to the above formula, the further subscription consideration shall be approximately RMB212 million if the Subscriber is to subscribe all the 5% additional shareholding in China Logistics.

### **Guarantee by the Company**

The Company guarantees by way of continuing obligation to the Subscriber as primary obligor the performance and punctual payment by China Logistics of its obligations under the Subscription Agreement.

### **Indemnification**

The Company and China Logistics have given customary warranties to the Subscriber in respect of the corporate status and matters relating to the China Logistics Group as at the date of the Subscription Agreement and upon Completion.

The Company and China Logistics shall indemnify, jointly and severally, the losses incurred or suffered by the Subscriber resulting from or arising out of any misrepresentation or breach of any warranties or agreement made or to be performed by the Company and China Logistics. The maximum aggregate liabilities of the Company and China Logistics in respect of all claims thereunder shall not exceed one hundred and fifty percent (150%) of the Investment Amount and notice of claim shall be served no later than sixty (60) months from the Completion Date or termination of the Subscription Agreement, whichever is earlier.

### **Completion**

The Company and China Logistics shall notify the Subscriber upon satisfaction of the Conditions. The Subscriber shall have fifteen (15) business days to ascertain the same or waive any of the Conditions at its sole and absolute discretion and thereafter shall issue a written notice to the Company and China Logistics confirming the same. Completion shall take place within ten (10) business days after the date of the above confirmation from the Subscriber to the Company and China Logistics.

### **Termination**

The Subscription Agreement may be terminated (a) if the Conditions are not fulfilled and the Subscriber elects to terminate it; (b) if either the Company or the Subscriber breached any warranties or material covenant in the Subscription Agreement, which breach cannot be cured or, if it is capable of being cured, is not cured within ninety (90) days; or (c) by mutual consent.

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## LETTER FROM THE BOARD

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### SHAREHOLDERS AGREEMENT

#### Date

11 July 2014

#### Parties

- (1) China Logistics as the company;
- (2) the Company as a shareholder; and
- (3) the Subscriber as a shareholder.

#### Principal Terms of the Shareholders Agreement

##### *Transfer of Shares to a Third Party*

Subject to other terms contained in the Shareholders Agreement, no shareholder may transfer any of its Shares (or any interest therein) to any person prior to the date of a Qualified IPO or a REIT IPO, unless with the prior written consent of the other shareholder, or permitted or required to do so pursuant to the terms of the Shareholders Agreement.

##### *Lock-up*

The Company shall not, prior to the consummation of a Qualified IPO or a REIT IPO, transfer any of its shares in China Logistics to a third party.

##### *Right of First Offer on Transfer of Shares*

When any shareholder intends to sell or transfer all or any of its shares in China Logistics (or any interest therein) to a third party, the selling shareholder shall first offer such shares to the other shareholder. The exercise by the non-exiting shareholder of its right of first offer granted hereunder shall preclude the exercise of the tag-along rights granted under the Shareholders Agreement.

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## LETTER FROM THE BOARD

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### ***Tag Along Rights***

On or after the consummation of a REIT IPO, where the Company intends to offer to sell its shares in China Logistics to a third party, the Subscriber shall have a right to (a) purchase all (but not part) of such shares by giving its acceptance notice to the Company within a sixty (60) days period, or (b) sell its shares to a third party in the ratio of the shares held by the Subscriber bears to the total number of shares in issue times the number of shares to be transferred by the Company.

Following the closing of a Qualified IPO, the rights set out in the sub-heading “Transfer of Shares to a Third Party”, “Lock-up”, “Right of First Offer on Transfer of Shares” and “Tag Along Rights” above shall no longer apply. Following the closing of a REIT IPO, the rights set out in the sub-heading “Transfer of Shares to a Third Party”, “Right of First Offer on Transfer of Shares” and “Tag Along Rights” shall continue in full force and effect save and except for the case of China Logistics itself to undertake or undergo a REIT IPO.

### ***Right of First Offer on Future Equities***

The Company and the Subscriber shall have a right of first offer with respect to future issues by China Logistics (a) at any time prior to the date of a Qualified IPO, or (b) at any time prior to or after a REIT IPO, of any shares of, or securities convertible into or exchangeable or exercisable for any shares of, any class of its capital in proportion to their shareholding.

### ***Directors and Management***

The board of directors of China Logistics shall consist of 7 directors, of which 4 shall be nominated by the Company (including the chairman) and 3 shall be nominated by the Subscriber (including the vice-chairman). The chief executive officer and chief financial officer shall be nominated by the Company.

The quorum for meetings of the board of directors of China Logistics is two-third of all directors, consisting of at least one nominated by the Company and one nominated by the Subscriber.

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## LETTER FROM THE BOARD

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### *Reserved Matters*

Certain matters require the unanimous approval of all shareholders and, inter alia, include:

- (a) amendment to the memorandum or articles of association of China Logistics;
- (b) division of shares into different classes or variation of the rights attached to any class;
- (c) incurrence of indebtedness;
- (d) resolution for the resources of the working capital of China Logistics;
- (e) any reserved matters referred by the board of directors of China Logistics or board of directors of the Project Management Company for discussions and resolutions (in case unable to make a decision after one (1) month it is first discussed);
- (f) applying the profits of China Logistics or the China Logistics Group for capital investment and/or development of specific project(s); and
- (g) the disposition of more than fifty percent (50%) of the assets or any merger, amalgamation, consolidation, dissolution, liquidation or winding up of China Logistics.

Certain matters require the unanimous approval of all directors and, inter alia, include:

- (a) establishment, incorporation of, investment in or disposal of a new subsidiary;
- (b) acquisition or disposal of any real property;
- (c) obtaining of or repayment of any bank loan not included in the annual budget;
- (d) entry into any lease agreement or construction agreement or obtaining assets other than for any business purpose, whose value exceeds the annual budget;
- (e) adoption of or amendment to any incentive plan;
- (f) change of business purpose or company name;
- (g) obtaining financial products (excluding deposits) other than for any business purpose;

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## LETTER FROM THE BOARD

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- (h) applying for or not applying for the listing or trading of any of its shares or debt securities, or of the units of a REIT of which assets are originated by China Logistics on any stock exchange or market;
- (i) increase the maximum amount of authorized shares, issue any new shares, grant any option or other interest over or in its shares, redeem or purchase any of its own shares or effect any other re-organisation of its shareholding structure;
- (j) transfer any of its business;
- (k) entry into any agreement, undertaking or other arrangement between China Logistics and any of its directors, officers, affiliates, or any other person holding, directly or indirectly, of any equity interest in its subsidiaries (save for those in relation to the acquisition of assets, or business consignment which are made on arm's length);
- (l) change of its auditors into a firm other than a big four accounting firm;
- (m) commencing, defending or compromising of any litigation, arbitration or other proceedings, save for the debt recovery proceedings not exceeding the amount of RMB1,500,000 (equivalent to approximately HK\$1,892,004);
- (n) provision of any financing (including but not limited to making of any loan or advance) to any person or entity; or
- (o) creation of any security (including guarantee, pledge or mortgage) over any of its assets or property or realization of any security against any of its assets or property in favour of any person or entity.

### ***Deadlock***

If the Company and the Subscriber are unable to resolve any of the shareholders reserved matters within 2 months after it is firstly discussed in the shareholders' meeting, a deadlock has occurred.

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## LETTER FROM THE BOARD

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Upon the occurrence of a deadlock, the Subscriber may:

- (a) require China Logistics to redeem all (but not part) of the Subscription Shares held by it at the Investment Amount plus accrued interest earned in the New Bank Account, if the Deadlock happen before 31 March 2015 (or such other date as agreed by the parties);
- (b) exercise the Put Option (details set out in the sub-heading “Put Option” below);
- (c) (i) offer to sell all (but not part) of the shares then held by it to the Company; (ii) failing acceptance of which, may offer all (but not part) of the shares then held by it to a third party in terms not less favourable than that offered to the Company as stated in (c)(i); (iii) failing the transfer of shares then held by it to a third party, exercise the Put Option or the right of Asset Sale; or (iv) failing which, require the directors of China Logistics to carry out the necessary procedures to wind-up China Logistics.

If the Company accepts the offer by the Subscriber to sell all of the shares then held by it in China Logistics mentioned in sub-paragraph (c)(i) above, the Company shall comply with the then applicable reporting, announcement and shareholders’ approval requirement as may be required under the Listing Rules.

### ***Put Option***

The Company grants to the Subscriber the Put Option to require the Company to purchase from it all (but not part) of its shares held in China Logistics at the Investment Amount plus accrued interests (which is calculated at a simple annual interest rate of 7% with an accumulated cap of 38.5%) exercisable (a) any date following the occurrence of Deadlock (except that the Deadlock happened before 31 March 2015 and under this accrued interest will be equal to the interest earned from the New Bank Account only), or (b) the one-month period immediately following the fifth anniversary of the date of the Shareholder Agreement, or (c) any date following the eighth anniversary of the date of the Shareholders Agreement provided that at the moment neither a Qualified IPO nor a REIT IPO has taken place, or (d) such other period as agreed in writing by the Company and the Subscriber. The Put Option shall lapse immediately upon the occurrence of a Qualified IPO or a REIT IPO.

On the exercise of the Put Option by the Subscriber, the Company will publish an announcement pursuant to Rule 14.74 of the Listing Rules.

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## LETTER FROM THE BOARD

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### *Exit Mechanism*

In the event that neither a Qualified IPO nor a REIT IPO has taken place within eight (8) years following the date of the Shareholders Agreement, the Subscriber may:

- (a) exercise the Put Option (details set out in the sub-heading “Put Option” above); or
- (b) (i) offer to sell all (but not part) of the shares then held by it to the Company, (ii) failing acceptance of which, may offer all (but not part) of the shares then held by it to a third party in terms not less favourable than that offered to the Company as stated in (b)(i), (iii) failing the transfer of shares then held by it to a third party, exercise the Put Option or the right of Asset Sale, or (iv) failing which, require the directors of China Logistics to carry out the necessary procedures to wind-up China Logistics.

### **INFORMATION ON THE GROUP AND THE CHINA LOGISTICS GROUP**

The Group is principally engaged in investment and development of logistics, commercial, residential and industrial properties, provision of logistics related value-added services, including leasing of warehouse facilities and provision of management services.

China Logistics is an investment holding company and is a wholly owned subsidiary of the Company as at the Latest Practicable Date. It is principally engaged in investment, development and operation of e-commerce and port related logistics properties segment within the Group. Currently, China Logistics Group has 5 operations, comprises of Beijing Beijian Group, Tianjian Wanshilong Group, Tianyu Wanlong Group, Shanghai Phoenix Group and PMC Group. Beijing Beijian Group mainly invests, develops and operates a sizable logistics base located in Beijing, PRC with a proposed gross floor area of approximately 540,000 square metres. Tianjian Wanshilong Group mainly operates the bonded warehouse located at the Tianjin Binhai International Airport and all the related appurtenant works to comprise a total gross floor area of approximately 24,612 square metres. Tianyu Wanlong Group operates the warehouse located at the Tianjin Binhai International Airport and all the related appurtenant works to comprise a total gross floor area of approximately 11,766 square metres. Shanghai Phoenix Group operates the warehouse located at Waigaoqiao Pilot Free Trade Zone, Shanghai, PRC and all the related appurtenant works to comprise a total gross floor area of approximately 211,918 square metres. PMC Group is recently established by China Logistics to become the asset manager of all assets of the China Logistics Group, with the view of centralization of resources and management to enhance the group’s management efficiencies and cost control.

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## LETTER FROM THE BOARD

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Set out below is consolidated financial information of the China Logistics Group prepared in accordance with the Hong Kong Financial Reporting Standards for the years ended 31 December 2012 and 2013:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2012</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profit/(loss) before taxation and extraordinary items	(6,454)	454,496
Net profit/(loss) after taxation and extraordinary items	(6,454)	399,321

The audited consolidated net asset value attributable to the Company by the China Logistics Group as at 31 December 2013 is approximately HK\$423,728,000.

### INFORMATION ON THE SUBSCRIBER

The Subscriber is a limited liability company incorporated in Hong Kong on 10 July 2014 and is the special purpose vehicle incorporated with the sole purpose of holding the Subscription Shares. It is held as to 60% and 40% by Mitsui & Co., Ltd and Mitsubishi Estate Co., Ltd. respectively.

Mitsui & Co., Ltd. is one of the most diversified and comprehensive trading, investment and service enterprises in the world, with 145 offices in 66 countries as of July 2014. Utilizing its global operating locations, network and information resources, Mitsui & Co., Ltd. are multilaterally pursuing business that ranges from product sales, worldwide logistics and financing, through to the development of major international infrastructure and other projects in the following fields: Iron & Steel Products, Mineral & Metal Resources, Infrastructure Projects, Integrated Transportation Systems, Chemicals, Energy, Food Resources, Food Products & Services, Consumer Services, Innovation & Corporate Development Business. Mitsui & Co., Ltd. is actively taking on challenges for global business innovation around the world.

For the fiscal year 31 March 2014, Mitsui & Co., Ltd. had revenue and comprehensive income of approximately US\$57.4 billion and US\$4.2 billion respectively, and total assets is approximately US\$110 billion. Mitsui & Co., Ltd. has extensive experience in investing, developing and operation of logistics centers (in Japan, China and other parts of Asia). The company also operates asset management businesses, particularly industrial REITs in Japan and Singapore.



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## LETTER FROM THE BOARD

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Mitsubishi Estate Co., Ltd. is an international real estate development and investment company with a substantial commercial and residential portfolio in Japan, which includes over 30 major buildings in Marunouchi, Tokyo's central business district. It boasts the leading position in the Japanese market, operating a spectrum of businesses in diverse fields related to real estate, including an office building business, a retail property business, a residential business and a hotel business. Established in 1937, Mitsubishi Estate Co., Ltd. is headquartered in Tokyo and has an international presence in the United States through one of its subsidiaries, Rockefeller Group as well as in major countries such as United Kingdom, China and Singapore.

For the fiscal year 31 March 2014, Mitsubishi Estate Co., Ltd. had revenue and net income of approximately US\$11 billion and US\$660 million respectively and total assets as at 31 March 2014 was approximately US\$45 billion.

Mitsubishi Estate Co., Ltd. has an extensive experience in investing, developing and managing logistics business, and in aggregate it has developed including under construction more than 1.3 million square meters of logistics and warehousing facilities in Japan and the United States. It also has existing platforms for the real estate investment management business to provide investors with the access to investment opportunities mainly in Japan, the United States and European countries.

### **REASONS FOR AND BENEFITS DERIVED FROM THE SUBSCRIPTION**

The Group is principally engaged in investment, development and operation of logistics, commercial, residential and industrial properties.

As stated in our 2013 annual report, China Logistics is one of our three major platforms specializing in e-commerce and port related logistics properties, with target of 3 million square metres to be developed in the coming four years to achieve a ranking of one of the top three providers of the industry in PRC. The Subscription undoubtedly is a catalyst to achieve our success. Capitalized on the strong background and connection of the Company in PRC, the further contributions of not only funds but also the strong customer resources as well as the management experience of the industry by the Subscriber, both are global top leaders of the industry, certainly will lead to outstanding growth and expansion of China Logistics in the foreseeable future.

Apart from the existing projects located in Beijing, Tianjin and Shanghai, China Logistics is currently reviewing more than six potential projects in cities above as well as in Chengdu, Chongqing and Guangzhou. Even there is no any conclusion is reached so far, the expected yields and returns on projects under review are all satisfactory to the Group's standard.

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## LETTER FROM THE BOARD

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The Company will pay the capital contribution and shareholders loan to China Logistics from its internal resources, if required pursuant to the terms of the Subscription Agreement and the Shareholders Agreement.

The Directors (including the independent non-executive Directors) are of the view that the Subscription is in the interests of the Group and the Shareholders as a whole and the terms of the Subscription Agreement, the Shareholders Agreement and the transactions contemplated therein are on normal commercial terms and are fair and reasonable.

### USE OF PROCEEDS AND FINANCIAL EFFECT OF THE SUBSCRIPTION

The proceeds from the Subscription will be used (a) to provide capital for the growth and expansion of the China Logistics Group; (b) to fund the capital expenditures of the China Logistics Group; (c) as ordinary working capital for the China Logistics Group, including towards repayment of any loans incurred by the China Logistics Group in the normal course of business; or (d) as otherwise approved by all the directors of China Logistics.

The Company and the Subscriber intend to use approximately RMB380 million for the capital commitment in the Beijing Beijian Group (if the Project Land Phase I is obtained), and to use approximately RMB508 million for land acquisitions. The China Logistics Group is under the need to identify appropriate new lands in first tier cities in the PRC such as Shanghai and Tianjin for its long term development of logistics business. As at the Latest Practicable Date, the China Logistics Group has identified some appropriate new lands but none of that have crystallized into any agreement.

Upon Completion, China Logistics will continue to be a subsidiary of the Company and its accounts will be consolidated in the consolidated financial statements of the Group. In addition, since the Subscription Shares are redeemable at the Subscriber's option within fifteen business days after 31 March 2015 (or such other date as agreed by the parties) if the land use right certificate for the Project Land Phase I in the name of Beijing Beijian is not obtained on or prior to 31 March 2015 (or such other date as agreed by the parties), for accounting purpose, the Consideration received will be classified as financial liabilities until the Subscription Shares are converted into ordinary shares of China Logistics, at such time, the Consideration received will be reclassified as equity and a deemed disposal will be resulted. Since the reclassification of the Consideration as equity will not result in a loss of the Group's control over China Logistics, the effect of the deemed disposal will be accounted for as an equity transaction that will not result in the recognition of any gain or loss in profit or loss.

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## **LETTER FROM THE BOARD**

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Upon Completion, the total assets of the Group will be increased by the first installment of RMB511 million from the Subscriber and an increase of RMB511 million in the total liabilities of the Group. The second installment of RMB377 million will be received until the land use right certificate for the Project Land Phase I is obtained, at such time, the Consideration will be reclassified as equity. The Subscription will not result in any immediate direct impact to the profit or loss of the Group.

### **IMPLICATIONS UNDER THE LISTING RULES**

The grant of the Put Option and the Redemption Right under the sub-headings “Post-completion Obligations – Project Land Phase I” and “Deadlock” constitute possible major transaction of the Company, which are subject to notification, announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules. The Put Option and the Redemption Right are exercised at the discretion of the Subscriber. Pursuant to Rule 14.74(1) of the Listing Rules, the Company shall comply with the notification, announcement and shareholders’ approval requirements as if the Put Option and the Redemption Right are exercised.

As certain applicable percentage ratios in respect of the Subscription, the Further Subscription, the grant of Put Option and Redemption Right exceed 25% and are less than 100%, the Subscription, the grant of Put Option and Redemption Right constitute a major transaction for the Company under Chapter 14 of the Listing Rules. As such, the Subscription Agreement, the Shareholders Agreement and the transactions contemplated therein (including the grant of Put Option and Redemption Right) are subject to the reporting, announcement, circular and shareholders’ approval requirements under the Listing Rules.

The Company has obtained written approval in lieu of holding a general meeting for the Subscription Agreement, the Shareholders Agreement and the transactions contemplated therein (including the grant of the Put Option and Redemption Right) in accordance with Rule 14.44 of the Listing Rules from a closely allied group of Shareholders comprising Brilliant Bright and BEREHK, which are beneficially interested in 1,557,792,500 Shares and 2,417,076,407 Shares respectively, representing approximately an aggregate of 58.89% in nominal value of the issued share capital of the Company having the right to attend and vote at the general meeting to approve such transactions. Brilliant Bright is a wholly-owned subsidiary of BEREHK, which is wholly-owned by BEGREC. BEGREC is a wholly-owned subsidiary of Beijing Enterprises Group Company Limited. Accordingly, Brilliant Bright and BEREHK is a closely allied group of Shareholders. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, none of the Shareholders has any material interest in the Subscription, the grant of Put Option and Redemption Right, and therefore none of them is required to abstain from voting in the special general meeting to be convened for the approval of the Subscription

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## LETTER FROM THE BOARD

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Agreement, the Shareholders Agreement and the transactions contemplated therein. As such, no special general meeting will be convened for this purpose as is permitted under Rule 14.44 of the Listing Rules.

The Company will publish further announcement upon the exercise of the Put Option or the Redemption Right by the Subscriber pursuant to the Listing Rules.

### RECOMMENDATION

The Directors believe that the Subscription Agreement, the Shareholders Agreement and the transactions contemplated therein are fair and reasonable and are in the interest of the Company and the shareholders as a whole.

### ADDITIONAL INFORMATION

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

By order of the Board  
**Beijing Properties (Holdings) Limited**  
**Yu Li**  
*Vice-Chairman*

**STATEMENT OF INDEBTEDNESS****Borrowing**

At the close of business on 31 July 2014, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had (1) outstanding 4% coupon unsecured convertible bonds with a principal amount of RMB490,510,000 (equivalent to approximately HK\$615,688,000) in aggregate; (2) banks loans with an aggregate principal amount of approximately HK\$1,774,833,000, which were secured by certain of the investment properties, cash and bank balances, trade receivables and equity interests of certain subsidiaries of the Group, and are guaranteed by the Company; and (3) unsecured entrusted and other loans with an aggregate principal amount of approximately HK\$217,388,000.

**Disclaimer**

Save as aforesaid and apart from intra-group liabilities, the Group did not have, at the close of business on 31 July 2014, any other outstanding liabilities or any debt securities, or any mortgages, charges, debentures, loan capital, bank overdrafts, loans, liabilities under acceptance (other than normal trade bills) or other similar indebtedness, hire purchase or finance lease obligations or any guarantees or other material contingent liabilities.

**RECENT DEVELOPMENT AND FINANCIAL AND TRADING PROSPECT**

The Group started to diversify its business into property development since 2009. In 2011, the Group has successfully acquired the 82.24% equity interest in Chaoyang Inland Port, a logistics property in Beijing, the PRC. The Group are also looking for investment opportunities in commercial property and residential property sectors. It is believed that the logistics property sector may be a fast growing industry in the PRC, which shall create ample opportunities for us. The Directors are optimistic on the long-term prospects of the market of logistics properties in the PRC market. As a result of the continuing increase in the population, on-going and accelerated process of urbanisation and rapid development of e-commerce, the Directors expect that the demand for modern logistics properties will continue to increase in the PRC. Accordingly, the Group will focus on development of projects of logistics properties at the moment by participating in projects with other branded investors and acquiring controlling stakes from others, with a vision to be one of the top investors, developers and operators of logistics properties in the PRC. The Directors believe that the current financial resources of the Group are enough for the aforesaid expansion. The Group will continue exploring business opportunities on a reasonable cost basis as well as seeking the most efficient use of the Group's financial resources.

Building the nationwide network of logistics properties to enjoy the stable rental yield is one of our business goals. Our target is to own a total area of at least four million square meters of rentable areas of logistics facilities in the coming four years and currently the progress is satisfactory. To realise such goal, the Group will accelerate investment, development and operation of logistics properties in respect of inland port, e-commerce, cold chain storage and other specialised areas by leveraging the policies implemented as well as economic development trends in the coming years. Meanwhile, we will further extend its logistics industry chain by cooperating with experienced partners in good faith to provide our customers high value-added services and establish a commercial model for long-term sustainable development to enhance the Group's profitability and maximise the value of our shareholders' equity.

Looking ahead, based on the expectation that the logistics business of the PRC will be further developed along with the significant growth of e-commerce and economic activities of China, even it is expected that a slight adjustment will happen in the foreseeable future, the management believe that a healthy and continuing growth of the industry will exist. We will further capitalise on the strong base laid in the past year to develop our network in other cities, such as the first tier cities like Beijing, Shanghai and Guangzhou and the second upper tier cities like Tianjin, Chongqing, Dalian, etc. Our target will not change and so hoping a continuous improving return will be brought to the shareholders.

**WORKING CAPITAL STATEMENT**

After taking into account of the Completion of the Subscription, other proposed transactions of the Group, the present financial resources available to the Group (including internally generated revenue, funds and other available banking facilities), the Board believes that the Group shall have sufficient working capital to meet its present requirement for at least 12 months from the date of this circular in the absence of unforeseen circumstance.

**MATERIAL ADVERSE CHANGE**

The Directors are not aware as at the Latest Practicable Date of any material adverse change in the financing or trading position of the Group since 31 December 2013, being the date to which the latest published audited accounts of the Group were made up.

*The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 31 May 2014 of the property interests held by the Group.*



**Asset Appraisal Limited**  
中誠達資產評值顧問有限公司

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

28 August 2014

**The Board of Directors**  
**Beijing Properties (Holdings) Ltd.**  
66<sup>th</sup> Floor Central Plaza  
Wanchai Hong Kong.

Dear Sirs,

**Re: Valuation of property interests situated in the People's Republic of China**

In accordance with the instructions from Beijing Properties (Holdings) Ltd. (referred to as the “**Company**”) to value the property interests (referred to as the “**properties**”) situated in the People's Republic of China (the “**PRC**”), we confirm that we have carried out inspections of the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 May 2014 (the “**Valuation Date**”).

**Basis of Valuation**

Our valuation of the properties represents the market value which is defined by the International Valuation Standard and followed by the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.



**Valuation Methodology**

The properties are valued by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

**Assumptions**

No allowance has been made in our report for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoing of an onerous nature, which could affect its value.

Our valuation has been made on the assumption that owners sell the properties on the market in their existing states without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the values of the properties.

For those properties held by the owners by means of long term Land Use Rights granted by the Government, we have assumed that the owner has free and uninterrupted rights to use the properties for the whole of the unexpired term of the respective land use rights. We have also assumed that they can be freely transferred on the market free from any land premium or expenses of substantial amount payable to the Government.

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

**Titleship**

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

We have also relied upon the legal opinion provided by the PRC legal advisers, namely Tianyuan Law Firm (北京市天元律師事務所), to the Company on the relevant laws and regulations in the PRC, on the nature of land use rights or leasehold interests in the properties.

**Limiting Conditions**

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

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

The properties were inspected by Zhoutong and Chen Juan in between January to July 2014, both of whom are registered PRC Real Estate Appraiser and employee of us. However, no structural survey has been made. In the course of our inspection, we did not note any serious defects. We are not in a position to report whether the buildings and structures of the properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services of the buildings and structures of the properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

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

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,

for and on behalf of

**Asset Appraisal Limited**

**Sandra Lau**

*MHKIS AAPI RPS(GP)*

*Director*

*Sandra Lau is a member of the Hong Kong Institute of Surveyors, an Associate of the Australian Property Institute and a Registered Professional Surveyor in General Practice. She is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.*

## SUMMARY OF VALUATION

Property	Market value in existing state as at 31 May 2014 <i>RMB</i>	Interest attributable to China Logistics as at 31 May 2014 <i>%</i>	Value of property interest attributable to China Logistics as at 31 May 2014 <i>RMB</i>
<b>Property interests indirectly held by China Logistics for investment purpose</b>			
1. Level 1 of No. 89 and Level 1 and 2 of Nos. 59, 60, 90, 119, 120, 159, 160, 199, 200, 239 and 240 Shen Ya Road Shanghai Wai Gao Qiao Logistics Centre Shanghai City the PRC	1,860,000,000	100%	1,860,000,000
2. Land and buildings situated at Site F, Tianjin Airport International Logistics Zone, Tianjin City, the PRC.	92,000,000	70%	64,400,000
3. Land and buildings situated at Site 19, Third Avenue, Tianjin Airport Economic Area (International Logistics Zone), Tianjin City, the PRC.	176,000,000	70%	123,200,000
		<b>Total:</b>	<b><u>RMB2,047,600,000</u></b>

## VALUATION CERTIFICATE

## Property interests to be disposed by China Logistic Group for investment purpose

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2014 RMB
<p>1. Level 1 on No. 89 and Level 1 and 2 on No. 59, 60, 90, 119, 120, 159, 160, 199, 200, 239 and 240 Shen Ya Road, Shanghai Wai Gao Qiao Logistics Centre, Shanghai City, the PRC</p> <p>(中國上海市外高橋倉庫申亞路89號1層及申亞路59, 60, 90, 119, 120, 159, 160, 199, 200, 239 和240號1層和2層)</p>	<p>The property comprises a total of 23 warehouse units within a 1 to 2-storey warehouse building completed in about 2007.</p> <p>The total gross floor area of the property is 211,985.22 square metres.</p> <p>The property is located at Putong New District Gaoqiao Town Gaojiabin Lot Nos.122/26 and 122/9 (浦東新區高橋鎮高家濱122/26丘及122/9丘) within 30 minute drive from the Pudong International Airport.</p> <p>The property is situated at the north eastern part of Pudong District and is approximately 20 kilometres and 3 kilometres away from the Shanghai Pudong International Airport and the Shanghai Waigaoqiao Free Trade Zone (外高橋保稅區) respectively. The Shanghai Waigaoqiao Free Trade Zone is the PRC's first free trade zone established with the approval from the State Council. The total planned area of the free trade zone is 10 square kilometres of which 8.96 square kilometres is operational area with closed customs supervision. The subject locality is mainly devoted to logistic centres serving the airport and the Free Trade Zone.</p> <p>The land use rights of the property are held for a term expiring on 20 September 2054 for industrial/warehouse uses.</p>	<p>As advised by the Company, portion of the property with a gross floor area of approximately 168,237.91 sq.m. is subject to tenancy with a total annual rent of RMB90,485,143.63 exclusive of management fees, and all outgoings and disbursements for terms expiring on between 30 June 2014 and 30 November 2017.</p> <p>The remaining portion of the property with a gross floor area of approximately 43,747.31 sq.m. is vacant.</p>	<p>1,860,000,000</p> <p>(100% interest attributable to China Logistics)</p>

*Notes:*

1. As revealed by 23 sets of Shanghai Certificate of Real Estate Ownership (Ref: Hu Feng Di Pu Zi 滬房地浦字 (2010) nos. 043669, 043670, 043655, 043654, 043661, 043656, 043658, 043675, 043667, 043660, 043659, 043689, 043662, 043657, 043666, 043663, 043664, 043665, 043684, 043671, 043676, 043668 and 043677) issued by the Shanghai Housing Security & Administration Bureau and the Shanghai Planning, Land & Resources Administration Bureau and registered on 4 June 2010, the property with a total gross floor area of 211,985.22 square metres is held by Shanghai Fanyihe Warehouse Co., Ltd. (上海凡宜和倉儲有限公司) for a land use right term expiring on 20 September 2054 for industrial/warehouse use.
2. As revealed from another Shanghai Property Title Registration Confirmation (Mortgage Registration) No. Pu201114015413 (浦201114015413), the property is also pledged to Hong Kong Phoenix (凡宜和控股) for a mortgage loan amount of US\$29,000,000 from 14 August 2007 to 14 August 2019. As confirmed by the Company, the outstanding loan amount as at the Valuation Date is US\$29,000,000.
3. As revealed from another Shanghai Property Title Registration Confirmation (Mortgage Registration) No. Pu201114015415 (浦201114015415), the property is also pledged to Hong Kong Phoenix (凡宜和控股) for a mortgage loan amount of US\$35,000,000 from 18 April 2008 to 18 April 2020. As confirmed by the Company, the outstanding loan amount as at the Valuation Date is US\$35,000,000.
4. As revealed from another Shanghai Property Title Registration Confirmation (Mortgage Registration) No. Pu201414024997 (浦201414024997), the property is also legally pledged to China CITIC Bank International Limited for a mortgage loan amount of US\$20,000,000 from 1 November 2013 to 31 October 2016. As confirmed by the Company, the outstanding loan amount as at the Valuation Date is US\$17,248,000.
5. In accordance with the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

Shanghai Certificate of Real Estate Ownership	:	Yes
Planning Permit of Construction Land	:	N/A
Planning Permit of Construction Work	:	N/A
Construction Work Commencement Permit	:	N/A

6. The opinion from the PRC legal advisors of the Company on the property is as follows:
- i. According to 23 sets of Shanghai Certificate of Real Estate Ownership, Shanghai Fanyihe Warehouse Co., Ltd. is legally holding the property.
  - ii. According to Shanghai Property Title Registration Confirmation (Mortgage Registration) (上海市房地產登記證明(抵押權登記)) Nos. Pu201114015413(浦201114015413), the property is also legally pledged to Hong Kong Phoenix (凡宜和控股, the sole shareholder of Shanghai Fanyihe Warehouse Co., Ltd.) for a mortgage loan amount of US\$29,000,000 from 14 August 2007 to 14 August 2019.
  - iii. According to Shanghai Property Title Registration Confirmation (Mortgage Registration) (上海市房地產登記證明(抵押權登記)) No. Pu201114015415(浦201114015415), the property is also legally pledged to Hong Kong Phoenix (凡宜和控股, the sole shareholder of Shanghai Fanyihe Warehouse Co., Ltd.) for a mortgage loan amount of US\$35,000,000 from 18 April 2008 to 18 April 2020.
  - iv. According to Shanghai Property Title Registration Confirmation (Mortgage Registration) (上海市房地產登記證明(抵押權登記)) No. Pu201414024997(浦201414024997), the property is also legally pledged to China CITIC Bank International Limited for a mortgage loan amount of US\$20,000,000 from 1 November 2013 to 31 October 2016.
  - v. Shanghai Fanyihe Warehouse Co., Ltd. has the rights to legally to use, occupy, assign, lease, mortgage or otherwise dispose of the property in accordance with the PRC law subject to the restrictions imposed by the aforesaid mortgages mentioned in note 7 nos. (ii) to (iv) above.
7. As confirmed by the Company, the property does not violate any environmental regulations and does not have any plan for construction, renovation, improvement or re-development. The Company does not have any plans to change of the use of the property in foreseeable future.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2014 RMB
2. Land and buildings situated at Site F, Tianjin Airport International Logistics Zone, Tianjin City, the PRC.  (中國天津市空港國際物流區F號土地及建築物)	The Property comprises a parcel of land with an area of 47,317.3 square metres. As confirmed by the Company, the property is proposed to be developed into a warehouse complex with a total gross floor area of 34,766 square metres.  Construction of the proposed development comprising a warehouse/office building with a total gross floor area of 11,766 square metres has been substantially completed except building service installation works. Construction for the remaining portion of the property has not yet commenced.  The land use rights of the Property have been granted for a term expiring on 17 January 2054 for warehouse use.	The Property is under construction.	92,000,000 (refer to Note 4, 5 and 6)  64,400,000 (70% interest attributable to China Logistics)

*Notes:*

- Pursuant to a Building and Land Ownership Certificate (Ref: Fang Di Zheng Bao Shui Zi Di No. 150002181 (房地証保稅字第150002181號)) dated 23 February 2009, the land use rights of a parcel of land with an area of 47,317.3 square metres have been granted to Transwealth Logistics (Tianjin) Co., Ltd. (天域萬隆物流(天津)有限公司, the “**Transwealth**”) for a term expiring on 17 January 2054 for warehouse use.
- Pursuant to the Construction Land Use Planning Permit (建設用地規劃許可證) (Ref: 2003008) and the Planning Permit of Construction Work (建設工程規劃許可證) (Ref: 20030015) both issued by the Tianjin Port Free Trade Zone Planning and Construction Bureau (天津港保稅區規劃建設管理局) on 2 December 2013 and 27 December 2013, the proposed development scheme of the subject development has been approved.
- Pursuant to Construction Works Commencement Permits (建築工程施工許可證) (Ref: 12120011201401008) issued by the Tianjin Port Free Trade Zone and Construction Administration Centre (天津空港經濟區建設工程管理中心) on 28 January 2014, the construction work for the subject development has been approved.

4. As at the Valuation Date, installation of building services of the property has not yet been completed. Pursuant the Purchase Agreement dated 6 March 2013 between the previous vendor and the Company that the previous vendor commits to deliver the property after full completion of the building. As advised by the Company, the Company does not require to pay any construction cost and the building will be completed before December 2014.
5. The market value of the Property is on fully completed basis assuming the building has been completed.
6. In our valuation, we have assumed that the property can be freely disposed of and transferred to third parties without any additional payment to the relevant government authorities. As advised by the Company, the Building Ownership Certificate of the property can be obtained before December 2014 and the previous vendor will bear all the taxes and relevant expenses for obtaining such certificate.
7. In accordance with the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

Building and Land Ownership Certificate	:	Yes (for the land use rights only)
Planning Permit of Construction Land	:	Yes
Planning Permit of Construction Work	:	Yes
Construction Work Commencement Permit	:	Yes
8. The opinion from the PRC legal advisors of the Company on the property is as follows:
  - i. As revealed from the Building and Land Ownership Certificate (Ref: Fang Di Zheng Bao Shui Zi Di No. 150002181 (房地証保稅字第150002181號)) dated 23 February 2009, the land use rights of a parcel of land with an area of 47,317.3 square metres have been granted to Transweath for a term expiring on 17 January 2054 for warehouse use.
  - ii. As revealed from the Construction Land Use Planning Permit (建設用地規劃許可證) (Ref: 2003008) and the Planning Permit of Construction Work (建設工程規劃許可證) (Ref: 20030015) both issued by the Tianjin Port Free Trade Zone Planning and Construction Bureau (天津港保稅區規劃建設管理局) on 2 December 2013 and 27 December 2013 respectively, the proposed development scheme of the subject development has been approved.
  - iii. As revealed from the Construction Works Commencement Permits (建築工程施工許可證) (Ref: 12120011201401008) issued by the Tianjin Port Free Trade Zone and Construction Administration Centre (天津空港經濟區建設工程管理中心) on 28 January 2014, the construction work for the subject development has been approved.
  - iv. Transweath has the rights to legally to use, occupy, assign, lease, mortgage or otherwise dispose of the land use rights of property in accordance with the PRC law. The development of the property is approved and legally held by Transweath. Upon Completion Examination of Construction Works, Transweath can obtain the building ownership by apply for registration and has rights to legally to use, occupy, assign, lease, mortgage or otherwise dispose of the property.
9. As confirmed by the Company, the property does not violate any environmental regulations. The Company does not have any plans to change of the use of the property in foreseeable future.



## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2014 RMB
3. Land and buildings situated at Site 19, Third Avenue, Tianjin Airport Economic Area (International Logistics Zone), Tianjin City, the PRC.  (中國天津市空港經濟區(國際物流區)第三大街19號土地及建築物)	The Property comprises a parcel of land with an area of 45,550.9 square metres on which two main buildings and ancillary buildings with a total gross floor area of approximately 27,494.49 square metres are erected.  These buildings and structures are devoted to the following uses:	The property with a gross floor area of 23,995.45 square metres are leased to various tenants for logistics businesses at a total monthly rent of RMB1,200,179 for terms expiring on between 30 June 2014 and 31 July 2018. (refer to Note 7)	176,000,000  123,200,000 (70% interest attributable to China Logistics)
	<b>Gross Floor Use Area (m<sup>2</sup>)</b>		
	Warehouse	21,669.29	
	Office	5,673.11	
	Guard House and Security Rooms	152.09	
	<b>Total</b>	<b>27,494.49</b>	
	The aforesaid buildings were completed in between 2003 and 2008.		
	The land use rights of the Property have been granted for a term expiring on 31 December 2053 for warehouse use.		

*Notes:*

1. Pursuant to a Building and Land Ownership Certificate (Ref: Fang Di Zheng Jin Zi Di No. 115031003847 (房地証津字第115031003847號)) dated 10 December 2012, the land use rights of a parcel of land with an area of 45,550.9 square metres have been granted to Tianjin Transwell International Logistics Co., Ltd. (天津萬士隆國際物流有限公司, the “Transwell”) for a term expiring on 31 December 2053 for warehouse use.
2. As revealed by the aforesaid Building and Land Ownership Certificate, the subject buildings with a total gross floor area of 27,494.49 square metres are held by Transwell.
3. In our valuation, we have assumed that the Property can be freely disposed of and transferred to third parties free from any additional land premium or substantial payment payable to the relevant Government authorities.
4. In accordance with the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

Building and Land Ownership Certificate	:	Yes
Planning Permit of Construction Land	:	N/A
Planning Permit of Construction Work	:	N/A
Construction Work Commencement Permit	:	N/A
5. The opinion from the PRC legal advisors of the Company on the property is as follows:
  - i. As revealed from the Building and Land Ownership Certificate (Ref: Fang Di Zheng Jin Zi Di No. 115031003847 (房地証津字第115031003847號)) dated 10 December 2012, the land use rights of a parcel of land with an area of 45,550.9 square metres have been granted to Transwell for a term expiring on 31 December 2053 for warehouse use. All the mortgage registrations on the aforesaid Building and Land Certificate are sealed as released.
  - ii. As revealed from the same Building and Land Ownership Certificate, the buildings of the property with a total gross floor area of 27,494.49 square metres are held by Transwell.
  - iii. Transwell has the rights to legally to use, occupy, assign, lease, mortgage or otherwise dispose of the property in accordance with the PRC law.
6. As confirmed by the Company, the property does not violate any environmental regulations and does not have any plan for construction, renovation, improvement or re-development. The Company does not have any plans to change of the use of the property in foreseeable future.
7. The area, including 1,328.56 square metres of warehouse and 1,027.53 square metres of offices, are being occupied by the PRC Customs on gratuitous basis. As advised by the Company, the area is a restricted area and is used for the PRC Customs for clearance of the goods.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Interests and short positions of the Directors and the chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (“**Model Code**”), were as follows:

#### (i) Long positions in Shares

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of the Company’s issued share capital (%)
Mr. Yu Luning	Beneficial owner	9,690,000	0.144

*(ii) Long positions in the underlying Shares*

Name of Directors	Number of Underlying Shares in respect of share options	Date of grant of share options	Exercise price of share options (HK\$)	Exercise period of share options	Approximate percentage of the issued share capital (%)
Mr. Yu Li	6,000,000	28 October 2011	0.465	28-10-2011 to 27-10-2021	0.0889%
	4,250,000	01 June 2012	0.410	01-06-2012 to 31-05-2022	0.0630%
	11,000,000	24 May 2013	0.574	24-05-2013 to 23-05-2023	0.1629%
	9,000,000	31 March 2014	0.940	31-03-2014 to 30-03-2024	0.1333%
	<u>30,250,000</u>				<u>0.4481%</u>
Mr. Qian Xu	6,000,000	28 October 2011	0.465	28-10-2011 to 27-10-2021	0.0889%
	6,000,000	01 June 2012	0.410	01-06-2012 to 31-05-2022	0.0889%
	10,000,000	24 May 2013	0.574	24-05-2013 to 23-05-2023	0.1481%
	9,000,000	31 March 2014	0.940	31-03-2014 to 30-03-2024	0.1333%
	<u>31,000,000</u>				<u>0.4592%</u>

Name of Directors	Number of Underlying Shares in respect of share options	Date of grant of share options	Exercise price of share options (HK\$)	Exercise period of share options	Approximate percentage of the issued share capital (%)
Mr. Jiang Xinhao	5,000,000	28 October 2011	0.465	28-10-2011 to 27-10-2021	0.0741%
	3,300,000	01 June 2012	0.410	01-06-2012 to 31-05-2022	0.0489%
	6,000,000	24 May 2013	0.574	24-05-2013 to 23-05-2023	0.0889%
	4,000,000	31 March 2014	0.940	31-03-2014 to 30-03-2024	0.0593%
	<u>18,300,000</u>				<u>0.2712%</u>
Ms. Meng Fang	5,000,000	28 October 2011	0.465	28-10-2011 to 27-10-2021	0.0741%
	5,000,000	01 June 2012	0.410	01-06-2012 to 31-05-2022	0.0741%
	6,000,000	24 May 2013	0.574	24-05-2013 to 23-05-2023	0.0889%
	4,000,000	31 March 2014	0.940	31-03-2014 to 30-03-2024	0.0593%
	<u>20,000,000</u>				<u>0.2964%</u>
Mr. Siu Kin Wai	5,000,000	28 October 2011	0.465	28-10-2011 to 27-10-2021	0.0741%
	5,000,000	01 June 2012	0.410	01-06-2012 to 31-05-2022	0.0741%
	6,000,000	24 May 2013	0.574	24-05-2013 to 23-05-2023	0.0889%
	5,000,000	31 March 2014	0.940	31-03-2014 to 30-03-2024	0.0741%
	<u>21,000,000</u>				<u>0.3112%</u>

**APPENDIX III**
**GENERAL INFORMATION**

Name of Directors	Number of Underlying Shares in respect of share options	Date of grant of share options	Exercise price of share options (HK\$)	Exercise period of share options	Approximate percentage of the issued share capital (%)
Mr. Yu Luning	5,000,000	28 October 2011	0.465	28-10-2011 to 27-10-2021	0.0741%
	5,000,000	01 June 2012	0.410	01-06-2012 to 31-05-2022	0.0741%
	4,000,000	24 May 2013	0.574	24-05-2013 to 23-05-2023	0.0593%
	4,000,000	31 March 2014	0.940	31-03-2014 to 30-03-2024	0.0593%
	<u>18,000,000</u>				<u>0.2668%</u>
Mr. Liu Xueheng	5,000,000	28 October 2011	0.465	28-10-2011 to 27-10-2021	0.0741%
	4,000,000	24 May 2013	0.574	24-05-2013 to 23-05-2023	0.0593%
	4,000,000	31 March 2014	0.940	31-03-2014 to 30-03-2024	0.0593%
	<u>13,000,000</u>				<u>0.1927%</u>
Mr. Ang Renyi	4,000,000	31 March 2014	0.940	31-03-2014 to 30-03-2024	0.0593%
Mr. Goh Gen Cheung	2,000,000	28 October 2011	0.465	28-10-2011 to 27-10-2021	0.0296%
	1,837,700	01 June 2012	0.410	01-06-2012 to 31-05-2022	0.0272%
	2,000,000	24 May 2013	0.574	24-05-2013 to 23-05-2023	0.0296%
	1,500,000	31 March 2014	0.940	31-03-2014 to 30-03-2024	0.0222%
	<u>7,337,700</u>				<u>0.1086%</u>

**APPENDIX III**
**GENERAL INFORMATION**

Name of Directors	Number of Underlying Shares in respect of share options	Date of grant of share options	Exercise price of share options (HK\$)	Exercise period of share options	Approximate percentage of the issued share capital (%)
Mr. Ma Chiu Cheung Andrew	2,000,000	28 October 2011	0.465	28-10-2011 to 27-10-2021	0.0296%
	1,837,700	01 June 2012	0.410	01-06-2012 to 31-05-2022	0.0272%
	2,000,000	24 May 2013	0.574	24-05-2013 to 23-05-2023	0.0296%
	1,500,000	31 March 2014	0.940	31-03-2014 to 30-03-2024	0.0222%
	<u>7,337,700</u>				<u>0.1086%</u>
Mr. Ng Tang Fai, Ernesto	2,000,000	28 October 2011	0.465	28-10-2011 to 27-10-2021	0.0296%
	1,837,700	01 June 2012	0.410	01-06-2012 to 31-05-2022	0.0272%
	2,000,000	24 May 2013	0.574	24-05-2013 to 23-05-2023	0.0296%
	1,500,000	31 March 2014	0.940	31-03-2014 to 30-03-2024	0.0222%
	<u>7,337,700</u>				<u>0.1086%</u>
Mr. Zhu Wuxiang	2,000,000	28 October 2011	0.465	28-10-2011 to 27-10-2021	0.0296%
	2,000,000	24 May 2013	0.574	24-05-2013 to 23-05-2023	0.0296%
	1,500,000	31 March 2014	0.940	31-03-2014 to 30-03-2024	0.0222%
	<u>5,500,000</u>				<u>0.0814%</u>
Mr. James Chan	2,000,000	28 October 2011	0.465	28-10-2011 to 27-10-2021	0.0296%
	2,000,000	24 May 2013	0.574	24-05-2013 to 23-05-2023	0.0296%
	1,500,000	31 March 2014	0.940	31-03-2014 to 30-03-2024	0.0222%
	<u>5,500,000</u>				<u>0.0814%</u>

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions of in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

**(b) Substantial Shareholders' and other persons' interests and short positions in Shares and underlying Shares**

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO:

***Long positions in Shares and Underlying Shares***

Name	Notes	Number of Shares held, capacity and nature of interest		Number of underlying shares held, capacity and nature of interest		Total	Approximately percentage of issued share capital (%)
		Directly beneficially owned	Through a controlled corporation	Directly beneficially owned	Through a controlled corporation		
Brilliant Bright	(a)	1,557,792,500	-	-	-	1,557,792,500	23.08
BEREHK	(b)	2,417,076,407	1,557,792,500	-	-	3,974,868,907	58.88
BEGREC	(c)	-	3,974,868,907	-	-	3,974,868,907	58.88
Illumination Holdings Limited	(d)	87,451,458	-	-	-	87,451,458	1.30
Beijing Holdings Limited	(e)	487,166,195	87,451,458	-	-	574,617,653	8.51
Beijing Enterprises Group Company Limited	(f)	-	4,549,486,560	-	-	4,549,486,560	67.39
Thular Limited	(g)	300,000,000	-	-	-	300,000,000	4.44
Kerry Holdings Limited	(g)	-	300,000,000	-	-	300,000,000	4.44
Kerry Group Limited	(g)	-	300,000,000	-	-	300,000,000	4.44
PA Broad Opportunity VI Limited	(h)	-	-	838,573,244	-	838,573,244	12.42
Pacific Alliance Asia Opportunity Fund L.P.	(h)	-	-	-	838,573,244	838,573,244	12.42
Pacific Alliance Group Asset Management Limited	(h)	-	-	-	838,573,244	838,573,244	12.42
Pacific Alliance Group Limited	(h)	-	-	-	838,573,244	838,573,244	12.42
Pacific Alliance Investment Management Limited	(h)	-	-	-	838,573,244	838,573,244	12.42
PAG Holdings Limited	(h)	-	-	-	838,573,244	838,573,244	12.42



*Notes:*

- (a) Brilliant Bright holds 1,557,792,500 shares.
- (b) BEREHK (i) holds 2,417,076,407 Shares; and (ii) is deemed to be interested in the 1,557,792,500 shares by virtue of its controlling interests in its wholly owned subsidiary, Brilliant Bright.
- (c) BEREHK is a wholly-owned subsidiary of BEGREC. BEGREC is deemed to be interested in the Shares which BEREHK is interested in.
- (d) Illumination Holdings Limited (“**Illumination**”) holds 87,451,458 Shares.
- (e) Beijing Holdings Limited (“**BHL**”) (i) holds 487,166,195 shares; and (ii) is deemed to be interested in the 87,451,458 shares by virtue of its controlling interests in its wholly-owned subsidiary, Illumination. BHL is deemed to be interested in the Shares which Illumination is interested in.
- (f) BEGREC and BHL are wholly-owned subsidiaries of Beijing Enterprises Group Company Limited (“**BEGCL**”). BEGCL is deemed to be interested in the shares which BEGREC and BHL are interested in.
- (g) Thular Limited (“**Thular**”) (formerly known as Timekey Limited) is the beneficial owner of 300,000,000 shares. As Thular is wholly owned by Kerry Holdings Limited (“**KHL**”) which is in turn wholly owned by Kerry Group Limited (“**KGL**”), KHL and KGL are also deemed to be interested in the said shares.
- (h) PA Broad Opportunity VI Limited holds 838,573,244 underlying shares through its ownerships in the principal amount of RMB490,510,000 (equivalent to approximately US\$80,000,000) convertible bonds of the Company which are convertible at HK\$0.74 per Share.
- (i) Mr. Sin Kin Wai is a director of the Company and Brilliant Bright.
- (j) Mr. Qian Xu is a director of the Company, Brilliant Bright and BEGREC.
- (k) Mr. Yu Li is a director of the Company and BEGREC.
- (l) Mr. Jiang Xinhao is a director of the Company and BEGREC.

**(c) Long positions in members of the Group**

<b>Name of subsidiary</b>	<b>Name of substantial shareholder</b>	<b>Percentage of shareholding</b>
Hong Kong High Church Group Limited	Well Luck Group Limited	30%
Tianjin Transwell International Logistics Co., Ltd.	Tianjin Wanshilong Group Co., Ltd.	30%

Other than as disclosed above, as at the Latest Practicable Date, no person (other than Directors) has interests or short positions in the Shares or underlying Shares of the Company which were recorded in the register of substantial shareholders maintained under Section 336 of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

**3. DIRECTORS' OTHER INTERESTS**

As at the Latest Practicable Date, Messrs. Yu Li, Qian Xu and Jiang Xinhao, directors of the Company, were directors of BEGREC, which engages in business of property investment and development, and they were considered to have interests in a business which competes or is likely to compete, directly or indirectly, with the business of the Group.

As the Board is independent of the board of the aforesaid company and maintains five independent non-executive Directors, the Group operates its businesses independently of and at arm's length from, the businesses of the aforesaid company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

As at the Latest Practicable Date, none of the Directors had any interest, either direct or indirect, in any assets which had been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2013, being the date to which the latest published audited financial statements of the Company were made up.

There was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant to the business of the Group.

#### **4. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

#### **5. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

#### **6. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest audited financial statements of the Company were made up.

**7. EXPERTS' CONSENTS AND QUALIFICATIONS**

The followings are the names and qualifications of the professional advisers who have given opinion or advice which are contained or referred to this circular:

<b>Name</b>	<b>Qualification</b>
Asset Appraisal Limited	Property Valuer
Tianyuan Law Firm (北京市天元律師事務所)	PRC legal adviser

As at the Latest Practicable Date, Asset Appraisal Limited and Tianyuan Law Firm were not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e. 31 December 2013), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of Asset Appraisal Limited and Tianyuan Law Firm have given and have not withdrawn their respective written letters of consent to the issue of this circular with their respective expert statements and names included in the form and context in which they appear.

**8. MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within two years immediately preceding the date of this circular and up to the Latest Practicable Date and are material:

- (a) the Shareholder Agreement and the Subscription Agreement;
- (b) the conditional sale and purchase agreement dated 9 June 2014 entered into between the Company as vendor and Cell Aquaculture Limited as purchaser in relation to the sale and purchase of the entire issued share capital of Rayport Limited (a wholly-owned subsidiary of the Company) at the consideration of AUD24,900,000;

- (c) the agreement dated 1 June 2014 entered into among Cosmic Stand International Limited (an indirect wholly-owned subsidiary of the Company) as purchaser, Grand Vision Group Limited as vendor, the Company as the purchaser's warrantor and Mr. Wang Zheng Chun as the vendor's guarantor in relation to the proposed acquisition of 1,890,000,000 shares in Genvon Group Limited, a company listed on the Stock Exchange (stock code:2389) at a total consideration of HK\$472,500,000;
- (d) the agreement dated 8 April 2014 entered into among the Company, Beijing Holdings Limited ("**BHL**") and 北京陸港國際物流有限公司 (Beijing Inland Port International Logistics Co., Ltd) ("**Lugang**") under which BHL agrees to sell and the Company agrees to buy the receivables which is an aggregate sum of RMB28,000,000 advanced by the BHL to Lugang;
- (e) the supplemental agreement to the Previous Receivables Acquisition Agreement (as defined in sub-paragraph (f) below) dated 14 February 2014 entered into among the Company, BHL and 廣州光明房產建設有限公司 (Guangzhou Guangming Property Construction Co., Ltd) ("**Guangzhou Guangming**") in relation to the acquisition of the Additional Receivables which is an aggregate sum of HK\$191,464,862 by the Company from BHL;
- (f) the agreement dated 24 January 2014 entered into among the Company, BHL, Oriental Union Investments Limited ("**Oriental Union**") and Guangzhou Guangming in relation to the acquisition of the Receivables of Oriental Union and the Receivables of Guangzhou Guangming which is an aggregate sum of HK\$101,389,091 by the Company from BHL (the "**Previous Receivables Acquisition Agreement**");
- (g) the agreement dated 18 October 2013 entered into among the Company, Illumination (vendor), Noble Enterprises Pte. Ltd, Ng Kong Fat and Ng Kwong Fung in relation to the acquisition of (1) all the rights and title to and interest in 99.9% of the issued share capital of Oriental Union under the Historical Master Agreement (as defined and described below and in the circular of the Company dated 11 December 2013) and the Security Documents; (2) all the rights and title to and interest of Illumination in the Target Loan (as defined and described below and in the circular of the Company dated 11 December 2013); and (3) substitution by the Company in place of the Vendor and/or Illumination in respect of their liabilities and obligations under the corporate guarantee and other security documents ("**Security Documents**") regarding the aggregate loans and interests owed by Oriental Union to the lending banks from time to time for a consideration of HK\$50,372,040, settled by allotting the vendor 87,451,456 Shares of the Company at an issue price of HK\$0.576;

- (h) a share charge over 99.9% of the issued share capital of Oriental Union entered into by the BHL, Illumination and the lending banks with respect to the aggregate loans and interests owed by Oriental Union to the lending banks from time to time;
- (i) a corporate guarantee of up to HK\$419,441,000 entered into by the BHL, Illumination Holdings Limited and the lending banks with respect to the aggregate loans and interests owed by Oriental Union to the lending banks from time to time;
- (j) the framework agreement (收購東方聯合51%權益的框架協議) (the “**Framework Agreement**”) dated 3 February 2006 entered into among the BHL, Noble Enterprises Pte. Ltd, Ng Kong Fat and Ng Kwong Fung (the “**Ng Brothers**”) in respect of, among others, acquisition of 51% of the issued share capital of Oriental Union by Illumination;
- (k) the two supplemental framework agreements (the “**Supplemental Framework Agreements**”) both dated 18 January 2009 entered into among the BHL, Illumination, Noble Enterprises Pte. Ltd, Ng Kong Fat and Ng Kwong Fung, Sunbird Holdings Limited (a company controlled by the Ng Brothers) and an independent third party, in respect of, among others, restructuring of the shareholding of Oriental Union being held as to 99.9% by Illumination and 0.1% by another Independent Third Party;
- (l) the Framework Agreement as amended and supplemented by the Supplemental Framework Agreements are collectively referred to as Historical Master Agreement;
- (m) an interest free shareholder’s loan in the principal amount of HK\$87,999,020 owing by Oriental Union to Noble Enterprises Pte. Ltd (the “**Target Loan**”);
- (n) relevant agreements and security documents in connection with a revolving loan facility of up to RMB200,000,000 made available by the BHL to Guangzhou Guangming for financing the payments of the outstanding payable amounts related to the demolition, construction, taxes and bank loans in respect of Guangzhou Metro Mall (廣州光明廣場) ;
- (o) the sale and purchase agreement dated 8 August 2013 entered into between China Logistics Infrastructures (Holdings) Limited (purchaser) and Phoenix Real Estate Fund Wai Gao Qiao (Cayman Islands) Limited (vendor) in relation to the sale and purchase of the entire issued share capital of Phoenix Real Estate Fund Wai Gao Qiao Holdings Limited for a consideration of USD143,888,734;

- (p) the conditional sale and purchase agreement dated 20 June 2013 between the Company (purchaser) and Regal Dragon (Hong Kong) Limited (vendor) in relation to acquisition of the entire issued share capital of Peace Base Holdings Limited for a consideration of RMB40,000,000;
- (q) the master sale and purchase agreement dated 6 March 2013 among the Company (purchaser), Well Luck Group Limited (vendor) and 天津萬士隆集團有限公司 (Tianjin Wanshilong Group Co., Ltd.) (vendor) in relation to (1) acquisition of 100% equity interest in Hong Kong High Broad International Investment Group Limited; (2) acquisition of 70% equity interest and 70% shareholder loan in Hong Kong High Church Group Limited; and (3) acquisition of 36.07% equity interest in Tianjin Transwell International Logistics Co., Ltd., for a consideration of RMB134,455,767.36 and all its relevant sale and purchase instruments;
- (r) the land use right bid confirmation dated 16 January 2013 between The Quzhou City Bureau of Land and Resources Kecheng (衢州市國土資源局柯城分局) (vendors) and Quzhou Tongcheng International Logistics Company Limited (purchaser) in relation to the auction of Section No. 2012-3 Jiang Jia Shan, Kecheng District, Quzhou City, Zhejiang Province, the PRC for the bidding price of RMB15,401,100;
- (s) the agreement dated 24 December 2012 between Lugang and 陸港一號地 (香港) 有限公司 (Lugang No. 1 Land (HK) Limited) in relation to transfer of ownership of a parcel of land and a property in the PRC through the capital contribution to Beijing Beijian Lugang International Logistics Co., Ltd. equivalent to the amount of RMB85,965,000 and RMB37,035,000 from Lugang and Lugang No.1 Land (HK) Limited, respectively. Upon completion, Lugang will transfer its equity interest in Beijing Beijian Lugang International Logistics Co., Ltd. to Lugang No.1 Land (HK) Limited for a consideration of RMB85,965,000;
- (t) the agreement dated 24 December 2012 among New Fine International Development Limited (purchaser), Hutchison Ports Beijing Limited (vendor), New Concord Properties Limited, Lugang, 嘉里物流 (中國) 投資有限公司 (Kerry Logistics (China) Investment Limited), and Beijing Beijian in relation to the acquisition of an additional 24% equity interest in the Joint Venture Company for a consideration of HK\$47,156,006.04; and
- (u) the conditional agreement dated 10 September 2012 between New Concord Properties Limited (lender) and Hutchison Ports Beijing Limited (borrower) in relation to an advance of loans up to RMB34,920,000.

**9. MISCELLANEOUS**

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and the head office and principal place of business in Hong Kong of the Company is at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (b) The principal share registrar and transfer office of the Company is Codan Services Limited, Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda.
- (c) The branch share registrar and transfer office of the Company is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The company secretary of the Company is Mr. Siu Kin Wai who is a fellow member of the Association of Chartered Certified Accountants and members of the Hong Kong Institute of Certified Public Accountants and Institute of Chartered Accountants in England and Wales.
- (e) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts in case of inconsistency.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong from the date of this circular up to and including 10 September 2014:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the audited consolidated financial statements of the Group for the two financial years ended 31 December 2012 and 31 December 2013;
- (c) the contracts referred to in the paragraph headed "Material Contracts" in this Appendix;
- (d) the valuer's property valuation report as set out in Appendix II to this circular;
- (e) the letter of consents from the experts referred to in the section headed "Experts' Consents and Qualifications" in this appendix; and
- (f) each of the circulars issued by the Company pursuant to the requirements set out in Chapter 14 and/or Chapter 14A of the Listing Rules which has been issued since 31 December 2013.