THIS CIRCULAR IS IMPORTANT AND REQUEST YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **C&D International Investment Group Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) 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(s) or the transferee(s).

C&D INTERNATIONAL INVESTMENT GROUP LIMITED
建發國際投資集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1908)

(1) NON-EXEMPT CONTINUING CONNECTED TRANSACTION IN RELATION TO THE ENTERING INTO OF CONSIGNMENT AGREEMENTS (2) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ENTERING INTO OF THE CAPITAL INCREASE AGREEMENT AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

八方金融有限公司
OCTAL Capital Limited

A notice convening the EGM to be held at Office No.3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong at 10:30 a.m. on Wednesday, 12 October 2016 is set out on pages N-1 to N-3 of this circular.

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular for despatch to the Shareholders. Whether or not you intend to attend and/or vote at the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

24 September 2016

CONTENTS

DEFINITIONS

"Adjusted NAV"	the adjusted value of the Target Company's net asset
"associate"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"C&D Real Estate"	C&D Real Estate Corporation Limited, which holds approximately 59.37% interest in the Company as at the Latest Practicable Date
"Capital Increase"	the increase of the registered capital of the Target Company from RMB100,000,000 to RMB114,940,000 by capital contribution from Yi Yue
"Capital Increase Agreement"	the capital increase agreement entered into between Yi Yue, Suzhou Zhaokun and Xiamen Liyuan on 18 August 2016 in relation to the Capital Increase
"Company"	C&D International Investment Group Limited (建發國際投資集團有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consignment Agreements"	collectively, the Jiayuan Consignment Agreement and the Huayuan Consignment Agreement
"Construction In Progress"	the major assets held by the Target Company, which mainly comprises the Land
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Directors"	the directors of the Company
"EGM" or "Extraordinary General Meeting"	the extraordinary general meeting of the Company to be held at Office No.3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong on Wednesday, 12 October 2016 at 10:30 a.m. or any adjournment thereof (as the case may be), to consider and approve, among other things, the entering into of the Consignment Agreements and the Capital Increase Agreement and the Proposed Annual Caps
"First Aggregated Transaction"	the transactions contemplated under the Huayuan Consignment Agreement and the Jiayuan Consignment Agreement, aggregated with the transactions under the Huayuan Lease and the Jiayuan Lease
"Group"	the Company and its subsidiaries

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huayuan Consignment Agreement"	the consignment agreement entered into between Shanghai Zhongyue and Shanghai Zhaoyu on 19 August 2016 in respect of the Property of Huayuan
"Huayuan Lease"	the lease entered into between Shanghai Zhongyue as lessor and Shanghai Zhaoyu as lessee on 14 March 2016 in respect of the Property of Huayuan
"Huayuan Project"	the "Xinjiangwan Huayuan" project in relation to the development of the commercial properties located at Xinjiangwancheng, Yangpu Qu, Shanghai
"Independent Board Committee"	an independent committee of the Board, consisting of Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee, all being independent non-executive Directors
"Independent Financial Advisor" or "Octal Capital"	Octal Capital Limited, a licensed corporation permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial advisor appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the entering into of the Consignment Agreements and the Capital Increase Agreement and the Proposed Annual Caps
"Independent Property Valuer" or "DTZ"	DTZ Cushman & Wakefield Limited, an independent property valuer
"Independent Shareholders"	Shareholders who are not required to abstain from voting on relevant resolutions to be considered at the Extraordinary General Meeting
"Jiayuan Consignment Agreement"	the consignment agreement entered into between Shanghai Shanxidi and Shanghai Zhaoyu on 19 August 2016 in respect of the Property of Jiayuan
"Jiayuan Lease"	the lease entered into between Shanghai Shanxidi as lessor and Shanghai Zhaoyu as lessee on 14 March 2016 in respect of the Property of Jiayuan
"Jiayuan Project"	the "Xinjiangwan Jiayuan" project in relation to the development of the commercial properties located at Xinjiangwancheng, Yangpu Qu, Shanghai
"Land"	a piece of land located in the Jiangsu Province, the PRC with a total site area of approximately 224,623.60 sq.m.

"Latest Practicable Date"	21 September 2016, being the latest practicable date prior to the printing of this circular for ascertain certain information container therein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	The People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"PRC Legal Advisor"	Liang & Co
"Previous Transaction"	the transaction announced by the Company on 1 December 2015 and 31 December 2015 whereby Yi Yue and Zhao Run entered into a cooperation agreement for the formation of a joint venture which subsequently acquired a land located in Fujian, the PRC
"Property of Huayuan"	a total 84 units of Tower 2 of No. 518, 558 Lane Guo An Lu, Tower 3 of No. 455 Guo Xia Lu, Tower 5 of No. 15, No. 458 Lane, Guo Xia Lu, and Tower 7 of No. 2 No. 458 Lane, Guo Xia Lu, the "Xinjiangwan Huayuan" project located at Xinjiangwancheng, Yangpu Qu, Shanghai* (上海楊浦區新江灣城國安路558弄518號2幢，國霞路455號3幢，國霞路458弄15號5幢，2號7幢之"新江灣華苑"84套辦公樓)
"Property of Jiayuan"	A total 126 units of Tower 8, 9 and 10 in the office building No. 3-9, the "Xinjiangwan Jiayuan" project located at No. 36, 48 and 49 of 758 Lane, Guo An Lu, Xinjiangwancheng, Yangpu Qu, Shanghai* (上海楊浦區新江灣城國安路758弄36號、48號及49號之"新江灣嘉苑"項目8幢、9幢、10幢辦公3-9樓共126套房屋)
"Proposed Annual Caps"	the proposed annual caps for the transactions contemplated under the Consignment Agreements
"RMB"	Renminbi, the lawful currency of the PRC
"Second Aggregated Transaction"	the transactions contemplated under the Capital Increase Agreement, aggregated with the Previous Transaction
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanghai Shanxidi"	Shanghai Shanxidi Real Estate Development Limited Company* (上海山溪地房地產開發有限公司), a company established in the PRC with limited liability
"Shanghai Xiangfu"	Shanghai Xiangfu Asset Management Co. Ltd.* (上海祥複資產管理有限公司), a company established in the PRC with limited liability and a shareholder of Shanghai Zhaoyu

"Shanghai Zhaoyu"	Shanghai Zhaoyu Asset Management Limited Company* (上海兆昱資產管理有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"Shanghai Zhongyue"	Shanghai Zhongyue Real Estate Development Limited Company* (上海中悅房地產開發有限公司), a company established in the PRC with limited liability
"Share(s)"	the ordinary share(s) of HK$0.1 each of the Company
"Shareholders"	holders of the Shares
"sq.m."	square metre(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Suzhou Zhaokun"	Suzhou Zhaokun Real Estate Development Company Limited (蘇州兆坤房地產開發有限公司), a company established with limited liability in the PRC and an indirect subsidiary of C&D Real Estate
"Target Company"	Suzhou Zhaoxiang Real Estate Development Company Limited (蘇州兆祥房地產開發有限公司), a company established with limited liability in the PRC
"Target Shareholder Loan"	the shareholder loan in the amount of RMB495,200,000 to be contributed by Yi Yue to the Target Company pursuant to the Capital Increase Agreement
"Xiamen Liyuan"	Xiamen Liyuan Investment Company Limited* (廈門利源投資有限公司), a company established with limited liability in the PRC and an indirect subsidiary of C&D Real Estate
"Yi Yue"	Xiamen Yi Yue Property Company Limited* (廈門益悅置業有限公司), a company established with limited liability in the PRC and an indirect wholly-owned subsidiary of the Company
"Zhao Run"	Fujian Zhao Run Property Company Limited* (福建兆潤房地產有限公司), a company established with limited liability in the PRC
"%"	per cent.

For the purpose of illustration only and unless otherwise stated, conversion of RMB into Hong Kong dollars in this circular is based on the exchange rate of HK$1 to RMB0.86. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.

* *For identification purpose only. The English names are only translations of the official Chinese names. In case of inconsistency, the Chinese names prevail.*

C&D INTERNATIONAL INVESTMENT GROUP LIMITED
建發國際投資集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1908)

Executive Directors:
Mr. Zhuang Yuekai (庄躍凱) *(Chairman)*
Mr. Shi Zhen (施震)
Ms. Zhao Chengmin (趙呈閩)

Non-executive Directors:
Ms. Wang Xianrong (王憲榕)
Ms. Wu Xiaomin (吳小敏)
Mr. Huang Wenzhou (黃文洲)

Independent non-executive Directors:
Mr. Wong Chi Wai (黃馳維)
Mr. Wong Tat Yan, Paul (黃達仁)
Mr. Chan Chun Yee (陳振宜)

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Office No. 3517, 35th Floor
Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

24 September 2016

To the Shareholders

Dear Sir or Madam,

(1) NON-EXEMPT CONTINUING CONNECTED TRANSACTION IN RELATION TO THE ENTERING INTO OF CONSIGNMENT AGREEMENTS (2) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ENTERING INTO OF THE CAPITAL INCREASE AGREEMENT AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcements of the Company dated 1 December 2015, 31 December 2015, 14 March 2016, 18 August 2016 and 19 August 2016.

The purpose of this circular is (i) to provide the Shareholders with further information on the entering into of the Consignment Agreements and Capital Increase Agreement; (ii) to set out the recommendations from the Independent Board Committee in relation to the entering into of the

Consignment Agreements and Capital Increase Agreement and the Proposed Annual Caps; (iii) to set out the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) to give the Shareholders a notice of the EGM and other information in accordance with the requirements of the Listing Rules.

ENTERING INTO OF THE CONSIGNMENT AGREEMENTS

INTRODUCTION

Reference is made to the Company's announcement of 14 March 2016, whereby it was announced that Shanghai Zhaoyu (as the lessee), a subsidiary of the Company, entered into the Jiayuan Lease and the Huayuan Lease with Shanghai Shanxidi and Shanghai Zhongyue (each as a lessor) respectively in relation to the leasing arrangements of certain properties in Shanghai.

Under the Jiayuan Lease and the Huayuan Lease, the annual caps are determined based on the amount of rent payable by Shanghai Zhaoyu to Shanghai Shanxidi and Shanghai Zhongyue under the Jiayuan Lease and Huayuan Lease respectively. For the years ended 31 December 2016, 2017, 2018, 2019, 2020 and 2021, the rent shall be calculated daily at RMB0.28 per sq.m., RMB0.3 per sq.m., RMB0.32 per sq.m., RMB0.34 per sq.m., RMB0.36 per sq.m. and RMB0.36 per sq.m., respectively, which is determined based on arm's length basis by reference to the prevailing market rates of the rental charge of properties in Shanghai.

The Board is pleased to announce that on 19 August 2016, Shanghai Zhaoyu entered into the Jiayuan Consignment Agreement and Huayuan Consignment Agreement with Shanghai Shanxidi and Shanghai Zhongyue, respectively, pursuant to which Shanghai Zhaoyu will act as the agent for Shanghai Shanxidi and Shanghai Zhongyue for the sale of certain properties under the Jiayuan Project and Huayuan Project in consideration of consignment fees. The transactions contemplated under the Consignment Agreements will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Jiayuan Consignment Agreement

The principal terms of the Jiayuan Consignment Agreement are set out as follows:

Date

19 August 2016

Parties

1. Shanghai Shanxidi; and

2. Shanghai Zhaoyu, a subsidiary of the Company, as the agent and being responsible for, among other things, collecting information about the properties and nearby environment, identifying potential purchasers for the properties, marketing the properties for sales, and handling the necessary procedures for the sales of properties.

Property to be sold

A total of 126 units of Tower 8, 9 and 10 in the office building No. 3-9, the Xinjiangwan Jiayuan project located at No. 36, 48 and 49 of 758 Lane, Guo An Lu, Xinjiangwancheng, Yangpu Qu, Shanghai* (上海楊浦區新江灣城國安路758弄36號、48號及49號之"新江灣嘉苑"項目8幢、9幢、10幢辦公3-9樓共126套房屋), with a total area of approximately 26,299 sq.m.

Shanghai Shanxidi has legal ownership of the properties before completion of sales, after which, the legal ownership will be transferred to the purchaser of the properties.

Term

1 January 2017 to 31 December 2019:

Expected sales price

- For the properties to be sold from 1 January 2017 to 31 December 2017, the expected sales price shall be no less than RMB20,000 per sq.m.;
- For the properties to be sold from 1 January 2018 to 31 December 2018, the expected sales price shall be no less than RMB21,000 per sq.m.;
- For the properties to be sold from 1 January 2019 to 31 December 2019, the expected sales price shall be no less than RMB22,000 per sq.m..

The expected sales price is determined between the parties with reference to the average sales price of similar properties in nearby areas in Shanghai.

Apart from the consignment fees to be received by Shanghai Zhaoyu, Shanghai Zhaoyu will not be entitled to any sales proceeds in relation to the sales of the properties.

Payment method

Third party purchasers shall enter into sale and purchase agreement in relation to the commercial property(ies) with Shanghai Shanxidi and arrange payment of 50% of the total fees upon signing such agreement. Third party purchasers shall enter into such agreement before 31 December 2019. If Shanghai Zhaoyu acts as the agent for the sale of the property(ies), the third party purchasers shall arrange payment of all the remaining fees before 31 December 2019. If the third party purchasers purchase the property(ies) themselves, they shall arrange payment of all the remaining fees before 31 December 2020.

Payment shall be made in one of following three ways to be selected by Shanghai Shanxidi upon receiving full payment for the sales of property by Shanghai Shanxidi:

- Third party purchaser(s) designated by Shanghai Zhaoyu shall pay the relevant fees (including sales proceeds and consignment fees) to Shanghai Shanxidi and Shanghai Zhaoyu for the sale of the properties respectively at the time when the sale and purchase agreement in relation to the commercial property(ies) is entered into. Shanghai Shanxidi and Shanghai Zhaoyu shall issue invoices for the amount received to such third party respectively;

- Third party purchaser(s) shall make full payment (including sales proceeds and consignment fees) to Shanghai Shanxidi according to the payment schedule above. Shanghai Shanxidi in turn will transfer the consignment fees (after deducting the relevant amount of land appreciation tax) to Shanghai Zhaoyu as soon as Shanghai Shanxidi receive the full payment from such purchaser(s) and by no later than 31 December 2020; or

- The third party purchaser(s) shall pay the relevant consignment fees to Shanghai Zhaoyu by means of e-commerce and transfer the remaining amount from the sale of the properties to Shanghai Shangxidi at the time when the sale and purchase agreement in relation to the commercial property(ies) is entered into. Shanghai Shanxidi and Shanghai Zhaoyu will issue invoices for the proportion of payment received respectively.

Deposit

Shanghai Zhaoyu shall pay a consignment deposit of RMB5,000,000 to Shanghai Shanxidi within 10 working days from the date of the Jiayuan Consignment Agreement. Shanghai Shanxidi shall return RMB15,000 to Shanghai Zhaoyu within 10 working days on receipt of 50% of the total payment for the sale of one unit of property, and shall further return RMB15,000 to Shanghai Zhaoyu within 10 working days on receipt of 100% of the total payment for the sale of one unit of property. Shanghai Shanxidi shall return the remaining RMB1,220,000 to Shanghai Zhaoyu within 10 working days after all the properties under Project Jiayuan have been sold and the relevant delivery procedures have been completed.

Huayuan Consignment Agreement

The principal terms of the Huayuan Consignment Agreement are set out as follows:

Date

19 August 2016

Parties

1. Shanghai Zhongyue; and

2. Shanghai Zhaoyu, a subsidiary of the Company, as the agent and being responsible for, among other things, collecting information about the properties and nearby environment, identifying potential purchasers for the properties, marketing the properties for sale, and handling the necessary procedures for the sale of properties.

Property to be sold on consignment

A total 84 units of Tower 2 of No. 518, 558 Lane Guo An Lu, Tower 3 of No. 455 Guo Xia Lu, Tower 5 of No. 15, No. 458 Lane, Guo Xia Lu, and Tower 7 of No. 2 No. 458 Lane, Guo Xia Lu, the Xinjiangwan Huayuan project located at Xinjiangwancheng, Yangpu Qu, Shanghai* (楊浦區新江灣城國安路558弄518號2幢，國霞路455號3幢，國霞路458弄15號5幢，2號7幢之"新江灣華苑"84套辦公樓), with a total area of approximately 35,104.4sq.m.

Shanghai Zhongyue has legal ownership of the properties before completion of sales, after which, the legal ownership will be transferred to the purchaser of the properties.

Term

1 January 2017 to31 December 2019:

Expected sales price

- For the properties to be sold from 1 January 2017 to 31 December 2017, the expected sales price shall be no less than RMB20,000 per sq.m.;
- For the properties to be sold from 1 January 2018 to 31 December 2018, the expected sales price shall be no less than RMB21,000 per sq.m.;
- For the properties to be sold from 1 January 2019 to 31 December 2019, the expected sales price shall be no less than RMB22,000 per sq.m..

The sales price is determined between the parties with reference to the average sales price of similar properties in nearby areas in Shanghai.

Apart from the consignment fees to be received by Shanghai Zhaoyu, Shanghai Zhaoyu will not be entitled to any sales proceeds in relation to the sales of the properties.

Payment method

Third party purchasers shall enter into sale and purchase agreement in relation to the commercial property(ies) with Shanghai Zhaoyue and arrange payment of 50% of the total fees upon signing such agreement. Third party purchasers shall enter into such agreement before 31 December 2019. If Shanghai Zhaoyu acts as the agent for the sale of the property(ies), the third party purchasers shall arrange payment of all the remaining fees before 31 December 2019. If the third party purchasers purchase the property(ies) themselves, they shall arrange payment of all the remaining fees before 31 December 2020.

Payment shall be made in one of following three ways to be selected by Shanghai Zhongyue upon receiving full payment for the sales of property by Shanghai Zhongyue:

- Third party purchaser(s) designated by Shanghai Zhaoyu shall pay the relevant fees (including sales proceeds and consignment fees) to Shanghai Zhongyue and Shanghai Zhaoyu for the sale of the properties respectively at the time when the sale and purchase agreement in relation to the commercial property(ies) is entered into. Shanghai Zhongyue and Shanghai Zhaoyu shall issue invoices for the amount received to such third party respectively;

- Third party purchaser(s) shall make full payment (including sales proceeds and consignment fees) to Shanghai Zhongyue according to the payment schedule above. Shanghai Zhongyue in turn will transfer the consignment fees (after deducting the relevant amount of land appreciation tax) to Shanghai Zhaoyu as soon as Shanghai Zhongyue receive the full payment from such purchaser(s) and by no later than 31 December 2020; or

- The third party purchaser(s) shall pay the relevant consignment fees to Shanghai Zhaoyu by means of e-commerce and transfer the remaining amount from the sale of the properties to Shanghai Zhongyue at the time when the sale and purchase agreement in relation to the commercial property(ies) is entered into. Shanghai Zhongyue and Shanghai Zhaoyu will issue invoices for the proportion of payment received respectively.

Deposit

Shanghai Zhaoyu shall pay a consignment deposit of RMB5,000,000 to Shanghai Zhongyue within 10 working days from the date of the Huayuan Consignment Agreement. Shanghai Zhongyue shall return RMB25,000 to Shanghai Zhaoyu within 10 working days on receipt of 50% of the total payment for the sale of one unit of property, and shall further return RMB25,000 to Shanghai Zhaoyu within 10 working days on receipt of 100% of the total payment for the sale of one unit of property. Shanghai Zhongyue shall return the remaining RMB800,000 to Shanghai Zhaoyu within 10 working days after all the properties under Project Huayuan have been sold and the relevant delivery procedures have been completed.

Profit sharing mechanism under the Consignment Agreements

Pursuant to the Consignment Agreements, as mentioned above, Shanghai Zhaoyu agreed with each of Shanghai Shanxidi and Shanghai Zhongyue on the minimum selling price of the properties as below:

- For the properties to be sold from 1 January 2017 to 31 December 2017, the expected sales price shall be no less than RMB20,000 per sq.m. (the "**2017 Benchmark Price**");

- For the properties to be sold from 1 January 2018 to 31 December 2018, the expected sales price shall be no less than RMB21,000 per sq.m. (the "**2018 Benchmark Price**");

- For the properties to be sold from 1 January 2019 to 31 December 2019, the expected sales price shall be no less than RMB22,000 per sq.m. (the "**2019 Benchmark Price**") (the 2017 Benchmark Price, the 2018 Benchmark Price and the 2019 Benchmark Price collectively, the "**Benchmark Prices**").

The profit sharing of the consignment sales between Shanghai Zhaoyu and each of Shanghai Shanxidi and Shanghai Zhongyue under the Jiayuan Consignment Agreement and the Huayuan Consignment Agreement at various actual selling prices for each of the three years ending 31 December 2017, 31 December 2018 and 31 December 2019 is calculated on a progressive scale as illustrated below:

For the year ending 31 December 2017		For the year ending 31 December 2018		For the year ending 31 December 2019	
Actual selling price ("A") (RMB per sq.m.)	**Percentage of profit sharing entitled by Shanghai Zhaoyu on a progressive scale**	**Actual selling price ("A") (RMB per sq.m.)**	**Percentage of profit sharing entitled by Shanghai Zhaoyu on a progressive scale**	**Actual selling price ("A") (RMB per sq.m.)**	**Percentage of profit sharing entitled by Shanghai Zhaoyu on a progressive scale**
20,000 to 25,000	i. 50% x (A - 20,000)	21,000 to 26,000	i. 50% x (A - 21,000)	22,000 to 27,000	i. 50% x (A - 22,000)
25,001 to 30,000	i. 50% x (25,000 - 20,000); plus ii. 40% x (A - 25,000)	26,001 to 31,000	i. 50% x (26,000 - 21,000); plus ii. 40% x (A - 26,000)	27,001 to 32,000	i. 50% x (27,000 - 22,000); plus ii. 40% x (A - 27,000)
30,001 to 34,200	i. 50% x (25,000 - 20,000); plus ii. 40% x (30,000 - 25,000); plus iii. 30% x (A - 30,000)	31,001 to 35,900	i. 50% x (26,000 - 21,000); plus ii. 40% x (31,000 - 26,000); plus iii. 30% x (A - 31,000)	32,001 to 37,700	i. 50% x (27,000 - 22,000); plus ii. 40% x (32,000 - 27,000); plus iii. 30% x (A - 32,000)
Above 34,200	i. 50% x (25,000 - 20,000); plus ii. 40% x (30,000 - 25,000); plus iii. 30% x (34,200 - 30,000)	Above 35,900	i. 50% x (26,000 - 21,000); plus ii. 40% x (31,000 - 26,000); plus iii. 30% x (35,900 - 31,000)	Above 37,700	i. 50% x (27,000 - 22,000); plus ii. 40% x (32,000 - 27,000); plus iii. 30% x (37,700 - 32,000)

Pursuant to the Consignment Agreements, the profit sharing ratio varies with the Average Selling Price (as defined below).

Based on the estimated Average Selling Price of RMB22,000/sq.m., RMB23,000/sq.m. and RMB24,000/sq.m. respectively for each of the three years ending 31 December 2017, 31 December 2018 and 31 December 2019 respectively, the profit sharing that Shanghai Zhaoyu is entitled to shall be calculated based on 50% of the amount of the Average Selling Price exceeding the Benchmark Prices for each year respectively.

The purpose of setting a progressive scale of profit sharing entitlement under the Consignment Agreements is to incentivize Shanghai Zhaoyu for selling the commercial properties at higher prices to customers. On the other hand, the decreasing percentage ratio of profit sharing at increased selling price reflected that the parties to the Consignment Agreements expected that the value appreciation of the commercial properties driven by positive market factors and economic environment is a more relevant attribute to the increased selling price as compared to the sales effort as the selling price increases further.

For the ease of understanding of the profit sharing mechanism under the Consignment Agreements, set out below is an illustrative example to compare (i) the profit sharing ratio of 50% profit entitlement under the progressive scale (the "**Profit Sharing Basis**") against (ii) the fixed rate commission (the "**Fixed Rate Basis**") for the year ending 31 December 2017. For instance, based on the estimated Average Selling Price of RMB22,000/sq.m. for the year ending 31 December 2017 and the 2017 Benchmark Price of RMB20,000/sq.m., the profit attributable to Shanghai Zhaoyu for each sq.m. of property sold is RMB1,000 (i.e. (RMB22,000-RMB20,000) x 50%), representing a yield approximately 4.54% to the Average Selling Price. It is assumed that the base case for the fixed rate commission is 4.5% for the purpose of comparison.

Selling Price (RMB)	**Commission earned based on Fixed Rate Basis (approximately RMB)**	**Commission earned based on Profit Sharing Basis (approximately RMB)**
22,000	990	1,000 (i.e. (RMB22,000-RMB20,000) x 50%)
25,000	1,125	2,500 (i.e. (RMB25,000-RMB20,000) x 50%)
30,000	1,350	4,500 (i.e. (RMB25,000-RMB20,000) x 50% + (RMB30,000-RMB25,000) x 40%)
34,200	1,539	5,760 (i.e. (RMB25,000-RMB20,000) x 50% + (RMB30,000-RMB25,000) x 40% + (RMB34,200-RMB30,000) x 30%)

Upon comparison, the commission earned under the Profit Sharing Basis is more favourable to the Company than the Fixed Rate Basis.

Moreover, the agency commission rate for property sales is in the range of approximately 2% to 2.5% on the value of the property sold, which was made reference to the previous Pricing Guideline Category of Shanghai (上海市定價目錄) published by Shanghai Municipal Development & Reform Commission in 2002. According to the latest Pricing Guideline Category of Shanghai published in 2015, the pricing guideline of agency commission rate has been removed from the guideline; however, the agency commission rate for property sales has been maintained at around 2% to 2.5% as a market practice. Having considered that (i) the consignment fee earned under the Profit Sharing Basis is higher than the illustrative case on the Fixed Rate Basis of 4.5%; and (ii) the illustrative commission rate of 4.5% under the Fixed Rate Basis is higher than the market practice of 2% to 2.5%, the Board considers that the consignment fee calculated under the Profit Sharing Basis to be fair and reasonable.

In addition, as disclosed in the announcement of the Company dated 14 March 2016, Shanghai Zhaoyu entered into lease agreements with Shanghai Shanxidi and Shanghai Zhongyue respectively to lease the commercial properties in the Jiayuan Project and the Huayuan Project at a favourable rate which could then be sublet to other tenants at the prevailing market rate (the "**Sublease Arrangement**"). The Board is of the view that the Sublease Arrangement could enhance the occupancy rate of the commercial properties, and on the other hand, this could increase the popularity of the Jiayuan Project and the Huayuan Project. As such, the Board has taken a prudent approach in estimating the Average Selling Price (as defined below) that only meets the lowest band of the abovementioned grid of profit sharing ratio. Having considered the benefits of the Sublease Arrangement as mentioned above coupled with the growing demand of properties in the Yangpu District where the Jiayuan Project and the Huayuan Project are located in, the Board is of the view that the Average Selling Price will be on an upward trend in the three years ending 31 December 2019.

Based on the above reasons, the Board considers that the percentage ratio and the progressive scale for calculating the commission of the property sales are on normal commercial terms or better, and fair and reasonable and in the interest of the Company and the Shareholders as a whole.

PROPOSED ANNUAL CAPS

The consignment fees to be received by Shanghai Zhaoyu under the Consignment Agreements will be based on the percentage of profit sharing entitled by Shanghai Zhaoyu on a progressive scale times the area of properties sold. The annual caps based on such consignment fees to be received by

Shanghai Zhaoyu under the Jiayuan Consignment Agreement and Huayuan Consignment Agreement, as well as the annual caps aggregated with the transactions under the Huayuan Lease and the Jiayuan Lease are as follows:

Period	Annual caps under the Jiayuan Consignment Agreement	Annual caps under the Huayuan Consignment Agreement	Annual caps under the Jiayuan Lease	Annual caps under the Huayuan Lease	Aggregated annual caps for the First Aggregated Transaction
Year ending 31 December 2017	RMB8,767,000 (RMB(22,000 - 20,000) x 50% x (26,299 / 3))	RMB11,701,500 (RMB(22,000 - 20,000) x 50% x (35,104.4 / 3))	2,850,000	3,720,000	RMB27,038,500
Year ending 31 December 2018	RMB8,767,000 (RMB(23,000 - 21,000) x 50% x (26,299 / 3))	RMB11,701,500 (RMB(23,000 - 21,000) x 50% x (35,104.1 / 3))	3,040,000	3,980,000	RMB27,488,500
Year ending 31 December 2019	RMB8,767,000 (RMB(24,000 - 22,000) x 50% x (26,299 / 3))	RMB11,701,500 (RMB(24,000 - 22,000) x 50% x (35,104.4 / 3))	3,230,000	4,230,000	RMB27,928,500

In determining the Proposed Caps, the Board has based their estimates on (i) the expected gross floor area to be sold under the Jiayuan Project and the Huayuan Project for each of the three years ending 31 December 2017, 31 December 2018 and 31 December 2019; (ii) the expected average selling price of the commercial properties of the Jiayuan Project and the Huayuan Project (the "**Average Selling Price**") for each of the three years ending 31 December 2017, 31 December 2018 and 31 December 2019; and (iii) the expected growth rate of the Average Selling Price. Important and objective assumptions and factors, which were arrived at after due and careful consideration of the data currently in hand by the Board but were not exhaustive, are set out below:

1. the expected sales target, being 8,766 sq.m. per year (a total area of 26,299 sq.m. divided by 3 years) under the Jiayuan Consignment Agreement and 11,701.5 sq.m. per year (a total area of 35,104.4 sq.m. divided by 3 years) under the Huayuan Consignment Agreement. The expected sales target is generated based on the sales performance of similar properties in the nearby areas in Shanghai from 1 January 2015 to mid-2016;

2. the expected Average Selling Price of the properties under the Jiayuan Project and the Huayuan Project, which was estimated to be RMB22,000/sq.m., RMB23,000/sq.m. and RMB24,000/sq.m. for each of the three years ending 31 December 2017, 31 December 2018 and 31 December 2019. The Average Selling Price was determined between the parties with reference to the sales price of similar properties in nearby areas in Shanghai;

3. the projected growth rate of the property prices in Shanghai in view of the expected increasing demand of commercial properties in Shanghai. The Board expected that there will be an increase in the Average Settling Price by RMB1,000/ sq.m. per year in each of the three years ending 31 December 2017, 31 December 2018 and 31 December 2019 respectively;

4. the sharing of fees on a 50:50 basis between (i) Shanghai Shanxidi and Shanghai Zhaoyu under the Jiayuan Consignment Agreement and (ii) Shanghai Zhongyue and Shanghai Zhaoyu under the Huayuan Consignment Agreement as agreed among the parties, provided that the actual selling price of the properties under the Consignment Agreements are within the range of RMB20,000/sq.m. to RMB25,000/sq.m. for each of the three years ending 31 December 2017, 31 December 2018 and 31 December 2019 (i.e. Shanghai Zhaoyu is entitled to profit sharing within the band of 50% on the amount exceeding the relevant benchmarks in each of the three years ending 31 December 2017, 31 December 2018 and 31 December 2019, assuming that the actual selling price of the properties sold is within the range of RMB20,000/sq.m. to RMB25,000/sq.m.). Please refer to the above section headed "Profit sharing mechanism under the Consignment Agreements" for further details of the profit sharing mechanism.

Basis of the expected sales target for each of the three years ending 31 December 2019

The total gross floor area of the Jiayuan Project and the Huayuan Project is 26,299 sq.m. and 35,104.4 sq.m. respectively. The Jiayuan Project and the Huayuan Project are both positioned as a complex of high-end office, corporate headquarters, residential property and community business centre. The target customers of the Jiayuan Project and the Huayuan Project are principally engaged in technology, trading and human resources training sectors which are more willing to pay a premium price for higher quality office space. At the initial opening of the Jiayuan Project and the Huayuan Project, Shanghai Shanxidi and Shanghai Zhongyue target to lease out the office properties in order to increase the popularity of the two properties. Therefore, Shanghai Shanxidi and Shanghai Zhongyue entered into the Jiayuan Lease and the Huayuan Lease with Shanghai Zhaoyu with an aim of subleasing the properties to the target customers with the extensive experience of Shanghai Xiangfu. When considering the sales target of the two projects, the Directors have taken into account (i) the increase in popularity of the two properties brought about by the leasing arrangement; and (ii) the profitable return from leasing of the properties to the potential investors. Therefore, the Directors expected that Shanghai Zhaoyu could achieve the sales target of the total gross floor area of 26,299 sq.m. for the Jiayuan Project and 35,104.4 sq.m. for the Huayuan Project in three years, with an estimate of sales of around one-third of the total gross floor for each of the three years ending 31 December 2019, i.e. 8,766 sq.m. per year in respect of the Jiayuan Project and 11,701.5 sq.m. per year in respect of the Huayuan Project.

Basis of the expected Average Selling Price and the projected growth rate for each of the three years ending 31 December 2019

The Proposed Annual Caps were calculated based on the expected Average Selling Price of the properties of the Jiayuan Project and the Huayuan Project of RMB22,000/sq.m., RMB23,000/sq.m. and RMB24,000/sq.m. for each of the three years ending 31 December 2019 respectively, multiplied by the expected gross floor area to be sold as mentioned above. As Shanghai Zhaoyu was not involved in any sales transaction of commercial property in the past, the Board has made reference to the recent transaction price of similar commercial properties in the same district to estimate the Average Selling Price.

On the other hand, in estimating the increment in the Average Selling Price for each of the two years ending 31 December 2019 from the preceding year, the Board has made reference to the historical growth rate of the selling price of the commercial properties in the same district and taken a prudent approach of a slight growth of RMB1,000/sq.m. (equivalent to approximately 4.3% to 4.5% growth for each of the two years).

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSIGNMENT AGREEMENTS

Shanghai Zhaoyu is principally engaged in the commercial properties operation management business. Its shareholder, Shanghai Xiangfu, has more than 10 years of extensive experience in operating properties in Shanghai and other more developed cities in the PRC, as well as financing large scale commercial projects. The principal business of Shanghai Xiangfu includes commercial and office property, management and property leasing, the major projects managed by Shanghai Xiangfu includes properties located in Xinjiangwancheng district and Xuhui district in Shanghai. Shanghai Xiangfu has an experienced team of sales department who has participated in various property sales projects in the PRC. The Directors are of the view that Shanghai Zhaoyu shall leverage the experience of Shanghai Xiangfu in terms of property sales management for the sale of the commercial properties of the Jiayuan Project and the Huayuan Project under the Consignment Agreements.

The Jiayuan Project and the Huayuan Project are both located in Xinjiangwancheng in the Yangpu Area of Shanghai which is a new development area with significant and growing demand. Shanghai Xiangfu has successfully launched the property sales project of commercial properties and shops in the same area in its previous commercial property sales project in 2015.

In addition, as set out in the announcement of the Company dated 14 March 2016, Shanghai Zhaoyu entered into the Jiayuan Lease and the Huayuan Lease with Shanghai Shanxidi and Shanghai Zhongyue respectively to lease the commercial properties in the Jiayuan Project and the Huayuan Project which could then be sublet to other tenants. The subleasing arrangement managed by Shanghai Zhaoyu has enhanced the occupancy rate and the popularity of the Jiayuan Project and the Huayuan Project.

Further, as set out in the announcement of the Company dated 16 December 2015, the Company's strategy of forming Shanghai Zhaoyu with Shanghai Xiangfu is to cooperate with renowned commercial property operators for the development of particular leasing projects so as to enhance the

Group's commercial operating capacities, build its awareness among the commercial property sector in Shanghai and implement simple and effective management of asset-light operation in order to increase its profitability. The development of Shanghai Zhaoyu into the area of consignment sales of properties is in line with this strategy and will provide a new revenue stream to the Group.

The terms of the Consignment Agreements were determined after arm's length negotiations between the parties and the consignment fees were determined with reference to the prevailing market sales levels of similar properties in Shanghai.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Directors have material interest in the transactions contemplated under the Consignment Agreements or was required to abstain from voting at the Board meeting. The Directors consider that the terms of the Consignment Agreements (including the proposed annual caps thereunder) are on normal commercial terms or better, in the ordinary and usual course of business of the Company, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As each of Shanghai Shanxidi and Shanghai Zhongyue is a subsidiary of C&D Real Estate, a controlling shareholder, Shanghai Shanxidi and Shanghai Zhongyue are considered as connected persons of the Company. The entering into of the Consignment Agreements between Shanghai Zhaoyu and each of Shanghai Shanxidi and Shanghai Zhongyue will therefore constitute continuing connected transactions under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Jiayuan Consignment Agreement and the Huayuan Consignment Agreement, as well as the transactions under the Jiayuan Lease and the Huayuan Lease are required to be aggregated and treated as if they were one transaction. After aggregation, as one of the applicable percentage ratios in respect of the highest annual cap exceed 5% but are less than 25%, the transactions contemplated under the Consignment Agreements are subject to the reporting, announcement and independent shareholders' requirements. An EGM will be held to seek the approval of the Independent Shareholders of the transactions contemplated under the Consignment Agreements and the proposed annual caps thereunder.

C&D Real Estate and its associates shall abstain from voting on the proposed resolution to approve the transactions contemplated under the Consignment Agreements and the proposed annual caps thereunder at the EGM. Save for the aforesaid and to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the date of this circular, no other Shareholder is interested in the transactions contemplated under the Consignment Agreements.

An Independent Board Committee consisting of all the independent non-executive Directors will be established to consider and advise the Independent Shareholders on the transactions contemplated under the Consignment Agreements and the proposed annual caps thereunder. An independent financial adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the transactions contemplated under the Consignment Agreements are on normal commercial terms or better, in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES

Shanghai Zhaoyu is newly established company on 16 December 2016 for providing commercial properties operation management business and has no experience of involving in the sales of commercial properties. To ensure that the pricing mechanism has been followed, the finance department of the Company reviewed and assessed the pricing basis under the transactions contemplated under the Consignment Agreements by (i) conducting research and analysis of the recent market conditions of the sales of commercial properties in nearby districts and (ii) comparing the terms (including, among other things, consignment fees) of similar service provided by other independent third parties for the sales of commercial properties in nearby districts to ensure that the terms of service provided by Shanghai Zhaoyu are no less favourable than those provided by other independent third parties. The consignment fees are subject to annual review and may be adjusted by the Company if necessary with reference to the then market rates to ensure fairness and reasonableness of such fees.

In order to further enhance the internal review procedures of transactions with connected parties of the Company, the Company has established the following internal control measures to ensure that the pricing mechanism has been properly followed:

(a) The Company will adopt and implement a management system on connected transactions. The finance department of the Company will be responsible for monitoring the connected transactions by conducting costs assessments of the connected transactions and collecting market information on a regular basis in order to evaluate whether (i) the price of the connected transactions is fair and reasonable (e.g. by comparing against the prevailing market price) and (ii) whether the connected transactions are on normal commercial terms and no less favourable to the Company than terms offered to independent parties. They will also review the performance of the connected transactions to ensure that it is in line with the terms of the relevant contracts;

(b) The internal audit department of the Company will conduct periodic monitoring and evaluation on whether the implementation of the connected transactions (including First the Aggregated Transaction) conforms with the internal control measures of the Company.

(c) The independent non-executive Directors will conduct an annual review of the implementation of the connected transactions (including the First Aggregated Transaction); and

(d) The external auditors of the Company will conduct an annual review on the pricing mechanism and annual caps of the connected transactions (including the First Aggregated Transaction).

ENTERING INTO OF THE CAPIAL INCREASE AGREEMENT

INTRODUCTION

The Board is pleased to announce that on 18 August 2016, Yi Yue, an indirect wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with Suzhou Zhaokun and Xiamen Liyuan, pursuant to which the parties agreed that the registered capital of the Target Company will be increased from RMB100,000,000 to RMB114,940,000. Yi Yue has agreed to contribute an aggregate amount of RMB517,900,000 in cash, including (i) RMB14,940,000 as payment for the registered capital; (ii) RMB7,760,000 as payment for the share premium; and (iii) a three-year shareholder's loan in the amount of RMB495,200,000 at an interest rate of 5.8% per annum for the repayment of part of the shareholder's loan previously made by the Target Company according to the proportion of equity interest to be taken by Yi Yue. Upon completion of the Capital Increase, Yi Yue will hold approximately 13% equity interest in the Target Company.

Capital Increase Agreement

The principal terms of the Capital Increase Agreement are set out as follows:

Date

18 August 2016

Parties

1. Yi Yue, a subsidiary of the Company

2. Suzhou Zhaokun

3. Xiamen Liyuan

Consideration

Pursuant to the Capital Increase Agreement, the registered capital of the Target Company will be increased from RMB100,000,000 to RMB114,940,000. Yi Yue has agreed to contribute an aggregate amount of RMB517,900,000 in cash, including (i) RMB14,940,000 as payment for the registered capital; (ii) RMB7,760,000 as payment for the share premium; and (iii) a three-year shareholder's loan in the amount of RMB495,200,000 at an interest rate of 5.8% per annum for the repayment of part of the shareholder's loan previously made by the Target Company according to the proportion of equity interest to be taken by Yi Yue.

The consideration under the Capital Increase Agreement was determined by the Company after arm's length negotiation among the shareholders of the Target Company based on the valuation of the total assets and liabilities of the Target Company conducted by Xiamen City University Assets Appraisal Co., Ltd. ("**Xiamen Appraisal**"), a third party independent of the Group and/or and the connected persons of the Group and/or C&D Real Estate and/or Suzhou Zhaokun and/or Xiamen

Liyuan. As at 31 March 2016, the total assets of the Target Company was valued at RMB3,971,000,000, consisting of (i) net assets of RMB152,000,000 and (ii) total liabilities of RMB3,819,000,000. The valuation of the Land has been prepared by market approach with assumption of development, while the valuation of the other asset and liability has been prepared by cost approach assuming that the Target Company continues to operate in the foreseeable future.

The equity contribution of approximately RMB22,700,000 is based on 13% of the enlarged Adjusted NAV of the Target Company of approximately RMB174,670,000 which is the sum of (i) the adjusted net asset value of the Target Company of approximately RMB151,970,000 as valued by Xiamen Appraisal as at 31 March 2016 and (ii) the equity contribution of approximately RMB22,700,000. Such equity contribution is composed of (i) RMB14,940,000 as payment for the registered capital (approximately 13% of the enlarged registered capital of the Target Company of RMB114,940,000) and (ii) RMB7,760,000 as payment for the share premium (being the excess amount of 13% of the enlarged Adjusted NAV of the Target Company (i.e. approximately RMB22,700,000) and approximately 13% of the enlarged registered capital of the Target Company (i.e. RMB14,940,000)). The Target Shareholder Loan of RMB495,200,000 is based on the 13% of the shareholder's loan as at 31 March 2016 of approximately RMB3,809,400,000.

Moreover, the Company also engaged DTZ, a third party independent of the Group and/or and the connected persons of the Group and/or C&D Real Estate and/or Suzhou Zhaokun and/or Xiamen Liyuan and/or Target Company, to assess the appraised value of the Construction In Progress as at 31 July 2016. As at 31 July 2016, the appraised value of the whole Construction In Progress was approximately RMB4,045,000,000 with an increase of 1.9% when compared to the assessed value as at 31 March 2016. The appraised value of the Land component of the Construction In Progress as at 31 July 2016 was approximately RMB3,978,289,000 with an increase of 0.7% when compared to the assessed value as at 31 March 2016. The valuation has been prepared by direct comparison approach assuming sale with the benefit of vacant possession in its existing state by making reference to comparable sale transactions as available in the relevant markets. Appropriate adjustments and analysis are considered given the differences in location, size and other characters between the comparable properties and the subject properties. As the major asset held by the Target Company is Construction In Progress which mainly comprises of the Land and the aggregate consideration under the Capital Increase Agreement is based on valuation of the Land, the Directors believe that it is sufficient and more appropriate to include the valuation report prepared by DTZ in Appendix IV of the Circular.

Payment

Yi Yue shall pay to the Target Company the capital consideration of RMB22,700,000 within 180 days upon fulfilling of certain conditions under the Capital Increase Agreement or before 31 December 2016. Yi Yue shall also make the Shareholder's loan in the amount of RMB495,200,000 available to the Target Company within 180 days of signing the Capital Increase Agreement or before 31 December 2016. Yi Yue will finance the Capital Increase by a shareholder's loan in the amount of RMB517,900,000 obtained from C&D Real Estate (the "**Group Shareholder Loan**").

Pursuant to the shareholder loan framework agreement dated 11 April 2016 entered into between the Company and C&D Real Estate (the "**Shareholder Loan Framework Agreement**"), the interest rate of the Group Shareholder Loan will be based on the benchmark RMB lending rate of the People's Bank of China (which is 4.75% as at the Latest Practicable Date), and there is no requirement of pledging any assets to C&D Real Estate under the Shareholder Loan Framework Agreement. As C&D Real Estate is the controlling Shareholder and is therefore a connected person of the Company, the entering into of the Shareholder Loan Framework Agreement would therefore constitute connected transaction for the Company. As the Group Shareholder Loan to be provided by C&D Real Estate is on terms better than normal commercial terms offered to the Company and its subsidiaries by independent third party financial institutions and no security over the assets of the Company will be granted, the entering into of the Shareholder Loan Framework Agreement would be exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules. Further details of the Group Shareholder Loan can be found in the Company's announcement dated 11 April 2016.

Completion

Assuming no further Shares will be issued by the Target Company, upon completion of the Capital Increase, Yi Yue will hold approximately 13% of the registered capital of the Target Company as enlarged by the Capital Increase. The Target Company will not become a subsidiary of the Company as a result of the transaction, and the financial results and assets and liabilities of the Target Company will not be consolidated into the consolidated financial statements of the Company.

Conditions precedent

Completion of the Capital Increase will be conditional upon, among other things, the following conditions precedent having been fulfilled:

1. The transactions contemplated under the Capital Increase Agreement having obtained the state-owned assets valuation project filing (國有資產評估項目備案) from the relevant PRC governmental authority(ies), necessary consent and approval(s) from the parties to such agreement and the Target Company;

2. The granting of all the necessary approval(s) required under the Listing Rules, including the approval by the Independent Shareholders in respect of the transactions contemplated under the Capital Increase Agreement.

Other major terms

(i) Board composition

After the completion of the Capital Increase, the board of directors of the Target Company will comprise 3 directors, 1 of whom will be appointed by Yi Yue, 1 of whom will be appointed by Suzhou Zhaokun and the remaining 1 will be appointed by Xiamen Liyuan. The chairman of the board of director will be elected by simple majority of voting of the board of directors.

(ii) Profit and loss sharing

Yi Yue, Suzhou Zhaokun and Xiamen Liyuan will be entitled to share the profit or bear the loss of the Target Company in proportion to their respective equity interest in the Target Company.

SHAREHOLDING STRUCTURE OF THE TARGET COMPANY

The shareholding structure of the Target Company before and immediately after completion of the Capital Increase is set out as follows:

	Before completion of the Capital Increase		**Immediately after completion of the Capital Increase**	
Name of shareholder	**Amount of the registered capital of the Target Company** *(in RMB)*	**Percentage**	**Amount of the registered capital of the Target Company** *(in RMB)*	**Percentage**
Suzhou Zhaokun	95,000,000	95%	95,000,000	82.65%
Xiamen Liyuan	5,000,000	5%	5,000,000	4.35%
Yi Yue	—	—	14,940,000	13%
Total	100,000,000	100%	114,940,000	100%

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below are certain financial information of the Target Company for the period from 30 October 2015 (date of establishment) to 31 December 2015 and the six months end 30 June 2016:

	As at 31 December 2015 *(audited)* *(in RMB'000)*	**As at 30 June 2016** *(audited)* *(in RMB'000)*
Total assets	3,844,000	4,011,693
Net assets	100,000	93,946

	For the period from 30 October 2015 (date of establishment) to 31 December 2015 *(audited)* *(in RMB'000)*	**For the six months ended 30 June 2016** *(audited)* *(in RMB'000)*
Loss before taxation	—	(6,054)
Loss after taxation	—	(6,054)

REASONS FOR AND BENEFITS OF ENTERING INTO THE CAPITAL INCREASE AGREEMENT

Suzhou Zhaokun won a piece of land in the Jiangsu Province, the PRC through bidding in August 2015 and transferred the Land to the Target Company in December 2015. The Target Company was established as a project company with a registered capital of RMB100,000,000 on 30 October 2015 for the development of the Land. The major asset held by the Target Company is Construction in Progress which mainly comprises the Land. The Land is located in a lake area in Wuzhong District, Suzhou, Jiangsu Province surrounded by high end residential real estate projects of other renowned property developers in the PRC and is situated near an eco-park. Besides, the Land is close to commercial business districts and offers easy access to downtown.

The construction plan of the Land has already been well established in December 2015. There will be three phrases of the project in total. The first phrase of the project has been started in February 2016 and is expected to be complete in December 2017. The second phrase is expected to start in October 2016 and is expected to be complete by August 2018. The last phrase is expected to start in June 2017 and is expected to be complete by June 2020. Apartments ranged from 3 to 4 bedrooms of 90 to 143 sq.m. and villas will be available for sale.

The negative cash generated from the operating activities of the Target Company since its establishment was due to the fact that the Target Company was still at the stage of construction in progress and hence, no positive cash flow has been generated. As mentioned above, it is expected that the development of the project by the Target Company will be complete in phases, and the sales of properties will commence soon after the sales conditions are fulfilled thereby brining positive cash flow to the Target Company. It is also noted that the total asset of the Target Company increased from RMB3,861,235,000 in the auditor's report as at 31 March 2016 to RMB4,011,693,000 in the accountants' report as at 30 June 2016 mainly because of the onging development of the Construction In Progress. Hence, notwithstanding the negative cash generated from the operating activities of the Target Company since its establishment, based on the information set out above, the future prospect of the Target Company's project is promising.

The Group was particularly interested in the property development opportunities in Suzhou in view of the increasing property prices in that region, the geographical advantages of the Land and the readily available property development project. The transactions contemplated under the Capital Increase Agreement are conducted in the ordinary and usual course of business of the Group. The Board believes that the Capital Increase provides an excellent investment opportunity for the Group. Being a holder of 13% equity interest in the Target Company, the Group may benefit from sharing of the profit arising from the development of the Land through the Target Company, and further broaden the real estate business of the Group.

Further, as set out in the circular of the Company dated 21 April 2016, Yi Yue and Zhao Run formed a joint venture for the acquisition of a piece of land located in Zhangzhou City with an estimated total site are of 44,828.15 sq.m. with a plan to invest in the real estate development projects taking into account of the business prospect of the land in Zhangzhou City. To keep on exploring high quality opportunities in real estate project, Yi Yue has agreed to contribute an aggregate amount of RMB517,900,000 in cash to the Target Company for approximately 13% equity interest in the Target

Company. Relying on the existing resources such as the Land situated in the prime district in Wuzhong and the preliminary construction work over the Land readily available in the Target Company, Yi Yue can participate financially in the rewarding development of the Land in Suzhou. Moreover, the cooperation with the 2 other shareholders under C&D Real Estate provides the Group an excellent investment opportunity and position in the property market in Suzhou. It can assist the Group, which is currently at the starting stage in the field of property development, to penetrate the local upper-middle property market in Suzhou in an efficient manner and also accumulate precious property development experience for future expansion in the property market.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Directors have material interest in the transactions contemplated under the Capital Increase Agreement or was required to abstain from voting at the Board meeting. As explained above in the section headed "Consideration" under the Capital Increase Agreement, having considered that (i) the total amount of the consideration of the Capital Increase is based on the assessed value of net asset and the total liability; (ii) the increase of assessed value of the Land component of the Construction In Progress for 0.7% during the period from 31 March 2016 to 31 July 2016; (iii) general increase of the housing price in Suzhou; and (iv) the Capital Increase will be financed by the Group Shareholder Loan whose interest rate is lower than that of the Target Shareholder Loan to be contributed by Yi Yue to the Target Company, the Directors are of the view that the consideration of the Capital Increase Agreement is fair and reasonable. The Directors also consider that the terms of the Capital Increase Agreement are on normal commercial terms or better, in the ordinary and usual course of business of the Company, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As each of Suzhou Zhaokun and Xiamen Liyuan is a subsidiary of C&D Real Estate, a controlling shareholder, Suzhou Zhaokun and Xiamen Liyuan are considered as connected persons of the Company. The entering into of the Capital Increase Agreement will therefore constitute connected transactions under Chapter 14A of the Listing Rules.

As announced by the Company on 1 December 2015 and 31 December 2015, Yi Yue and Zhao Run entered into a cooperation agreement for the formation of a joint venture which subsequently acquired a land located in Zhangzhou, Fujian, the PRC. Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under Capital Increase Agreement are required to be aggregated with the Previous Transaction. After aggregation, as one or more of the applicable percentage ratios in respect of the Second Aggregated Transaction exceed 25% but are less than 100%, the Second Aggregated Transaction constitutes a major transaction and non-exempt connected transaction under Chapters 14 and 14A of the Listing Rules. The transactions contemplated under the Capital Increase Agreement are therefore subject to the reporting, announcement and independent shareholders' requirements. An EGM will be held to seek the approval of the Independent Shareholders of the transactions contemplated under the Capital Increase Agreement.

C&D Real Estate and its associates shall abstain from voting on the proposed resolution to approve the transactions contemplated under the Capital Increase Agreement at the EGM. Save for the aforesaid and to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the date of this circular, no other Shareholder is interested in the transactions contemplated under the Capital Increase Agreement.

An Independent Board Committee consisting of all the independent non-executive Directors will be established to consider and advise the Independent Shareholders on the transactions contemplated under the Capital Increase Agreement. An independent financial adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the transactions contemplated under the Capital Increase Agreement are on normal commercial terms or better, in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF ENTERING INTO OF THE CAPIAL INCREASE AGREEMENT

Set out in Appendix III to this circular is the pro forma financial information, with the bases of preparation, of the Group which illustrates the financial impact of the Capital Increase Agreement on the assets and liabilities of the Group.

Upon completion of the Capital Increase, the Group will hold approximately 13% of the enlarged registered capital of the Target Company. In accordance with Capital Increase Agreement, the Group will be entitled to appoint a director to the board of directors of the Target Company. The Directors consider that the Group will have significant influence over the Target Company even though the shareholding is below 20% because of the board representation and contractual terms. Consequently, the Target Company will be accounted for as an associate, which is initially recognised at cost and subsequently accounted for using the equity method in accordance with Hong Kong Accounting Standard 28, Investments in Associates and Joint Ventures. The accounting treatment of the Target Company as an associate of the Company has been agreed with the Company's auditors, Grant Thornton Hong Kong Limited.

(i) Earnings

Based on the annual report of the Company for the year ended 31 December 2015, the Group recorded profit attributable to owners of the Company of approximately RMB13 million. Based on the Capital Increase Agreement, the Group will lend the Target Shareholder Loan in the principal amount of RMB495,200,000 to the Target Company at an annual interest rate of 5.8% which will be financed by the Group Shareholder Loan in the principal amount of RMB517,900,000 to be obtained from C&D Real Estate at an annual interest rate of 4.75%. Upon completion of the Capital Increase, it is expected the Group will record a net annual interest income of approximately RMB4 million. In addition, as the Target Company will be accounted for as an associate company with the Group holding 13% equity interests in the Target Company, it is expected that the Group will also record its share of results of the Target Company. As it generally takes more than one year to develop the property projects before its completion, revenue from the pre-sale contracts can only be recognized upon completion of the property projects and the titles of the properties are passed to the customers in stages. Therefore, the earnings of the Target Company and in turn the share of results of the Target Company would fluctuate from year to year.

(ii) Cash flow

Based on the interim report of the Company for the six months ended 30 June 2016, the Group had cash and bank balances of approximately RMB87 million as at 30 June 2016. Pursuant to the Capital Increase Agreement, the consideration will be settled in cash which will be financed by the Group Shareholder Loan. Thus, the cash outflow for the settlement of the consideration will be offset by the cash inflow from the Group Shareholder Loan and there will not be any material impact to the cash flow of the Group.

(iii) Net asset value

According to the interim report of the Company for the six months ended 30 June 2016, the consolidated net asset as at 30 June 2016 were approximately RMB886 million. In view that the payment of the consideration will be financed by the Group Shareholder Loan, the increase in the balance of the investment in associate in the Target Company will equal the increase in the liabilities of the Group arising from the Group Shareholder Loan, there will be no material impact of the net asset value of the Group.

(iv) Gearing

According to the interim report of the Company for the six months ended 30 June 2016, the gearing ratio of the Group as at 30 June 2016 was approximately 35.9%, as derived by dividing the total borrowings of the Group as at 30 June 2016 by the total equity of the Group as at 30 June 2016. As advised by the Company, the consideration under the Capital Increase Agreement will be funded by the Group Shareholder Loan, thus the total borrowings of the Group will increase and the gearing ratio of the Group will increase.

INFORMATION ABOUT THE PARTIES

The Group is principally engaged in the businesses of property development, property leasing, property management and the provision of consultancy services. The Company's strategy is to cooperate with renowned commercial property operators for the development of particular leasing and sale projects so as to enhance the Group's commercial operating capacities, build its awareness among the commercial property sector in Shanghai and implement simple and effective management of asset-light operation in order to increase its profitability.

Shanghai Zhaoyu is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Shanghai Zhaoyu is principally engaged in the commercial properties operation management business.

Shanghai Shanxidi is a company established in the PRC with limited liability, and is principally engaged in the properties development business in Shanghai, the PRC.

Shanghai Zhongyue is a company established in the PRC with limited liability, and is principally engaged in the property development business in Shanghai, the PRC.

Suzhou Zhaokun is a company established in the PRC with limited liability and an indirect subsidiary of C&D Real Estate, a controlling shareholder. Suzhou Zhaokun is principally engaged in property development business in Suzhou.

Xiamen Liyuan is a company established in the PRC with limited liability and an indirect subsidiary of C&D Real Estate, a controlling shareholder. Xiamen Liyuan is principally engaged in property investment management business in the PRC.

EXTRAORDINARY GENERAL MEETING

The EGM will be held by the Company at Office No.3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong on Wednesday, 12 October 2016 at 10:30 a.m., to consider and if thought fit, to approve, among other things, the entering into of the Consignment Agreements and the Capital Increase Agreement and the Proposed Annual Caps. A form of proxy and the reply slip for use at the EGM are enclosed with this circular.

Any Shareholder and his or her or its associates with a material interest in the resolutions will abstain from voting on the resolutions on the entering into of the Consignment Agreements and the Capital Increase Agreement and the Proposed Annual Caps at the EGM. C&D Real Estate holds approximately 59.37% interest in the Company, as such, C&D Real Estate and its associates will be required to abstain from voting on the relevant resolutions at the EGM.

Save as disclosed above, to the best knowledge, information and belief of the Directors having made all reasonable enquires, no other Shareholders are required to abstain from voting on the relevant resolutions to be considered at the EGM as at the Latest Practicable Date.

The notice of the EGM is set out on pages N-1 to N-3 of this circular.

For those who intend to direct a proxy to attend the EGM, please complete the form of proxy and return the same in accordance with the instructions printed thereon. In order to be valid, the above documents must be delivered to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for the EGM or any resumed session. The register of members of the Company will be closed from Monday, 10 October 2016 to Wednesday, 12 October 2016 (both days inclusive), during which time no share transfers will be effected. The holders of the Shares whose names appear on the register of members of the Company on Wednesday, 12 October 2016 are entitled to attend and vote in respect of all resolutions to be proposed at the EGM.

You are urged to complete and return the form of proxy and reply slip whether or not you will attend the EGM. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM (or any subsequent meetings following the adjournments thereof) should you wish to do so.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the reasonableness and fairness in respect of the entering into of the Consignment Agreements and the Capital Increase Agreement and the Proposed Annual Caps. Octal Capital Limited, the Independent Financial Adviser, has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the above issues. The text of the letter from the Independent Board Committee is set out on pages 29 to 30 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is set out on pages 31 to 51 of this circular.

RECOMMENDATIONS

The Independent Board Committee, having taken into account the advice of the Independent Financial Advisor, is of the view that the Consignment Agreements and the Capital Increase Agreement are in the ordinary and usual course of business of the Group and are on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and the Proposed Annual Caps are fair and reasonable. As such, the Independent Board Committee recommends that all Independent Shareholders to vote in favour of the relevant resolutions to be proposed in the EGM.

VOTE BY POLL

In accordance with the Articles of Association, all the votes in the EGM must be taken by poll. The methods of Shareholders' votes at the EGM will be conducted by the combination of on-site voting and online voting.

FURTHER INFORMATION

Your attention is drawn to the statutory and general information set out in Appendix V to this circular.

Your faithfully,
By Order of the Board
C&D International Investment Group Limited
建發國際投資集團有限公司
Zhuang Yuekai
Chairman and Executive Director

The following is the text of the letter from the Independent Board Committee setting out its recommendations to the Independent Shareholders in connection with the entering into of the Consignment Agreements and the Capital Increase Agreement for inclusion in this circular.

C&D INTERNATIONAL INVESTMENT GROUP LIMITED
建發國際投資集團有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1908)

24 September 2016

To the Independent Shareholders

Dear Sir or Madam,

(1) NON-EXEMPT CONTINUING CONNECTED TRANSACTION IN RELATION TO THE ENTERING INTO OF CONSIGNMENT AGREEMENTS (2) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ENTERING INTO OF THE CAPITAL INCREASE AGREEMENT AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to our opinion on the entering into of the Consignment Agreements and the Capital Increase Agreement and the Proposed Annual Caps, the details of which are set out in the circular issued by the Company to the Shareholders dated 24 September 2016 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires. Octal Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee. We wish to draw your attention to the letter from the Independent Financial Adviser as set out on page 31 to 51 of this Circular.

Having taken into account (i) the reasons as disclosed in the paragraph headed "Reasons for and benefits of the entering into of the Consignment Agreements" and "Reasons for the benefits of the entering into of the Capital Increase Agreement" of the Circular; and (ii) the principal factors and reasons considered by the Independent Financial Advisor, and its conclusion and advice, we are of the view and concur with the opinion of the Independent Financial Advisor that the Consignment Agreements and the Capital Increase Agreement were entered into in the ordinary and usual course of business of the Group and are on normal commercial terms, the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the Proposed Annual Caps are fair and reasonable.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the entering into of the Consignment Agreements, the Capital Increase Agreement and the Proposed Annual Caps.

Yours faithfully
Independent Board Committee of
Mr. Wong Chi Wai
Mr. Wong Tai Yan, Paul
Mr. Chan Chun Yee
(Independent non-executive Directors)

八方金融有限公司
OCTAL Capital Limited

Octal Capital Limited
802-805, 8th Floor, Nan Fung Tower
88 Connaught Road Central
Hong Kong

24 September 2016

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**CONTINUING CONNECTED TRANSACTION
AND MAJOR AND CONNECTED TRANSACTION**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Capital Increase Agreement and (ii) the Jiayuan Consignment Agreement and Huayuan Consignment Agreement and transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 24 September 2016 (the "**Circular**"), of which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them under the section headed "Definitions" in the Circular.

The Board announced that on 18 August 2016, Yi Yue, an indirect wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with Suzhou Zhaokun, a subsidiary of C&D Real Estate which is in turn the controlling shareholder of the Company, and Xiamen Liyuan, a subsidiary of C&D Real Estate which is in turn the controlling shareholder of the Company. Pursuant to the Capital Increase Agreement, the registered capital of the Target Company will be increased from RMB100,000,000 to RMB114,940,000. Yi Yue has agreed to contribute an aggregate amount of RMB517,900,000 in cash, including (i) RMB14,940,000 as payment for the registered capital; (ii) RMB7,760,000 as payment for the share premium; and (iii) a three-year shareholder's loan in the amount of RMB495,200,000 at an interest rate of 5.8% (the "**Target Shareholder Loan**") for the repayment of part of the shareholder's loan previously made by the Target Company according to the proportion of equity interest to be taken by Yi Yue.

Assuming no further Shares will be issued by the Target Company, upon completion of the Capital Increase, (i) Yi Yue will directly hold approximately 13% of the registered capital of the Target Company as enlarged by the Capital Increase; (ii) Suzhou Zhaokun's equity interest in the Target Company will be reduced from 95% to approximately 82.65%; and (iii) Xiamen Liyuan's equity interest in the Target Company will be reduced from 5% to approximately 4.35%.

In view that each of Suzhou Zhaokun and Xiamen Liyuan is a subsidiary of C&D Real Estate, a controlling shareholder of the Company, Suzhou Zhaokun and Xiamen Liyuan are considered as connected persons of the Company. The entering into of the Capital Increase Agreement will therefore constitute connected transactions.

As announced by the Company on 1 December 2015 and 31 December 2015, Yi Yue and Zhao Run entered into a cooperation agreement for the formation of a joint venture which subsequently acquired a land located in Zhangzhou, Fujian, the PRC. Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under Capital Increase Agreement are required to be aggregated with the Previous Transaction. After aggregation, as one or more of the applicable percentage ratios in respect of the Second Aggregated Transaction exceed 25% but are less than 100%, the Second Aggregated Transaction constitutes a major transaction and a non-exempt connected transaction for the Company under Chapters 14 and 14A of the Listing Rules and the transaction contemplated under the Capital Increase Agreement is subject to the reporting, announcement and independent shareholders' approval requirements. C&D Real Estate and its associates shall abstain from voting on the ordinary resolutions approving the Capital Increase Agreement and transactions contemplated thereunder at EGM.

On 19 August 2016, Shanghai Zhaoyu entered into the Jiayuan Consignment Agreement and Huayuan Consignment Agreement with Shanghai Shanxidi and Shanghai Zhongyue, respectively, pursuant to which Shanghai Zhaoyu will act as the agent for Shanghai Shanxidi and Shanghai Zhongyue for the sale of certain properties in Shanghai in consideration of consignment fees.

As each of Shanghai Shanxidi and Shanghai Zhongyue is a subsidiary of C&D Real Estate, a controlling shareholder, Shanghai Shanxidi and Shanghai Zhongyue are considered as connected persons of the Company. The entering into of the Consignment Agreements between Shanghai Zhaoyu and each of Shanghai Shanxidi and Shanghai Zhongyue are continuing connected transactions of the Company (the "**Continuing Connected Transactions**").

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Jiayuan Consignment Agreement and the Huayuan Consignment Agreement, as well as the transactions under the Jiayuan Lease and the Huayuan Lease are required to be aggregated and treated as if they were one transaction. After aggregation, as one of the applicable percentage ratios in respect of the highest annual cap exceed 5% but are less than 25%, the Aggregated Transaction is subject to the reporting, announcement and independent shareholders' requirements.

C&D Real Estate and its associates shall abstain from voting on the ordinary resolution approving the transactions contemplated under the Consignment Agreements and the Proposed Annual Caps thereunder at the EGM.

An independent board committee comprising the independent non-executive Directors of the Company, namely Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee, has been established to consider and advise the Independent Shareholders on whether the terms of the Consignment Agreements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

We, Octal Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Consignment Agreements in this regard. We are not connected with the directors, chief executive and substantial shareholders of the Company or C&D Real Estate or or Suzhou Zhaokun or Xiamen Liyuan or Target Company or Shanghai Shanxidi and Shanghai Zhongyue or any of their respective subsidiaries or their respective associates and do not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as at the Latest Practicable Date and therefore is considered suitable to give independent advice to the Independent Shareholders. During the last two years, we were engaged as the independent financial adviser to the Company (the "**Previous Engagements**") in respect of (i) the connected transaction in relation to the issue of new shares of the Company to a connected person (details of which are set out in the circular of the Company dated 18 June 2015); (ii) the discloseable and connected transaction in relation to the formation of a joint venture and continuing connected transaction (details of which are set out in the circular of the Company dated 20 April 2016); and (iii) the continuing connected transaction in relation to terms of the Jiayuan Lease and the Huayuan Lease which exceeded three years (details of which are set out in the announcement of the Company dated 14 March 2016). Under the Previous Engagements, we were required to express our opinion on and give recommendation to the independent committee of the Board comprising all the independent non-executive Directors and independent Shareholders in respect of the relevant transactions. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group or the directors, chief executive and substantial shareholders of the Company or C&D Real Estate or Shanghai Shanxidi and Shanghai Zhongyue or any of its subsidiaries or their respective associates.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the management of the Company were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the management of the Company regarding the Consignment Agreements including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the management of the Company respectively in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, Yi Yue, Suzhou Zhaokun, Xiamen Liyuan, Shanghai Zhaoyu, Shanghai Shanxidi, Shanghai Zhongyue, C&D Real Estate and their respective associates, nor have we carried out any independent verification of the information supplied to us.

MAJOR AND CONNECTED TRANSACTION

Principal factors and reasons considered

In arriving at our opinion regarding the terms of the Capital Increase Agreement, we have considered the following principal factors and reasons:

1. **Reasons for and benefits of the Capital Increase**

The Group is principally engaged in the business of property development, commercial operation and management and provision of construction contractor consultancy services. The Group's strategy is to cooperate with the controlling shareholder in order to increase the Company's capacity of land acquisition and scale of the project leading to an increase in profitability, thereby achieving synergy benefits and diversifying its financial exposure.

The Target Company was incorporated in the PRC with limited liability and is principally engaged in property development business. After the Capital Increase, the registered capital will be increased from RMB100,000,000 to RMB114,940,000 in which Yi Yue will directly hold approximately 13%.

Set out below is the summary of the Target Company's total asset, total liability and net asset as at 31 March 2016 extracted from the auditor's report and as at 30 June 2016 extracted from the Accountants' report and the adjusted value of Target Company's total asset, total liability and net asset as at 31 March 2016 extracted from the valuation report which is prepared by the Xiamen City University Assets Appraisal Co. Ltd respectively. The information of the income statement is not included since the property project of the Target Company has not yet been completed and there is no revenue generated in the Target Company.

	Accountant's report As at 30 June 2016	**Auditor's report As at 31 March 2016**	**Valuation report As at 31 March 2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
	audited	audited	assessed value
Total asset	4,011,693	3,861,235	3,971,067
Total liability	3,917,747	3,819,194	3,819,097
Net asset	93,946	42,041	151,970

The major asset held by the Target Company is Construction In Progress which mainly comprises the residential Land of approximately 224,623.6 sq.m. in Suzhou.

As advised by the Company, the Land is located in a lake area in Wuzhong District, Suzhou, Jiangsu Province ("**Wuzhong**") surrounded by high end residential real estate projects of other renowned property developers in the PRC and is situated near an eco-park. Besides, the Land is close to commercial business districts and offers easy access to downtown. As advised by the Company, the Company has an optimistic view of the Suzhou property market. In particular, the Company is in the view that the property project of the Target Company has a great potential to increase profitability of the Group.

As further advised by the Company, the construction plan has already been well established in December 2015. There will be three phrases of the project in total. The first phrase of the project has been started in February 2016 and is expected to be complete in December 2017. The second phrase is expected to start in October 2016 and is expected to be complete by August 2018. The last phrase is expected to start in June 2017 and is expected to be complete by June 2020. Apartments ranged from 3 to 4 bedrooms of 90 to 143 sq.m. and villas will be available for sale.

In view of the increasing property prices in Suzhou, the geographical advantages of the Land in Wuzhong listed above and readily available property development project, the Group is therefore particularly interested in this property development opportunity. It is a low-density property development project over the Land and it is positioned to attract upper-middle class customers in the area nearby. The Group aims that Yi Yue can take part in the real estate project over the Land through the Capital Increase to further broaden the real estate business of the Group.

The Target Company is a subsidiary of C&D Real Estate. C&D Real Estate is a subsidiary of Xiamen C&D Inc. (廈門建發股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600153) which, in turn, is a subsidiary of Xiamen C&D Corporation Limited (廈門建發集團有限公司), a state-owned group of companies under the supervision of Xiamen Municipal government of the PRC. The Xiamen C&D Corporation Limited is a conglomerate state-owned enterprise and is principally engaged in the industries of supply chain operations, real estate development, tourism and hotel, convention and exhibition etc. in the PRC. The Xiamen C&D Corporation Limited ranked 116th of China Top 500 Enterprises in 2015 and has been ranking first of Top 100 Enterprise Groups in Fujian Province consecutively for many years. Given its strong background, solid experience in the real estate industry in the PRC and sound financial conditions, C&D Real Estate gains access to various opportunities in acquiring land parcels and real estate projects.

Further, as set out in the circular of the Company dated 21 April 2016, Yi Yue and Fujian Zhao Run Property Company Limited, a connected person of the Company, formed a joint venture for the acquisition of a piece of land located in Zhangzhou City with an estimated total site are of 44,828.15 sq.m. with a plan to invest in the real estate development projects taking into account of the business prospect of this land in Zhangzhou City. As advised by the Company, to keep on exploring high quality opportunities in real estate project, Yi Yue has agreed to contribute an aggregate amount of RMB517,900,000 in cash to the Target Company for approximately 13% equity interest in the Target Company. Relying on the existing resources such as the Land situated in the prime district in Wuzhong and the preliminary construction work over the Land readily available in the Target Company, Yi Yue can participate financially in the rewarding development of the Land in Suzhou. Moreover, the cooperation with the 2 other shareholders under C&D Real Estate provides the Group an excellent investment opportunity and position in the property market in Suzhou. It can assist the Group, which is currently at the starting stage in the field of property development, to penetrate the local upper-middle property market in Suzhou in an efficient manner and also accumulate precious property development experience for future expansion in the property market.

We have performed a research on the general market condition of Suzhou. According to a report published by the Chinese Academy of Sciences in June 2016, Suzhou is one of the top 10 cities in the PRC to live in. Moreover, the Gross Domestic Product of Suzhou increased by approximately 8.2% in the first quarter of 2016 compared to the same period in 2015 which is much higher than the national average growth rate of approximately 6.7% in the PRC. According to the website of the Suzhou Statistic Department, the average income of citizens in Suzhou increased by approximately 8.2% in the first half year of 2016 compared to the same period in 2015. The residential housing investment in Suzhou reached approximately RMB85,000,000,000 in the first half year of 2016 representing approximately 23.2% increase compared to the same period in 2015. The area of newly constructed residential area increased to approximately 13,570,000 sq.m. in the first quarter in 2016 as well with the increase of approximately 58.1% compared to the same period in 2015. Suzhou also ranked second only to Nanjing in the Jiangsu Province in Bai Cheng Newly Built Residential Pricing Index in July 2016. The Bai Cheng housing price index of Suzhou has increased for 26.7% from 12,108 in July 2015 to 15,337 in July 2016 whereas the average national Bai Cheng housing price index has only increased for 12.4% from 10,685 in July 2015 to 12,009 in July 2016.

Against the above, we consider that the Capital Increase with a plan to invest in the real estate development projects taking into account of the business prospect of the Land is commercially justified for the Group.

2. **Terms of the Capital Increase Agreement**

(i) **Consideration**

Pursuant to the Capital Increase Agreement, Yi Yue will inject capital of RMB517,900,000 by way of cash to the Target Company for approximately 13% equity interest in the Target Company as well as enjoy the rights and obligations of the Target Company under the Capital Increase Agreement. The consideration under the Capital Increase Agreement was determined by the Company after arm's length negotiation among the shareholders of the Target Company based on the valuation of the Target Company's total assets and liabilities as at 31 March 2016 performed by Xiamen City University Assets Appraisal Co., Ltd. As at 31 March 2016, the total assets of the Target Company was valued at RMB3,971,067,000, consisting of (i) net assets of RMB151,970,000 and (ii) total liabilities of RMB3,819,097,000.

Based on these assessed values, the total amount of the Capital Increase of approximately RMB517,900,000 will be the sum of (i) the equity contribution of approximately RMB22,700,000 including RMB14,940,000 as payment for the registered capital and RMB7,760,000 as payment for the share premium and (ii) the Target Shareholder Loan for the repayment of part of the shareholder's loan previously made by the Target Company according to the proportion of equity interest to be taken by Yi Yue. The equity contribution is based on 13% of the enlarged Adjusted NAV of approximately RMB174,670,000 which is the sum of Adjusted NAV of approximately RMB151,970,000 and the equity contribution of approximately RMB22,700,000. The Target Shareholder Loan consideration is based on the 13% of the shareholder's loan as at 31 March 2016 of approximately RMB3,809,400,000.

Yi Yue will pay the total consideration within 180 working days after the Capital Increase Agreement becomes effective or before 31 December 2016, whichever is earlier. Yi Yue will finance the Capital Increase by a shareholder's loan in the amount of RMB517,900,000 to be obtained from C&D Real Estate (the "**Group Shareholder Loan**"). Pursuant to the shareholder loan framework agreement dated 11 April 2016 entered into between the Company and C&D Real Estate (the "**Shareholder Loan Framework Agreement**"), the interest rate of the Group Shareholder Loan will be based on the benchmark RMB lending rate of the People's Bank of China (which is 4.75% as at the Latest Practicable Date), and there is no requirement of pledging any assets to C&D Real Estate under the Shareholder Loan Framework Agreement. As set out in the interim results announcement of the Group for the six months ended 30 June 2016, the Group has cash balance of approximately RMB87 million which is not sufficient to settle the total consideration for the Capital Increase.

Having considered (i) the interest rate of the Group Shareholder Loan based on the prevailing market rate to finance the Capital Increase is lower than the interest rate of the Target Shareholder Loan; and (ii) the Group does not have sufficient internal financial resources to settle the consideration based on the cash balance of the Group as at 30 June 2016, we are of the view that the proposed financing method to settle the consideration to be fair and reasonable and is in the interest of the Company and its shareholders.

We have reviewed and enquired the qualification and experience of the Xiamen City University Assets Appraisal Co. Ltd (the "**Independent Valuer**") in charge of the valuation of the Target Company. We noted that the Independent Valuer is on the recognized list of valuation companies. Meanwhile, we understand from our enquiry with the Independent Valuer that it is a third party independent of the Group and/or and the connected persons of the Group and/or C&D Real Estate and/or Suzhou Zhaokun and/or Xiamen Liyuan. We have also reviewed the scope of services provided under the engagement of the Independent Valuer by the Company and we note that the scope of work is appropriate to the opinion given and there were no limitations on the scope of work. Thus, we consider that the Independent Valuer is qualified and possesses sufficient relevant experience in performing the valuation of the Target Company.

As set out in the valuation report prepared by the Independent Valuer (the "**Valuation Report A**"), the assessed value of the Construction In Progress, total asset, total liability and the net asset were approximately RMB3,969,450,000, RMB3,971,067,000, RMB3,819,097,000 and RMB151,970,000 respectively as at 31 March 2016. Based on our review of the Valuation Report A and our discussion with the Independent Valuer, we noted that the valuation of the Land has been prepared by market approach with assumption of development. The valuation of the other asset and liability has been prepared by cost approach assuming that the Target Company continues to operate in the foreseeable future.

Based on our review and analysis of the Valuation Report A, we consider this methodology and the underlying assumptions to be a commonly adopted approach and justifiable in appraising such assets and liabilities. We consider that the basis and assumptions adopted by the Independent Valuer for the valuation are fair and reasonable.

Appraised value of the Construction In Progress as at 31 July 2016 as assessed by DTZ as set out in Appendix IV to the Circular and we noted that the appraised value of the whole Construction

In Progress as at 31 July 2016 was approximately RMB4,045,000,000 with an increase of 1.9% when compared to the assessed value as at 31 March 2016. The appraised value of the Land component of the Construction In Progress as at 31 July 2016 was approximately RMB3,978,289,000 with an increase of 0.7% when compared to the assessed value as at 31 March 2016. The valuation of the Construction In Progress as at 31 July 2016 was performed by DTZ. Its valuation report ("**Valuation Report B**") and the corresponding adjustments made are set out in Appendix IV of the Circular.

In compliance with the requirements of Rule 13.80 of the Listing Rules, we have reviewed and enquired the qualification and experience of the DTZ in charge of the valuation. We have checked the website of DTZ and noted that DTZ is on the recognized list of valuation companies. Meanwhile, we understand from our enquiry with DTZ that it is a third party independent of the Group and/or and the connected persons of the Group and/or C&D Real Estate and/or Suzhou Zhaokun and/or Xiamen Liyuan and/or Target Company did not have any business relationship and the current engagement is the first project between them. We have also reviewed the scope of services provided under the engagement of DTZ by the Company and we note that the scope of work is appropriate to the opinion given and there were no limitations on the scope of work. Thus, we consider that DTZ is qualified and possesses sufficient relevant experience in performing the valuation of the Construction In Progress.

Based on our review of the Valuation Report B and our discussion with DTZ, we noted that for the interests of the Construction In Progress held by Yi Yue, the valuation has been prepared by direct comparison approach assuming sale with the benefit of vacant possession in its existing state by making reference to comparable sale transactions as available in the relevant markets. Appropriate adjustments and analysis are considered given the differences in location, size and other characters between the comparable properties and the subject properties.

It was assumed that the interest of the Construction In Progress which is currently held under development will be developed and completed in accordance with the latest development proposal provided by the Company. This interest of the Construction In Progress was valued by adopting the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and taking into account (i) the accrued construction cost and professional fees relevant to the respective stage of construction as at the valuation date; and (ii) the remainder of the cost and fees that are expected to be incurred for completing the development. We consider this methodology and the underlying assumptions to be a commonly adopted approach and justifiable. Details of the valuation of the Construction In Progress of the Target Company are contained in the property valuation report set out in Appendix IV to the Circular.

Based on our review and analysis of the Valuation Report B, we considered that the valuation approaches adopted are common valuation methodologies in appraising such assets and the basis and assumptions adopted by DTZ for the valuation are fair and reasonable.

We noted from the Valuation Report A and Valuation Report B that the assessed value of the Land Component of the Construction In Progress has increased by 0.7% from approximately RMB3,948,883,000 as at 31 March 2016 to approximately RMB3,978,289,000 as at 31 July 2016. As stated in the section headed "Reason for and benefits of the Capital Increase", we have also performed the research of the general property market condition in Suzhou and noted that the Bai Cheng housing price index has increased by 26.7% in Suzhou during the period from July 2015 to July 2016.

Moreover, we noted that the total asset increased from RMB3,861,235,000 in the auditor's report as at 31 March 2016 to RMB4,011,693,000 in the accountants' report as at 30 June 2016 mainly because of the onging development of the Construction In Progress. Based on the information listed above, we are in the view that the future prospect of the Target Company's project is promising.

Having considered that (i) the total amount of the consideration of the Capital Increase is based on the assessed value of net asset and the total liability; (ii) the increase of assessed value of the Land component of the Construction In Progress for 0.7% during the period from 31 March 2016 to 31 July 2016; (iii) general increase of the housing price in Suzhou in our research; and (iv) the Capital Increase will be financed by the Group Shareholder Loan whose interest rate is lower than that of the Target Shareholder Loan to be contributed by Yi Yue to the Target Company, we are of the view that the consideration is fair and reasonable.

(ii) **Other major terms**

(i) Board composition

After the completion of the Capital Increase, the board of directors of the Target Company will comprise 3 directors, 1 of whom will be appointed by Yi Yue, 1 of whom will be appointed by Suzhou Zhaokun and the remaining 1 will be appointed by Xiamen Liyuan. The chairman of the board of director will be elected by simple majority of voting of the board of directors.

(ii) Profit and loss sharing

Yi Yue, Suzhou Zhaokun and Xiamen Liyuan will be entitled to share the profit or bear the loss of the Target Company in proportion to their respective equity interest in the Target Company.

Meanwhile, we have also reviewed the articles of association of the Target Company and we set out below some major terms thereof:

(iii) Business scope

The business scope of the Target Company is property development.

(iv) Transfer of equity interests

Shareholders of the Target Company shall be entitled to transfer their interests in the Target Company amongst each other. Transfer of equity interest to any third party is subject to the consent of all other shareholders of the Target Company within 30 days upon receipt of a written notice from the intended transferor. Upon exceeding the 30 days period, the shareholders of the Target Company with no response are regarded to have agreed to the aforesaid share transfer. If any shareholders of the Target Company oppose to the share transfer, those opposing shareholders shall purchase the interests of the Target Company to be transferred and those which do not participate in such purchase shall be deemed to have agreed to the share transfer. For the equity interest approved by the shareholders of the Target Company for transfer, the other shareholders of the Target Company shall be granted the right of first refusal with respect to such transfer upon the same conditions offered to the third party.

(v) Dissolution of the Target Company

The Target Company shall be dissolved upon occurrence of any of the following events:

(1) the operating period of the Target Company has expired under the articles of association or occurrence of other dissolution events as stipulated in the articles of association (except the Target Company has amended its articles of association to continue its existence);

(2) the meeting of shareholders of the Target Company approving the dissolution;

(3) The Target Company has been acquired or undergoes spin-off;

(4) the business licence has been revoked, or the Target Company has been forced to be closed or deregistered under law;

(5) the Target Company is dissolved by court under law;

(6) The Target Company has been declared as bankrupted under law; and

(7) other situations as prescribed under statutory or regulatory requirements.

In summary, we are of the view that for the above terms are of normal commercial practice and the Capital Increase is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

3. **Financial effects of the Capital Increase**

Upon completion of the Capital Increase, the Target Company will be accounted for as an associate company of the Group and the financial results of the Target Company will not be consolidated with those of the Group. The Group will adopt equity method to account for the investment in an associate in its consolidated financial statements.

(i) *Earnings*

Based on the annual report of the Company for the year ended 31 December 2015, the Group recorded profit attributable to owners of the Company of approximately RMB13 million. Based on the Capital Increase Agreement, the Group will lend the Target Shareholder Loan in the principal amount of RMB495,200,000 to the Target Company at an annual interest rate of 5.8% which will be financed by the Group Shareholder Loan in the principal amount of RMB517,900,000 to be obtained from C&D Real Estate at an annual interest rate of 4.75%. Upon completion of the Capital Increase, it is expected the Group will record a net annual interest income of approximately RMB4 million. In addition, as the Target Company will be accounted for as an associate company with the Group holding 13% equity interests in the Target Company, it is expected that the Group will also record its share of results of the Target Company. As it generally takes more than one year to develop the property projects before its completion, revenue from the pre-sale contracts can only be recognized upon completion of the property projects and the titles of the properties are passed to the customers in stages. Therefore, the earnings of the Target Company and in turn the share of results of the Target Company would fluctuate from year to year.

(ii) *Cash flow*

Based on the interim report of the Company for the six months ended 30 June 2016, the Group had cash and bank balances of approximately RMB87 million as at 30 June 2016. Pursuant to the Capital Increase Agreement, the Consideration will be settled in cash which will be financed by the Group Shareholder Loan. Thus, the cash outflow for the settlement of the Consideration will be offset by the cash inflow from the Group Shareholder Loan and there will not be any material impact to the cash flow of the Group.

(iii) *Net asset value*

According to the inteirm report of the Company for the six months ended 30 June 2016, the consolidated net asset as at 30 June 2016 were approximately RMB886 million. In view that the payment of the Consideration will be financed by the Group Shareholder Loan, the increase in the balance of the investment in associate in the Target Company will equal the increase in the liabilities of the Group arising from the Group Shareholder Loan, there will be no material impact of the net asset value of the Group.

(iv) *Gearing*

According to the interim report of the Company for the six months ended 30 June 2016, the gearing ratio of the Group as at 30 June 2016 was approximately 35.9%, as derived by dividing the total borrowings of the Group as at 30 June 2016 by the total equity of the Group as at 30 June 2016. As advised by the Company, the consideration under the Capital Increase Agreement will be funded by the Group Shareholder Loan, thus the total borrowings of the Group will increase and the gearing ratio of the Group will increase.

RECOMMENDATION

Having considered the principal factors and reasons above, we are of the view that the entering into of the Capital Increase Agreement is in the ordinary and usual course of business of the Company, is on normal commercial terms which are fair and reasonable and the Capital Increase is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to approve the Capital Increase at the upcoming EGM.

THE CONTINUING CONNECTED TRANSACTIONS

Principal factors and reasons considered

In arriving at our opinion regarding the terms of the Consignment Agreements and the Proposed Annual Caps, we have considered the following principal factors and reasons:

1. **Background of and reasons for entering into the Continuing Connected Transactions**

As set out in the letter from the Board, Shanghai Zhaoyu entered into the Jiayuan Consignment Agreement and Huayuan Consignment Agreement with Shanghai Shanxidi and Shanghai Zhongyue, respectively, pursuant to which Shanghai Zhaoyu will act as the agent for Shanghai Shanxidi and Shanghai Zhongyue for the sale of properties in Xinjiangwancheng, Yangpu Qu, Shanghai in respect of the Jiayuan Project and Huayuan Project respectively in consideration of consignment fees.

Shanghai Zhaoyu is a joint venture company established in the PRC on 10 October 2015 with limited liability which is owned as to 55% by Yi Yue, an indirect wholly-owned subsidiary of the Company and as to 45% by Shanghai Xiangfu, which is an independent third party of the Company. Shanghai Zhaoyu is principally engaged in the commercial properties operation management business.

As advised by the management of the Company, Shanghai Xiangfu, the joint venture partner of Shanghai Zhaoyu, has more than 10 years of extensive experience in operating properties in Shanghai and other more developed cities in the PRC, as well as financing large scale commercial projects. The principal business of Shanghai Xiangfu includes merger and acquisition of assets and businesses, operational management, property leasing, property management service, the major projects managed by Shanghai Xiangfu includes properties located in Xinjiangwancheng district and Xuhui district in Shanghai. As further advised by the management of the Company, Shanghai Xiangfu has an experienced team of sales department who has participated in various property sales projects in the PRC. The Directors are of the view that Shanghai Zhaoyu shall leverage the experience of Shanghai Xiangfu in terms of property sales management for the sale of the commercial properties of the Jiayuan Project and Huayuan Project under the Consignment Agreements.

The Jiayuan Project and the Huayuan Project are both located in Xinjiangwancheng in the Yangpu Area of Shanghai which is a new development area where the demand is significant and growing. Shanghai Xiangfu has successfully launched the property sales project of commercial properties and shops in the same area in its previous commercial property sales project in 2015.

In addition, as set out in the announcement of the Company dated 14 March 2016, Shanghai Zhaoyu entered into lease agreements with Shanghai Shanxidi and Shanghai Zhongyue respectively to lease the commercial properties in the Jiayuan Project and the Huayuan Project which could then be sublet to other tenants. The subleasing arrangement managed by Shanghai Zhaoyu has enhanced the occupancy rate and the popularity of the properties in the Jiayuan Project and the Huayuan Project.

Further, as set out in the announcement of the Company dated 16 December 2015, the Company's strategy of forming Shanghai Zhaoyu with Shanghai Xiangfu is to cooperate with renowned commercial property operators for the development of particular leasing projects so as to enhance the

Group's commercial operating capacities, build its awareness among the commercial property sector in Shanghai and implement simple and effective management of asset-light operation in order to increase its profitability. The development of Shanghai Zhaoyu into the area of consignment sales of properties is in line with this strategy and this could provide a new revenue stream to the Group.

Based on the above, we consider that the Company would benefit from leveraging on the experience, reputation and business network of Shanghai Xiangfu as a joint venture partner of Shanghai Zhaoyu to develop a new line of business of property consignment sales and the entering into of the Consignment Agreements would enable the Group to diversify its revenue source.

2. **The Proposed Annual Caps**

Summarised below is the Proposed Annual Caps for the three financial years ending 31 December 2019 in respect of the consignment sales under the Jianyuan Consignment Agreement and the Huayuan Consignment Agreement:

Period	Annual caps under the Jiayuan Sale Agreement	Annual caps under the Huayuan Sale Agreement	Annual caps under the Jiayuan Lease	Annual caps under the Huayuan Lease	Aggregated annual caps for the First Aggregated Transaction
Year ending 31 December 2017	RMB8,767,000 (RMB(22,000-20,000) x 50% x (26,299 / 3))	RMB11,701,500 (RMB(22,000-20,000) x 50% x (35,104.4 / 3))	RMB2,850,000	RMB3,720,000	RMB27,038,500
Year ending 31 December 2018	RMB8,767,000 (RMB(23,000-21,000) x 50% x (26,299 / 3))	RMB11,701,500 (RMB(23,000-21,000) x 50% x (35,104.4 / 3))	RMB3,040,000	RMB3,980,000	RMB27,488,500
Year ending 31 December 2019	RMB8,767,000 (RMB(24,000-22,000) x 50% x (26,299 / 3))	RMB11,701,500 (RMB(24,000-22,000) x 50% x (35,104.4 / 3))	RMB3,230,000	RMB4,230,000	RMB27,928,500

Basis in determining the Proposed Annual Caps

We have enquired with and understand from the Board that in determining the Proposed Annual Caps, the Board has based their estimates on (i) the expected gross floor area sold of the Jiayuan Project and the Huayuan Project for each of the three years ending 31 December 2019; (ii) the expected average selling price of the Jiayuan Project and the Huayuan Project (the "**Average Selling Price**") for each of the three years ending 31 December 2019; and (iii) the expected growth rate of the Average Selling Price. Important and objective assumptions and factors, though not exhaustive but were arrived at after due and careful consideration of data currently in hand by the Board, are set out as below:

1. the expected sales target, being 8,766 sq.m. per year (a total area of 26,299 sq.m. divided by 3 years) under the Jiayuan Consignment Agreement and 11,701.5 sq.m. per year (a total area of 35,104.4 sq.m. divided by 3 years) under the Huayuan Consignment Agreement. The expected sales target is generated based on the sales performance of similar properties in the nearby areas in Shanghai from 1 January 2015 to mid-2016;

2. the expected Average Selling Price of the properties, which was estimated to be RMB22,000/sq.m., RMB23,000/sq.m. and RMB24,000/sq.m., was determined between the parties with reference to the sales price of similar properties in nearby areas in Shanghai;

3. the projected growth rate of the property prices in Shanghai in view of the expected increasing demand of commercial properties in Shanghai. For instance, the Board expected that there will be an increase in the Average Selling Price by RMB1,000/ sq.m. per year in each of the three years ending 31 December 2017, 31 December 2018 and 31 December 2019 respectively;

4. the sharing of consignment fees on a 50:50 basis between Shanghai Zhaoyu and the respective Consignors under the Consignment Agreements provided that the actual selling price of the properties under the Consignment Agreements are higher than the expected sales price of the properties and within the range of RMB20,000/sq.m. to RMB25,000/sq.m. for each of the three years ending 31 December 2019. (i.e. Shanghai Zhaoyu is entitled profit sharing within the band of 50% on the amount exceeding the relevant benchmarks in each of the three years ending 31 December 2019 assuming that all the actual selling price of the properties sold is within the range of RMB20,000/sq.m. to RMB25,000/sq.m.)

Basis of the expected sales target for each of the three years ending 31 December 2019

As set out in the letter from the Board, the total gross floor area of the Jiayuan Project and the Huayuan Project is 26,299 sq.m. and 35,104.4 sq.m. respectively. As advised by the management of the Company, the Jiayuan Project and the Huayuan Project are both positioned as a complex of high-end office, corporate headquarter, residential property and community business centre. The target customers of the Jiayuan Project and the Huayuan Project are principally engaged in technology, trading and human resources training sectors which are more willing to pay a premium price for higher quality office space. At the initial opening of the Jiayuan Project and the Huayuan Project, Shanghai Shanxidi and Shanghai Zhongyue target to lease out the commercial properties including offices and shops in order to increase the popularity of the two properties. Therefore, Shanghai Shanxidi and Shanghai Zhongyue entered into the Jiayuan Lease and the Huayuan Lease with Shanghai Zhaoyu with an aim of subleasing the properties to the target customers with the profound experience of Shanghai Xiangfu. When considering the sales target of the two projects, we noted that the Directors have taken into account (i) the increase in popularity of the two properties brought about by the leasing arrangement; and (ii) the profitable return from leasing of the properties to the potential investors. Therefore, the Directors expected that Shanghai Zhaoyu could achieve the sales target of the total gross floor area of 26,299 sq.m. for the Jiayuan Project and 35,104.4 sq.m. for the Huayuan Lease in three years, with an estimate of sales of around one-third of the total gross floor for each of the three years ending 31 December 2019, i.e. 8,766 sq.m. per year in respect of the Jiayuan Project and 11,701.5 sq.m. per year in respect of the Huayuan Project.

We have performed a research on the transactions of commercial property sales in Xinjiangwan district and Wujiaochang district for the period from January 2016 to June 2016 and noted that the total gross floor area transacted during the period was approximately 43,000 sq.m. while the total number of transactions in these two areas are in an increasing trend from 2015 to 2016. In view of the growing popularity of the Xinjiangwan district and Wujiaochang district of the Yangpu Area where the

Jiayuan Project and the Huayuan Project are located, and the current leasing arrangement to attract new customers into the region, we considered that the Board's estimate of sales of gross floor areas of 8,766 sq.m. per year and 11,701.5 sq.m. per year for the Jiayuan Project and the Huayuan Project is reasonable.

Basis of the expected Average Selling Price and the projected growth rate for each of the three years ending 31 December 2019

We noted that Proposed Annual Caps were calculated based on the expected Average Selling Price of the properties of the Jiayuan Project and the Huayuan Project of RMB22,000/sq.m., RMB23,000/sq.m. and RMB24,000/sq.m. for each of the three years ending 31 December 2019 respectively, multiplied by the expected gross floor area to be sold as mentioned above. As advised by the management of the Company, we noted that Shanghai Zhaoyu did not involve in sales transaction of commercial property in the past and the Board has made reference to the recent transaction price of similar commercial properties in the same district to estimate the Average Selling Price.

We have performed a research of the unit selling price of the commercial property sales transactions in the Xinjiangwan district and the Wujiaochang district for the period from 1 January 2016 to 30 June 2016 (the "**Review Period**") and noted that the average selling price of nine properties development projects located in these two districts ranged from RMB19,372/sq.m. to RMB43,696/sq.m. We further noted that property with relatively lower selling price of RMB19,372/sq.m. was because such property was subsidized by the local government in order to increase its competitiveness with a more attractive price. Excluding this subsidized property development project, the average selling price of the remaining eight property development projects (the "**Comparable Property Projects**") ranged from RMB22,134/sq.m. to RMB43,696/sq.m.. Among the eight property development projects, the average selling price of a property development project at RMB24,654/sq.m. represented approximately 54% of the properties sold in the Review Period, while two property development projects with average selling price of RMB27,791/sq.m. and RMB28,714/sq.m. represented approximately 14% and 11% of the properties sold in the Review Period respectively.

In view that the expected Average Selling Price of the Jiayuan Project and the Huayuan Project for each of the three years ending 31 December 2019 is within the range of the average selling price in the same district, we considered that the Board has taken a prudent approach in estimating the Average Selling Price which is on the lower end of the range of the selling price in the same district. In addition, in view that the target customers of the Jiayuan Project and the Huayuan Project are high-end customers which are more willing to pay a premium price for higher quality office space, we considered it is reasonable that the Board has set the Average Selling Price to be slightly higher than the lower end of the selling price of the commercial properties in the same district in order to increase its competitiveness.

On the other hand, in estimating the increment in the Average Selling Price for each of the two years ending 31 December 2019 from the preceding year, we noted that the Board has also taken a prudent approach of a slight growth of RMB1,000/sq.m. (equivalent to approximately 4.3% to 4.5% growth for each of the two years). Based on our research on the historical price trend of commercial properties in Shanghai, we noted that the compound annual growth rate of the relevant price index was approximately 4.2% for the period from July 2012 to July 2016 which is in line with the Board's estimate of the growth of the Average Selling Price of RMB1,000/sq.m per year. Further, the Average Selling Price for the two years ending 31 December 2019 at RMB23,000/sq.m. to RMB24,000/sq.m. respectively are within the range of the average selling price of the Comparable Property Projects where over 79% of the properties were sold at over RMB24,000/sq.m.

In view of the above, we considered that the Board's estimate of the Average Selling Price with increment of RMB1,000/sq.m. per year for each of the three years ending 31 December 2019 and the corresponding sales in calculating the Proposed Annual Caps is fair and reasonable.

Profit sharing mechanism under the Consignment Agreements

Pursuant to the Consignment Agreements, the Shanghai Zhaoyu agreed with the Consignors on the minimum selling price of the properties as below:

- For the properties to be sold from 1 January 2017 to 31 December 2017, the expected sales price shall be no less than RMB 20,000 per sq.m. (the "**2017 Benchmark Price**");

- For the properties to be sold from 1 January 2018 to 31 December 2018, the expected sales price shall be no less than RMB 21,000 per sq.m. (the "**2018 Benchmark Price**");

- For the properties to be sold from 1 January 2019 to 31 December 2019, the expected sales price shall be no less than RMB 22,000 per sq.m. (the "**2019 Benchmark Price**") (the 2017 Benchmark Price, the 2018 Benchmark Price and the 2019 Benchmark Price collectively, the "**Benchmark Prices**")

We noted that the 2017 Benchmark Price was set at a level that is slightly higher than the lowest selling price of the commercial properties in the Xinjiangwan district and the Wujiaochang district during the Review Period of RMB19,372/sq.m. Since the Jiayuan Project and the Huayuan Project are targeted to be a complex of high-end office buildings with customers principally engaged in technology, trading and human resources training sectors, we are of the view that the 2017 Benchmark Price which is comparable to the lowest average selling price of the commercial properties in the Xinjiangwan district and the Wujiaochang district is fair and reasonable. In addition, based on the profit sharing mechanism under the Consignment Agreements which compares the estimated Average Selling Price with the Benchmark Prices, we are also of the view that the annual increment of RMB1,000/sq.m. of the 2018 Benchmark Price and the 2019 Benchmark Price to be in line with the estimated increment in the Average Selling Price to be reasonable.

The profit sharing of the consignment sales between Shanghai Zhaoyu and the Consignors under both of the Jiayuan Consignment Agreement and the Huayuan Conssignment Agreement at various actual selling prices for each of the three years ending 31 December 2019 is calculated on a progressive scale as illustrated below:

For the year ending 31 December 2017		For the year ending 31 December 2018		For the year ending 31 December 2019	
Actual selling price ("A") (RMB per sq.m.)	**Percentage of profit sharing entitled by Shanghai Zhaoyu on a progressive scale**	**Actual selling price ("A") (RMB per sq.m.)**	**Percentage of profit sharing entitled by Shanghai Zhaoyu on a progressive scale**	**Actual selling price ("A") (RMB per sq.m.)**	**Percentage of profit sharing entitled by Shanghai Zhaoyu on a progressive scale**
20,000 to 25,000	i. 50% x (A - 20,000)	21,000 to 26,000	i. 50% x (A - 21,000)	22,000 to 27,000	i. 50% x (A - 22,000)
25,001 to 30,000	i. 50% x (25,000 - 20,000); plus ii. 40% x (A - 25,000)	26,001 to 31,000	i. 50% x (26,000 - 21,000); plus ii. 40% x (A - 26,000)	27,001 to 32,000	i. 50% x (27,000 - 22,000); plus ii. 40% x (A - 27,000)
30,001 to 34,200	i. 50% x (25,000 - 20,000); plus ii. 40% x (30,000 - 25,000); plus iii. 30% x (A - 30,000)	31,001 to 35,900	i. 50% x (26,000 - 21,000); plus ii. 40% x (31,000 - 26,000); plus iii. 30% x (A - 31,000)	32,001 to 37,700	i. 50% x (27,000 - 22,000); plus ii. 40% x (32,000 - 27,000); plus iii. 30% x (A - 32,000)
Above 34,200	i. 50% x (25,000 - 20,000); plus ii. 40% x (30,000 - 25,000); plus iii. 30% x (34,200 - 30,000)	Above 35,900	i. 50% x (26,000 - 21,000); plus ii. 40% x (31,000 - 26,000); plus iii. 30% x (35,900 - 31,000)	Above 37,700	i. 50% x (27,000 - 22,000); plus ii. 40% x (32,000 - 27,000); plus iii. 30% x (37,700 - 32,000)

Pursuant to the Consignment Agreements, the profit sharing ratio varies with the Average Selling Price. Based on the estimated Average Selling Price of RMB22,000/sq.m., RMB23,000/sq.m. and RMB24,000/sq.m. respectively for each of the three years ending 31 December 2017, 31 December 2018, 31 December 2019 respectively and since the Average Selling Price is lower than RMB25,000/sq.m., RMB26,000/sq.m. and RMB27,000/sq.m. for each year, the profit sharing entitled to Shanghai Zhaoyu shall be calculated based on 50% of the amount of the Average Selling Price exceeding the Benchmark Prices for each year respectively.

We noted that the Board applied a 50% profit sharing basis in calculating profit sharing entitlement of Shanghai Zhaoyu for the three years ending 31 December 2019 which is in accordance with the formula as stated in the Consignment Agreements. As advised by the management of the Company, the purpose of setting a progressive scale of profit sharing entitlement under the Consignment Agreements is to incentivize Shanghai Zhaoyu for selling the commercial properties at higher prices to customers. On the other hand, the decreasing percentage ratio of profit sharing at increased selling price reflected that the parties to the Consignment Agreements expected that the value appreciation of the commercial properties is a more relevant attribute to the increased selling price instead of the sales effort as the selling price increases further.

For the ease of understanding of the profit sharing mechanism under the Consignment Agreements, set out below is an illustrative example to compare (i) the profit sharing ratio of 50% profit entitlement under the progressive scale (the "**Profit Sharing Basis**") against (ii) the fixed rate consignment fee (the "**Fixed Rate Basis**") for the year ending 31 December 2017. For instance, based on the estimated Average Selling Price of RMB22,000/sq.m. for the year ending 31 December 2017 and the 2017 Benchmark Price of RMB20,000/sq.m., the profit attributable to Shanghai Zhaoyu for each sq.m. of property sold is RMB1,000 (i.e. (RMB22,000-RMB20,000) x 50%), representing a yield approximately 4.54% to the Average Selling Price. We have assumed the 4.5% as the base case for the fixed rate consignment fee for the purpose of comparison.

Selling Price (RMB)	**Consignment fee earned based on Fixed Rate Basis (approximately RMB)**	**Consignment fee earned based on Profit Sharing Basis (approximately RMB)**
22,000	990	1,000 (i.e. (RMB22,000-RMB20,000) x 50%)
25,000	1,125	2,500 (i.e. (RMB25,000-RMB20,000) x 50%)
30,000	1,350	4,500 (i.e. (RMB25,000-RMB20,000) x 50% + (RMB30,000-RMB25,000) x 40%)
34,200	1,539	5,760 (i.e. (RMB25,000-RMB20,000) x 50% + (RMB30,000-RMB25,000) x 40%) + (RMB34,200-RMB30,000) x 30%)

Upon comparison, we noted that the consignment fee earned under the Profit Sharing Basis is more favourable to the Group than the Fixed Rate Basis. As advised by the management of the Company, the agency commission rate for property sales is in the range of approximately 2% to 2.5% on the value of the property sold, which was made reference to the previous Pricing Guideline Category of Shanghai (上海市定價目錄) published by Shanghai Municipal Development & Reform Commission in 2002. According to the latest Pricing Guideline Category of Shanghai published in 2015, the pricing guideline of agency commission rate has been removed from the guideline; however, as advised by the management of the Company, the agency commission rate for property sales has been maintained at around 2% to 2.5% as a market practice. Having considered that (i) the consignment fee earned under the Profit Sharing Basis is higher than the illustrative case on the Fixed Rate Basis of 4.5%; and (ii) the illustrative commission rate of 4.5% under the Fixed Rate Basis is higher than the market practice of 2% to 2.5%, we consider that the consignment fee calculated under the Profit Sharing Basis to be fair and reasonable.

In addition, as disclosed in the announcement of the Company dated 14 March 2016, Shanghai Zhaoyu entered into lease agreements with Shanghai Shanxidi and Shanghai Zhongyue respectively to lease the commercial properties in the Jiayuan Project and the Huayuan Project at a favourable rate which could then be sublet to other tenants at the prevailing market rate (the "**Sublease Arrangement**"). The Board is of the view that the Sublease Arrangement could enhance the occupancy rate of the commercial properties and on the other hand, this could increase the popularity of the Jiayuan Project and the Huayuan Project and the Board has taken a prudent approach in estimating the Average Selling Price that only meets the lowest band of the abovementioned grid of profit sharing ratio. Having considered the benefits of the Sublease Arrangement as mentioned above coupled with the growing demand of properties in the Yangpu District where the Jiayuan Project and the Huayuan Project are located in, we concur with the view of the Board that the Average Selling Price will be on an upward trend in the three years ending 31 December 2019.

Based on the above, we are of the view that the percentage ratio and the progressive scale for calculating the consignment fee of the property sales are on normal commercial terms or better, and fair and reasonable and in the interest of the Company and its shareholders.

Settlement terms of the consignment fees under the Consignment Agreements

Pursuant to the Consignment Agreements, payment of the consignment fees shall be made by the Consignors to Shanghai Zhaoyu upon receiving full payment for the sale of property by the Consignor while Shanghai Zhaoyu will not be entitled to any sale proceeds in relation to the sales of the properties. As the role of Shanghai Zhaoyu is to act as the agent for Shanghai Shanxidi and Shanghai Zhongyue for the sale of the properties under the Jiayuan Project and Huayuan Project in consideration of consignment fees, the settlement terms of receiving the consignment fee by Shanghai Zhaoyu upon receipt of full payment of sales proceeds by the Consignors is a normal commercial practice and we considered such arrangement to be reasonable.

3. **Internal control procedures**

As disclosed in the paragraph "Internal Control Measures" in the Letter from the Board, to ensure the Company's conformity with the terms and the pricing mechanism of the Jiayuan Consignment Agreement and Huayuan Consignment Agreement, the Company has established a series of internal control policies during its daily operations.

We note that the finance department of the Company will review and assess the pricing basis under the transactions contemplated under the Consignment Agreements by (i) conducting research and analysis of therecent market conditions of the sales of commercial properties in nearby districts and (ii) comparing the terms (including, among other things, consignment fees) of similar service provided by other independent third parties for the sales of commercial properties in nearby districts to ensure that the terms of service provided by Shanghai Zhaoyu are no less favourable than those provided by other independent third parties. In addition, the consignment fees are subject to annual review and may be adjusted by the Company if necessary with reference to the then market rates to ensure fairness and reasonableness of such fees.

In order to further enhance the internal review procedures of transactions with connected parties of the Company, the Company has established the following internal control measures to ensure that the pricing mechanism has been properly followed:

(a) The Company will adopt and implement a management system on connected transactions. The finance department of the Company will be responsible for monitoring the connected transactions by conducting costs assessments of the connected transactions and collecting market information on a regular basis in order to evaluate whether (i) the price of the connected transactions is fair and reasonable (e.g. by comparing against the prevailing market price) and (ii) whether the connected transactions are on normal commercial terms and no less favourable to the Company than terms offered to independent parties. They will also review the performance of the connected transactions to ensure that it is in line with the terms of the relevant contracts;

(b) The internal audit department of the Company will conduct periodic monitoring and evaluation on whether the implementation of the connected transactions (including the First Aggregated Transaction) conforms with the internal control measures of the Company;

(c) The independent non-executive Directors will conduct an annual review of the implementation of the connected transactions (including the First Aggregated Transaction); and

(d) The external auditors of the Company will conduct an annual review on the pricing mechanism and annual caps of the connected transactions (including the First Aggregated Transaction).

Based on the above, the Directors are of the view that the above procedures can ensure that the transactions contemplated under the Jiayuan Consignment Agreement and Huayuan Consignment Agreement will be conducted in conformity with the terms and the pricing mechanism as set out in the Consignment Agreements and on normal commercial terms or better, and will not be prejudicial to the interests of the Company and the Shareholders. Having reviewed the above internal control procedures and mechanism and given the Group's historical internal control procedural records, we concur with the view of the Directors that the Group has taken appropriate and adequate internal control measures in carrying out the continuing connected transactions and thereby safeguarding the interests of the Shareholders.

4. **The conditions**

As the respective Proposed Annual Caps will exceed HK$10 million and the relevant applicable ratios under Rule 14.07 of the Listing Rules exceed 5%, the Proposed Annual Caps of the Continuing Connected Transactions are subject to reporting, announcement and independent shareholders approval requirements under Chapter 14A of the Listing Rules.

The Company will therefore seek the approval by the Independent Shareholders of the Continuing Connected Transactions and the Proposed Annual Caps subject to the following conditions:

1. The Continuing Connected Transactions will be:

   (i) entered into by the Group in the ordinary and usual course of its business;

   (ii) conducted on normal commercial terms or better; and

   (iii) entered into in accordance with the terms of the relevant framework agreements governing the Continuing Connected Transactions that are fair and reasonable and in the interests of the Shareholders of the Company as a whole;

2. The transacted amount of the transactions under the Continuing Connected Transactions shall not exceed the Proposed Annual Caps;

3. The Company will comply with all other relevant requirements under the Listing Rules.

Taking into account the conditions attached to the Continuing Connected Transactions, in particular (i) the restriction by way of setting the Proposed Caps; and (ii) the compliance with all other relevant requirements under the Listing Rules (which include the annual review and/or confirmation by the independent non-executive Directors and auditors of the Company on the actual execution of the Continuing Connected Transactions), we consider that the Company has taken appropriate measures to govern the Group in carrying out the Continuing Connected Transactions thereby safeguarding the interests of the Shareholders thereunder.

Recommendation

Having considered the above principal factors, we are of the opinion that the terms of the Continuing Connected Transactions and the Proposed Annual Caps are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM for approving the terms of the Continuing Connected Transactions and the Proposed Annual Caps.

Yours faithfully,
For and on behalf of
Octal Capital Limited
Alan Fung — *Managing Director*
Louis Chan — *Director*

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 23 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 15 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

1. FINANCIAL INFORMATION OF THE GROUP

Financial Information of The Group

Financial information of the Group for each of the two financial years ended 31 December 2014 and 2015 and the six months ended 30 June 2016 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (**www.cndintl.com**):

- annual report of the Company for the year ended 31 December 2014 published on 23 March 2015 (pages 51 to 124);
- annual report of the Company for the year ended 31 December 2015 published on 11 April 2016 (pages 52 to 122); and
- announcement of interim result of the Company for the six months ended 30 June 2016 published on 22 August 2016 (pages 2 to 21).

Statement Of Indebtedness

Borrowings — secured

At the close of business on 31 July 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had interest-bearing bank borrowings of RMB3,439,000 (equivalent to approximately HK$4,011,000). The interest-bearing bank borrowings were secured by certain property, plant and equipment of the Group with a carrying amount of RMB10,865,000.

Borrowings — unsecured

At the close of business on 31 July 2016, the Group had unsecured and unguaranteed amounts due to non-controlling interests of RMB220,867,000 and unsecured and unguaranteed interest-bearing loan from the intermediate holding company of RMB542,402,000.

Financial guarantee contracts

At the close of business on 31 July 2016, the Group has provided guarantees to banks and financial institutions for mortgage facilities granted to purchasers of the Group's properties amounting to RMB102,635,000. Such guarantees are provided to secure obligations of those purchasers for repayments, the guarantees period would be started from the date of grant of the mortgage and terminated upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Capital commitments

At the close of business on 31 July 2016, the Group had capital commitments, which were contracted but not provided for, in respect of properties under development of RMB404,877,000.

Pledged assets

The Group had pledged its bank deposits of RMB1,457,000 as at 31 July 2016 as a deposit for guarantees in respect of mortgage facilities granted by certain banks and financial institutions relating to the mortgage loans arranged for certain purchasers of the Group's property units.

As at 31 July 2016, interest-bearing bank borrowings were effectively secured by the underlying assets that consist of certain of the Group's property, plant and equipment with a carrying amount of RMB10,865,000.

Contingent liabilities

As at the close of business on 31 July 2016, the Group did not have other significant contingent liabilities.

Disclaimer

Save as aforesaid in this section of the circular and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, at the close of business on 31 July 2016, the Group did not have any other debt securities issued and outstanding, or authorised or otherwise created but unissued, loans or any term loans (secured, unsecured, guaranteed or otherwise), any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and any liabilities under acceptances (other than normal trade bills) or other similar indebtedness, acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

Working Capital Sufficiency

The Directors are of the opinion that, following completion of the Capital Contribution, taking into account the financial resources and banking facilities available to the Group, the Group will have sufficient working capital to satisfy its present requirements for the next twelve months from the date of this circular in the absence of unforeseen circumstances.

2. FINANCIAL INFORMATION OF THE TARGET COMPANY

The financial information of the Target Company is presented in Renminbi, the currency of its primary economic environment in which the Target Company operates (i.e. its functional currency). The accountants' report on the Target Company as prepared by Grant Thornton Hong Kong Limited has been set out in Appendix II in this circular.

Management Discussion and Analysis of the Target Company

Industry Analysis

Being one of the most important sectors of Chinese economy, the real estate industry is expected to be supported by the government's stimulus package in 2016, the strong needs of quality housing brought by first time buyers and upgraders will be the driving force of the sector's long term development. On the other hand, the competition of property development industry will be more intensive.

Business Review

The Target Company is a limited company co-funded by the Suzhou Zhaokun and Xiamen Liyuan in October, 2015. The core business of the Target Company is the real estate development and operation. The total paid-in capital is RMB100,000,000, in which Suzhou Zhaokun invests RMB95,000,000 and takes up 95% of the paid-in capital while Xiamen Liyuan invests RMB5,000,000 and takes up 5% of the paid-in capital. The Target Company is a wholly-owned subsidiary of C&D Real Estate.

Suzhou Zhaokan acquired the Land through public bidding in August, 2015. The total land assignment contract value is about RMB3.7 billion and the accommodation value is RMB11,062. The Land is located at west area of Wuzhong Dushu Lake and is near the university area of Suzhou Industrial Zone, which indicates that the Land has good future development prospect. The Target Company is responsible for the development of the Land. Currently, the Land is under construction and is not open for sale yet.

The Target Company only obtained the Land in December 2015. From 30 October 2015 (date of establishment) to 31 December 2015, the Target Company was still at the stage of construction preparation. Hence, no revenue has been generated and no expense has been incurred yet.

Administrative expenses

The administrative expenses of Target Company for the six months ended 30 June 2016 were about RMB 4,151,000. The expenses were mainly the advertising fees before the sale of the realty.

Finance costs

The finance costs for the six months ended 30 June 2016 were RMB1,907,000, mainly consist of interest expenses. The Target Company's loans mainly consist of interest-bearing loans from the intermediate holding company.

Capital Structure

As at 31 December 2015 and 30 June 2016, the registered capital of the Target Company was RMB100,000,000.

At present, the Target Company's financing mainly relies on interest-bearing loans from the controlling shareholder. For the financing of the project (other than the additional registered capital and the initial funding of infrastructure will be advanced by the contractor), BOC Bank will offer bank facilities amounting to RMB2,600,000,000 for project construction to the Target Company by way of corporate guarantee.

Net gearing ratio

Net gearing ratio is calculated by dividing net debt with equity attributable to owners of the parent. Net debt is defined as the difference between (i) interest-bearing bank borrowings and (ii) sum of cash and cash equivalents and pledged deposits and (iii) loan from intermediate holding company.

As at 30 June 2016, the Target Company had loan from intermediate holding company of approximately RMB3,778,000,000 denominated in RMB.

As at 30 June 2016, the Target Company's net gearing ratio is 4,022%.

Currently, the Target Company's financing mainly relies on interest loans from the controlling shareholder. As the Target Company has sufficient cash to settle the outstanding debt, therefore no net debt is recorded during the Relevant Periods and six months ended 30 June 2016.

Employees and Remuneration Policies

The Target Group had no staff member and 5 staff members as at 31 December 2015 and 30 June 2016 respectively. Staff costs for the years ended 31 December 2015 and the six months ended 30 June 2016 were zero and RMB405,000 respectively. The Target Group's remuneration policy is in line with prevailing market practice on performance of individual staff and the Target Group operates a bonus plan to reward the staff on a performance related basis.

Foreign Exchange Risk

The Target Company's operations are located in the PRC and its assets, liabilities and transactions are primarily denominated in RMB. Therefore, there is no significant foreign exchange risk. The Target Company does not have any foreign exchange hedging arrangements.

Contingent Liabilities

The Target Company had no significant contingent liabilities as at 31 December 2015 and 30 June 2016.

Capital Commitments

As at 31 December 2015 and 30 June 2016, capital commitments of the Target Company amounted to RMB8,447,000 and RMB332,571,000 respectively.

3. FINANCIAL AND TRADING PROSPECT OF THE GROUP

Leveraging on the strong background of C&D Real Estate, as a state-owned enterprise and its abundant financial support, the Group will continue to acquire land efficiently at competitive prices and increase high-quality land reserves by developing properties with C&D Real Estate or investing in properties owned by C&D Real Estate. For the purpose of business operations, the Group will make full use of the branding strength, operational excellence and financial advantages of C&D Real Estate. The Group's projects will be conducted under the brand of C&D Real Estate to obtain brand premium. In terms of operation, management and customer resources of C&D Real Estate will help to reduce operating costs and improve operating efficiency of the Group. In terms of financing, the Group will adopt a diversified yet prudent financing approach to obtain low-cost funds from C&D Real Estate's excellent credit.

With respect to the positioning and planning of the Group, the Group will strive to be an "Integrated Investment Service Provider in the Real Estate Industry Chain", always adhering to create an integral value for customers. While focusing on its principal business of property development, the Group will, based on the upstream and downstream industry chain of real estate, actively expand its business boundaries, extend business lines in the industrial chain, seek opportunities to speed up its business layout and nurture related industrial chain businesses, such as commercial operation management, entrusted construction consultancy services, consumption and industrial finance, cultural and creative industrial park, smart home and smart city.

With growing aging population in China and significant increase in demand for health care, the Group will collaborate with strategic partners to seek opportunities to make strategic investment in health and pension industries by leveraging on resources and experience accumulated over the years by Xiamen C&D Corporation Limited and C&D Real Estate, in the health care and other service sectors. In addition, the Company will actively look for relative safe financial investment opportunities to gain stable investment returns.

The following is the text of a report prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong.

GrantThornton
致同

24 September 2016

The Directors
C&D International Investment Group Limited

Dear Sirs,

We set out below our report on the financial information of Suzhou Zhaoxiang Real Estate Development Company Limited (the "Target Company" or "Suzhou Zhaoxiang"), which comprises the statements of financial position of the Target Company as at 31 December 2015 and 30 June 2016, the statements of comprehensive income, the statements of cash flows and the statements of changes in equity of the Target Company for the period from 30 October 2015 (date of establishment) to 31 December 2015 and for the six months ended 30 June 2016 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (the "Financial Information"), for inclusion in the circular of C&D International Investment Group Limited (the "Company") dated 24 September 2016 (the "Circular") in connection with the proposed acquisition of 13% equity interest in the Target Company by the Company.

The Target Company was established in the People's Republic of China (the "PRC") with limited liability on 30 October 2015. The Target Company is located in Suzhou City, Jiangsu Province, the PRC, and is principally engaged in properties development in the PRC.

The Target Company has adopted 31 December as its financial year end date. The statutory financial statements of the Target Company for the period from 30 October 2015 (date of establishment) to 31 December 2015 were audited by Grant Thornton LLP (致同會計師事務所(特殊普通合夥)) and were prepared in accordance with the Accounting Standards of Business Enterprises issued by the Ministry of finance of the PRC.

For the purpose of this report, the directors of the Target Company have prepared the financial statements of the Target Company (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Underlying Financial Statements for the Relevant Periods were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company for inclusion in the Circular based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. We have not audited any financial statements of the Target Company in respect of any period subsequent to 30 June 2016.

Opinion

In our opinion, the Financial Information give, for the purpose of this report, a true and fair view of the financial position of the Target Company as at 31 December 2015 and 30 June 2016 and of its financial performance and cash flows for the Relevant Periods.

I. FINANCIAL INFORMATION OF THE TARGET COMPANY

The following is the financial information of the Target Company prepared by the directors of the Target Company for the period from 30 October 2015 (date of establishment) to 31 December 2015 and for the six months ended 30 June 2016 (the "Financial Information"):

(A) STATEMENTS OF COMPREHENSIVE INCOME

	Notes	**Period from 30 October 2015 (date of establishment) to 31 December 2015**	**Six months ended 30 June 2016**
		RMB'000	*RMB'000*
Revenue	4	—	—
Other income	5	—	4
Administrative expenses		—	(4,151)
Finance costs	6	—	(1,907)
Loss before income tax	7	—	(6,054)
Income tax expense	8	—	—
Loss and total comprehensive loss for the period		—	(6,054)

(B) STATEMENTS OF FINANCIAL POSITION

	Notes	**As at 31 December 2015** *RMB'000*	**As at 30 June 2016** *RMB'000*
Non-current assets			
Property, plant and equipment	11	—	250
Current assets			
Properties under development for sale	12	3,842,155	4,009,076
Other receivables		1,050	2,006
Cash and cash equivalents		795	361
		3,844,000	4,011,443
Current liabilities			
Other payables	13	112,367	139,566
Amount due to immediate holding company	14	—	18
		112,367	139,584
Net current assets		3,731,633	3,871,859
Total assets less current liabilities		3,731,633	3,872,109
Non-current liabilities			
Loan from intermediate holding company	14	3,631,633	3,778,163
Net assets		100,000	93,946
EQUITY			
Paid-up capital	15	100,000	100,000
Accumulated losses		—	(6,054)
Total equity		100,000	93,946

(C) STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital	Accumulated losses	Total equity
	RMB'000	*RMB'000*	*RMB'000*
At 30 October 2015 (date of establishment)	—	—	—
Capital contribution from shareholders (note 15)	100,000	—	100,000
Loss and total comprehensive loss for the period	—	—	—
At 31 December 2015 and 1 January 2016	100,000	—	100,000
Loss and total comprehensive loss for the period	—	(6,054)	(6,054)
At 30 June 2016	100,000	(6,054)	93,946

(D) STATEMENTS OF CASH FLOWS

	Period from 30 October 2015 (date of establishment) to 31 December 2015	Six months ended 30 June 2016
	RMB'000	*RMB'000*
Cash flows from operating activities		
Loss before income tax	—	(6,054)
Adjustment for:		
Depreciation of property, plant and equipment	—	4
Interest income	—	(4)
Finance costs	—	1,907
Operating loss before working capital changes	—	(4,147)
Increase in properties under development for sale	(3,842,155)	(57,026)
Increase in other receivables	(1,050)	(956)
Increase/(Decrease) in other payables	112,367	(84,603)
Net cash used in operating activities	(3,730,838)	(146,732)
Cash flows from investing activities		
Interest received	—	4
Purchase of property, plant and equipment	—	(254)
Net cash used in investing activities	—	(250)
Cash flows from financing activities		
Capital contribution from shareholders	100,000	—
Increase in amount due to immediate holding company	—	18
Loan from intermediate holding company	3,631,633	146,530
Net cash from financing activities	3,731,633	146,548
Net increase/(decrease) in cash and cash equivalents	795	(434)
Cash and cash equivalents at the beginning of the period	—	795
Cash and cash equivalents at the end of the period, represented by bank balances	795	361

(II) NOTES TO THE FINANCIAL INFORMATION OF THE TARGET COMPANY

1. GENERAL INFORMATION

Suzhou Zhaoxiang was established in the PRC with limited liability on 30 October 2015. The address of its registered office is Room. 206, Building 1, 178 TaYun Road, YveXi Subdistrict, WuZhong Economic Development District, Suzhou City, Jiangsu Province, the PRC. The Target Company is principally engaged in properties development in the PRC.

In the opinion of the directors of Suzhou Zhaoxiang, the immediate holding company and ultimate holding company of Suzhou Zhaoxiang are Suzhou Zhaokun Real Estate Development Company Limited and Xiamen C&D Corporation Limited, companies incorporated in the PRC, respectively.

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the Target Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Company has consistently applied all HKFRSs which are applicable to its financial period beginning on 30 October 2015 (date of establishment) to 31 December 2015 and the six months ended 30 June 2016. The significant accounting policies that have been used in the preparation of the Financial Information have been consistently applied throughout the Relevant Periods. The adoption of new or amended HKFRSs that are issued but not yet effective and their impact on the Target Company's Financial Information, if any, are disclosed in note 2.2.

The Financial Information has been prepared on the historical cost basis. The measurement bases are fully described in the accounting polices below.

As at 30 June 2016, the Target Company had not yet generated any revenue and was dependent financial support from its intermediate holding company for further property development and working capital. The Financial Information have been prepared on a going concern basis as C&D Real Estate Corporation Limited ("C&D Real Estate"), the intermediate holding company of the Target Company, have undertaken to provide the necessary financial support, including an undertaking to provide financial support to the Target Company when its debts fall due. The directors believe that the Target Company will be able to meet its financial obligations for the foreseeable future. Consequently, the Financial Information has been prepared on a going concern basis.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 3 below.

2.2 **Issued but not yet effective HKFRSs**

The Target Company has not early adopted the following new or amended HKFRSs which have been issued and are relevant to the Financial Information but are not yet effective for the Relevant Periods:

		Effective for accounting periods beginning on or after
HKFRS 9 (2014)	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019

The directors of the Target Company anticipate that all of the pronouncements will be adopted in the Target Company's accounting policies for the first period beginning after the effective dates of the pronouncements. Information on new and amended HKFRSs that are expected to have impact on the Target Company's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Financial Information.

HKFRS 9 (2014) "Financial Instruments"

The release of HKFRS 9 "Financial Instruments" (2014) represents the completion of the project to replace HKAS 39. The new standard introduces extensive changes to HKAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. HKFRS 9 also provides new guidance on the application of hedge accounting.

The Target Company has started to assess the impact of HKFRS 9 but are not yet in a position to provide quantified information. At this stage, the main areas of expected impact are as follows:

- the classification and measurement of the Target Company's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed; and

- an expected credit loss-based impairment will need to be recognised on the Target Company's receivables to reflect changes in credit risk since initial recognition.

HKFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing HKFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The Target Company is yet to assess HKFRS 15's full impact.

HKFRS 16 "Leases"

HKFRS 16, Leases, sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Target Company is yet to assess HKFRS 16's full impact.

2.3 **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the rates per annum as follows:

Office equipment	20%
Furniture and fixtures	20%
Leasehold improvement	50%

The assets' depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Company and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

2.4 **Financial assets**

The Target Company's accounting policies for financial assets are set out below. Financial assets are classified into loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Target Company becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date (the date on which the Target Company commits to purchase or sell the asset). When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loan and receivables are subsequently measured at amortised cost using the effective interest method less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Target Company about one or more of the following loss events:

- Significant financial difficulty of the debtor;

- A breach of contract, such as a default or delinquency in interest or principal payments;

- It becomes probable that the debtor will enter bankruptcy or other financial reorganisation;

- Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;

- The disappearance of an active market for that financial assets because of financial difficulties; and

- A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the year in which the reversal occurs.

Impairment losses on financial assets are written off against the corresponding assets directly. Subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2.5 **Properties under development for sale**

Properties under development for sale are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for sale purposes. Properties under development for sale are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Costs include properties consist of land held under operating lease, development expenditures including construction costs, borrowing costs and other direct costs attributable to the development of such properties.

Properties under development for sale are transferred to properties held for sale upon completion.

2.6 **Cash and cash equivalents**

Cash and cash equivalents represent bank balances.

2.7 **Financial liabilities**

The Target Company's financial liabilities included other payables, amount due to immediate holding company and loan from intermediate holding company.

Financial liabilities are recognised when the Target Company becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Target Company's accounting policy for borrowing costs (see note 2.12).

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

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

Other payables, amount due to immediate holding company and loan from intermediate holding company are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method. They are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2.8 **Leases**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Target Company determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Operating lease charges as the lessee

Where the Target Company has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets.

2.9 **Interest income**

Interest income is recognised on a time-proportion basis using effective interest method.

2.10 **Impairment of non-financial assets**

Property, plant and equipment are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest company of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses recognised is charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.11 **Employee benefits**

Retirement benefits

The Target Company has joined a number of defined contribution pension schemes, including pension schemes, medical insurance, unemployment insurance and housing fund, organised by the relevant principal and municipal social insurance management bodies of the PRC government for those employees who are eligible to participate in the schemes. The Target Company and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salary during the period. The contributions are recognised as employee benefit expenses when they are due.

2.12 **Borrowing costs**

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2.13 **Accounting for income taxes**

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the Financial Information and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Target Company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Target Company has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Target Company presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.14 **Related parties**

For the purposes of these Financial Information, a party is considered to be related to the Target Company if:

(a) the party is a person, or a close member of that person's family, is related to the Target Company if that person:

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of the key management personnel of the Target Company or the Target Company's parent.

(b) the party is an entity is related to the Target Company if any of the following conditions applies:

(i) the entity and the Target Company are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) the entities and the Target Company are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimated net realisable value of properties under development for sale

Properties under development for sale are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Management reviews the net realisable value of properties under development for sale at the end of each reporting period. The net realisable value is the estimated selling price of the properties less estimated cost to completion and estimated costs to sell. Management determines the net realisable value of inventories of properties by using prevailing market data such as most recent sale transactions and market survey reports and internally available information, as bases for evaluation.

These estimates require judgement as to the anticipated sale prices by reference to recent sale transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs of completion of properties, the legal and regulatory framework and general market conditions in the PRC. At 31 December 2015 and 30 June 2016, the carrying amount of properties under development for sale were RMB3,842,155,000 and RMB4,009,076,000 respectively (note 12).

4. REVENUE

The Target Company did not generate any revenue during the Relevant Periods.

5. OTHER INCOME

	Period from 30 October 2015 (date of establishment) to 31 December 2015 *RMB'000*	**Six months ended 30 June 2016** *RMB'000*
Bank interest income	—	4

6. FINANCE COSTS

	Period from 30 October 2015 (date of establishment) to 31 December 2015	Six months ended 30 June 2016
	RMB'000	*RMB'000*
Interest on loan from intermediate holding company	—	111,802
Less: interest capitalised in properties under development for sale*	—	(109,895)
	—	1,907

* The borrowing costs have been capitalised at a rate of 5.94% per annum for the six months ended 30 June 2016.

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Period from 30 October 2015 (date of establishment) to 31 December 2015	Six months ended 30 June 2016
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	—	4

8. INCOME TAX EXPENSE

PRC Enterprise Income Tax has not been provided in the Financial Information as the Target Company has no assessable profits for the Relevant Periods.

Reconciliation between accounting loss and income tax expense at applicable tax rate is as follows:

	Period from 30 October 2015 (date of establishment) to 31 December 2015	**Six months ended 30 June 2016**
	RMB'000	*RMB'000*
Loss before income tax	—	(6,054)
Tax at the applicable tax rate of 25%	—	(1,514)
Tax effect of non-deductible expenses	—	1,038
Tax effect of unrecognised tax losses	—	476
Income tax expense	—	—

No provision for deferred taxation has been made in the Financial Information as the Target Company has no material temporary difference.

9. EMPLOYEE BENEFIT EXPENSES

	Period from 30 October 2015 (date of establishment) to 31 December 2015	**Six months ended 30 June 2016**
	RMB'000	*RMB'000*
Salaries, wages and other benefits	—	330
Contributions to defined contribution retirement plans	—	75
	—	405

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

No emolument was paid or payable to the directors of the Target Company during the Relevant Periods.

During the Relevant Periods, there were no amounts paid or payable by the Target Company to the directors or any of the highest paid individuals set out in note 10(b) below as an inducement to join or upon joining the Target Company or as a compensation for loss of office. There were no arrangements under which a director waived or agreed to waive any remuneration during the Relevant Periods.

(b) Five highest paid individuals

The five highest paid individuals in the Target Company during the Relevant Periods did not include any directors. The emoluments of these five highest paid individuals for each of the Relevant Periods are set out below:

	Period from 30 October 2015 (date of establishment) to 31 December 2015	**Six months ended 30 June 2016**
	RMB'000	*RMB'000*
Salaries, wages and other benefits	—	158
Contributions to defined contribution retirement plans	—	52
	—	210

11. PROPERTY, PLANT AND EQUIPMENT

	Office equipment	Furniture and fixtures	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 30 October 2015 (date of establishment) and 31 December 2015				
Costs	—	—	—	—
Accumulated depreciation	—	—	—	—
Closing net book amount	—	—	—	—
Six months ended 30 June 2016				
Opening net book amount	—	—	—	—
Additions	158	6	90	254
Depreciation	(4)	—	—	(4)
Closing net book amount	154	6	90	250
At 30 June 2016				
Costs	158	6	90	254
Accumulated depreciation	(4)	—	—	(4)
Closing net book amount	154	6	90	250

12. PROPERTIES UNDER DEVELOPMENT FOR SALE

	As at 31 December 2015	As at 30 June 2016
	RMB'000	*RMB'000*
Properties under development for sale include:		
- cost of leasehold land	3,837,427	3,839,179
- construction costs and capitalised expenditure	4,728	60,002
- interests capitalised	—	109,895
	3,842,155	4,009,076

The properties under development for sale are all located in the PRC. The relevant land use rights are on leases of 40 to 70 years. As at 31 December 2015 and 30 June 2016, properties under development for sale were expected to be completed and available for sale to the customers more than twelve months from the end of the reporting periods.

13. OTHER PAYABLES

	As at 31 December 2015	As at 30 June 2016
	RMB'000	*RMB'000*
Accruals and other payables	112,367	27,764
Interest payable on loan from intermediate holding company	—	111,802
	112,367	139,566

All amounts are short term and hence the carrying values of the other payables are considered to be a reasonable approximation of fair value.

14. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY/ LOAN FROM INTERMEDIATE HOLDING COMPANY

The amount due to immediate holding company is unsecured, interest-free and repayable on demand.

The loan from intermediate holding company is unsecured, carrying an interest rate of nil and ranging from 5.8% to 6.3% per annum as at 31 December 2015 and 30 June 2016 respectively. The amount would not be repayable within one year.

The carrying amounts of the balances approximate their fair values.

15. PAID-UP CAPITAL

During the period from 30 October 2015 (date of establishment) to 31 December 2015, the Target Company received RMB100,000,000 from its immediate holding company and another shareholder as its paid-up capital.

As at 31 December 2015 and 30 June 2016, the registered and paid-up capital of the Target Company was RMB100,000,000.

16. COMMITMENTS

(a) Capital commitments

As at 31 December 2015 and 30 June 2016, the Target Company had the following capital commitments:

	As at 31 December 2015 *RMB'000*	As at 30 June 2016 *RMB'000*
Contracted but not provided for		
- Properties under development for sale	8,447	332,571

(b) Operating lease commitments

The Target Company leases its office under non-cancellable operating lease agreements, ranging from 1 to 2 years. As at 31 December 2015 and 30 June 2016, the total future minimum lease payments under non-cancellable operating leases in respect of office were as follows:

	As at 31 December 2015 *RMB'000*	As at 30 June 2016 *RMB'000*
Within one year	—	114
In the second to fifth years	—	116
	—	230

17. RELATED PARTY TRANSACTION

Save as disclosed elsewhere in these Financial Information, the Target Company entered into the following related party transactions during the Relevant Periods:

Name of related party	Nature	Period from 30 October 2015 (date of establishment) to 31 December 2015	Six months ended 30 June 2016
		RMB'000	*RMB'000*
Intermediate holding company			
C&D Real Estate	Interest expenses	—	111,802

During the six months ended 30 June 2016, the Target Company incurred loan interest of RMB111,802,000 to C&D Real Estate, the intermediate holding company, pursuant to framework loan agreement with C&D Real Estate whereby C&D Real Estate agreed to grant RMB loan facilities to the Target Company for their project development and working capital at floating interest rates.

Key management personnel remuneration

The directors of the Target Company are considered to be the key management personnel of the Target Company and no remuneration was paid or payable to the directors during the Relevant Periods.

18. FINANCIAL RISK MANAGEMENT

The Target Company is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risk includes interest rate risk, credit risk and liquidity risk.

Financial risk management is coordinated at the Target Company's headquarters, in close co-operation with the board of directors. The overall objectives in managing financial risks focus on securing the Target Company's short to medium term cash flows by minimising its exposure to financial markets.

18.1 **Categories of financial assets and financial liabilities**

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities:

	As at 31 December 2015	**As at 30 June 2016**
	RMB'000	*RMB'000*
Financial assets		
Loan and receivables		
- Other receivables	1,050	2,006
- Bank balances	795	361
	1,845	2,367
Financial liabilities		
At amortised cost:		
- Other payables	112,367	139,566
- Amount due to immediate holding company	—	18
- Loan from intermediate holding company	3,631,633	3,778,163
	3,744,000	3,917,747

18.2 **Interest rate risk**

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. Except for bank balances, the Target Company has no significant interest-bearing assets.

The Target Company's exposure to the risk of changes in market interest rates relates primarily to the Target Company's loan from intermediate holding company with floating interest rates. The interest rates and terms of repayment of the loan from intermediate holding company are disclosed in note 14 and 17 to the Financial Information.

At 30 June 2016, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would increase/decrease the Target Company's loss after income tax and accumulated losses by approximately RMB18,889,000. The 50 basis point increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

The Target Company's policy is to obtain the most favourable interest rates available for its borrowings. Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

18.3 **Credit risk**

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Target Company.

As at 31 December 2015 and 30 June 2016, the Target Company's exposure to credit risk mainly arises from bank balances. The directors considered the credit risk on bank balances is limited because the counterparty is a bank with high credit-ratings assigned by international credit-rating agencies.

18.4 **Liquidity risk**

Liquidity risk relates to the risk that the Target Company will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Target Company is exposed to liquidity risk in respect of settlement of other payables, amount due to immediate holding company and amounts due to intermediate holding company, and also in respect of its cash flow management. The Target Company's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and cash equivalents and adequate committed lines of funding from intermediate holding companies and financial institutions to meet its liquidity requirements in the short term and longer term.

Analysed below is the Target Company's remaining contractual maturities for its financial liabilities at the reporting dates. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Target Company can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Target Company is committed to pay.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	On demand or within one year	Between one and two years	Between two and five years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2015					
Other payables	112,367	—	—	112,367	112,367
Loan from intermediate holding company	—	—	3,631,633	3,631,633	3,631,633
	112,367	—	3,631,633	3,744,000	3,744,000

	On demand or within one year	Between one and two years	Between two and five years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2016					
Other payables	139,566	—	—	139,566	139,566
Amount due to immediate holding company	18	—	—	18	18
Loan from intermediate holding company	—	219,134	4,216,449	4,435,583	3,778,163
	139,584	219,134	4,216,449	4,575,167	3,917,747

18.5 **Fair value**

The directors of the Target Company consider that the carrying amounts of financial assets and financial liabilities at amortised costs in the statements of financial position approximate their respective fair value at the end of each reporting period.

19. CAPITAL MANAGEMENT

The Target Company's capital management is primarily to safeguard the Target Company's ability to continue as a going concern while maximising the return to the shareholders.

The capital structure of the Target Company consists of the loan from intermediate holding company and equity of the Target Company. The directors of the Target Company review the capital structure on a regular basis. As part of this review, the directors of the Target Company consider the cost of capital and the risk associated with the issued share capital, and take appropriate actions to balance its overall capital structure.

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 June 2016 up to the date of this report.

Yours faithfully,

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

24 September 2016

Lin Ching Yee Daniel
Practising Certificate No.: P02771

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(i) Introduction to the unaudited pro forma financial information

The following is the unaudited pro forma financial information of the Enlarged Group ("Unaudited Pro Forma Financial Information"), being C&D International Investment Group Limited and its subsidiaries (collectively referred to as the "Group") together with its interest in Suzhou Zhaoxiang Real Estate Development Company Limited (蘇州兆祥房地產開發有限公司, the "Target Company"), which has been prepared by the directors of the Company to illustrate the financial effect of the acquisition of 13% equity interest in the Target Company by way of capital injection by the Group (the "Acquisition"), as if the Acquisition had been completed on 30 June 2016, on the unaudited pro forma consolidated statement of financial position.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guidance 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG7") issued by the Hong Kong Institute of Certified Public Accountants, for the purpose of illustrating the effect of the Acquisition pursuant to the terms of the capital increase agreement (the "Capital Increase Agreement") dated 18 August 2016 entered into between the Company and the equity owner of the Target Company.

The Unaudited Pro Forma Financial Information is based upon the unaudited consolidated financial statements of the Group as at 30 June 2016, which has been extracted from the Company's published interim result for the six months ended 30 June 2016 and adjusted on a pro forma basis to reflect the effect of the Acquisition. These pro forma adjustments are (i) directly attributable to the Acquisition and not relating to other future events and decision and (ii) factually supportable based on the terms of the Capital Increase Agreement.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at the specified dates or any future date.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the historical financial information of the Group set out in the published interim result of the Company for the six months ended 30 June 2016 and other financial information included elsewhere in this Circular.

(ii) **Unaudited pro forma consolidated statement of financial position**

	The Group as at 30 June 2016 *RMB'000* *(Note 1)*	Pro Forma Adjustments *RMB'000* *(Note 2 and 3)*	The Enlarged Group *RMB'000*
Non-current assets			
Property, plant and equipment	61,188		61,188
Interests in leasehold land	308		308
Investment properties	680,300		680,300
Interests in associates	25,000	23,700	48,700
Loan to an associate	—	495,200	495,200
Deferred tax assets	3,038		3,038
	769,834		**1,288,734**
Current assets			
Inventories of properties	736,324		736,324
Trade and other receivables	77,164		77,164
Cash and cash equivalents	87,354		87,354
	900,842		**900,842**
Current liabilities			
Trade and other payables	79,712		79,712
Amounts due to non-controlling shareholders	200,872		200,872
Interest-bearing borrowings	3,495		3,495
Income tax liabilities	14,202		14,202
	298,281		**298,281**
Net current assets	**602,561**		**602,561**
Total assets less current liabilities	**1,372,395**		**1,891,295**
Non-current liabilities			
Loan from intermediate holding company	314,665	518,900	833,565
Deferred tax liabilities	171,671		171,671
	486,336		**1,005,236**
Net assets	**886,059**		**886,059**
EQUITY			
Issued capital	29,135		29,135
Reserves	740,244		740,244
Equity attributable to the equity holders of the Company	**769,379**		**769,379**
Non-controlling interests	116,680		116,680
Total equity	**886,059**		**886,059**

(iii) **Notes to the unaudited pro forma financial information of the Enlarged Group**

1. The financial position of the Group is extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2016, as set out in the published interim result of the Company for the six months ended 30 June 2016.

2. Pursuant to the Capital Increase Agreement, the registered capital of the Target Company will be increased from RMB100,000,000 to RMB114,940,000 and the Group has agreed to contribute an aggregate amount of RMB517,900,000 in cash, including (i) RMB14,940,000 as payment for the registered capital; (ii) RMB7,760,000 as payment for the share premium; and (iii) a three-year shareholder's loan in the amount of RMB495,200,000 at an interest rate of 5.8% per annum for the repayment of part of the shareholder's loan previously made by the Target Company according to the proportion of equity interest to be taken by the Group.

   Upon completion of the capital increase of the Target Company, the Group will hold approximately 13% of the enlarged registered capital of the Target Company. In accordance with Capital Increase Agreement, the Group will be entitled to appoint a director to the board of directors of the Target Company. The directors consider that the Group will have significant influence over the Target Company even though the shareholding is below 20% because of the board representation and contractual terms. Consequently, the Target Company will be accounted for as an associate, which is initially recognised at cost and subsequently accounted for using the equity method in accordance with Hong Kong Accounting Standard ("HKAS") 28, Investments in Associates and Joint Ventures ("HKAS 28").

   Details of the pro forma adjustments are set out below:

Interests in associates	*Notes*	*RMB'000*
Consideration comprised:		
- Cash payment		22,700
- Directly attributable transaction costs		1,000
Pro forma adjustment — Capital consideration	(i)	**23,700**
Less: The Group's 13% share of the fair value of identifiable net assets of the Target Company as at the acquisition date	(ii)	15,716
Goodwill arising from the Acquisition (included in interests in associates)	(ii)	7,984
Loan to an associate		
Pro forma adjustment — Shareholder's loan	(i)	**495,200**

Notes:

(i) The adjustments represent (a) capital consideration of RMB23,700,000, which comprises of RMB14,940,000 as payment for the registered capital, RMB7,760,000 as payment for the share premium and RMB1,000,000 as payment for the directly attributable transaction costs as estimated by the directors and (b) the shareholder's loan to the Target Company in the amount of RMB495,200,000. The capital consideration and the shareholder's loan will be settled in cash in accordance with the payment terms of the Capital Increase Agreement. The Group will finance the corresponding cash payment through draw down of the unutilized loan facilities from intermediate holding company under the shareholder loan framework agreement dated 11 April 2016, pursuant to which the loan will be charged at benchmark RMB interest rate of the People's Bank of China per annum. Had the Acquisition been completed on 30 June 2016, the loan from intermediate holding company would have been increased by RMB518,900,000.

(ii) According to HKAS 28, an investment in an associate is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment.

Had the Acquisition been completed on 30 June 2016, the Group's share of the fair value of identifiable net assets of the Target Company is detailed below:

	RMB'000
Net assets value of the Target Company before fair value adjustments	93,946
Fair value adjustment	35,924
Effect of deferred tax liability estimated at the rate of 25%	(8,981)
Total fair value of identifiable net assets of the Target Company	120,889
Shared by the Group (13%)	15,716

Net assets value of Target Company before fair value adjustments is extracted from audited statement of financial position of the Target Company as at 30 June 2016 as set out in Appendix II to the Circular.

The fair value adjustments represent the increase in fair value of the Target Company's properties under development for sale in Suzhou of RMB35,924,000 (fair value of RMB4,045,000,000 less carrying amount of RMB4,009,076,000). For the purpose of the Unaudited Pro Forma Financial Information, the fair value of the properties under development for sale is estimated by reference to the valuation report issued by an independent valuer, Debenham Thouard Zadelhoff using the direct comparison approach. The effect on deferred tax liability arising from the fair value adjustment is RMB8,981,000 (RMB35,924,000 x 25%).

The excess of the cost of acquisition of RMB23,700,000 over the Group's share of the fair value of the identifiable net asset of the Target Company of RMB15,716,000 recognised had the Acquisition been completed on 30 June 2016 is recognised as goodwill in the amount of RMB7,984,000. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

For the purpose of the Unaudited Pro Forma Financial Information, the Company has ensured the steps taken on the assessment of impairment performed in accordance with HKAS 36 "Impairment of Assets". The directors have assessed the impairment of the interest in an associate by considering whether the carrying amount of the interest in an associate will exceed its recoverable amount, being higher of value in use and fair value less costs of disposal, as at 30 June 2016 for the unaudited pro forma consolidated statement of financial position as if the Acquisition had been completed on 30 June 2016. The directors conclude that there is no impairment on the interest in an associate.

The Company will adopt consistent accounting policies, valuation method and principal assumptions as used in the Unaudited Pro Forma Financial Information to assess the impairment of the investment in the Target Company in the future financial period ends.

The fair value of the net identifiable assets of the Target Company is subject to change upon the actual completion of the Acquisition. Consequently, the amount of the goodwill included in the interests in associates will likely result in different amount than those stated in this Unaudited Pro Forma Financial Information.

3. No adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 June 2016.

B. INDEPENDENT REPORTING ACCOUTNANTS' ASSURANCE REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this Circular.

Grant Thornton
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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A CIRCULAR

TO THE DIRECTORS OF C&D INTERNATIONAL INVESTMENT GROUP LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of C&D International Investment Group Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2016 and related notes as set out in Part A of Appendix III to the circular dated 24 September 2016 (the "Circular") issued by the Company. The applicable criteria on the basis of which the directors have compiled the unaudited pro forma financial information are described in Part A of Appendix III to the Circular.

The unaudited pro forma financial information has been compiled by the directors to illustrate the impact of the acquisition of 13% equity interest in Suzhou Zhaoxiang Real Estate Development Company Limited by way of capital injection by the Group (the "Acquisition") on the Group's financial position as at 30 June 2016 as if the Acquisition had taken place at 30 June 2016. As part of this process, information about the Group's financial position as at 30 June 2016 has been extracted by the directors from the interim result of the Company for the six months ended 30 June 2016, on which no review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 June 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

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

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

24 September 2016

Lin Ching Yee Daniel
Practising Certificate No: P02771

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from DTZ Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of market value in existing state of the Land held by Suzhou Zhaoxiang Real Estate Development Company Limited (蘇州兆祥房地產開發有限公司) (the "Target Company") in the PRC as at 31 July 2016.

DTZ CUSHMAN & WAKEFIELD 戴德梁行

16/F Jardine House
1 Connaught Place
Central
Hong Kong

24 September 2016

The Directors
C&D International Investment Group Limited
Office No. 3517, 35th Floor,
Wu Chung House
213 Queen's Road East
Wanchai
Hong Kong

Dear Sirs,

Re: **A piece of land with a total site area of approximately 224,623.60 sq.m., Lot No. 2015-WG-27, east of Dongfang Avenue, south of Shanghu Road, Suzhou Wuzhong Economic Development Zone, Suzhou, Jiangsu Province, the People's Republic of China**

Instructions, Purpose & Valuation Date

In accordance with the instructions from C&D International Investment Group Limited (the "Company") for us to prepare a market valuation of the captioned Land (the "Land"), held by Suzhou Zhaoxiang Real Estate Development Company Limited (蘇州兆祥房地產開發有限公司) (the "Target Company") in the People's Republic of China (the "PRC"); we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Land in existing state as at 31 July 2016 (the "valuation date").

Definition of Market Value

Our valuation of the Land represent its Market Value. The definition of Market Value adopted in The HKIS Valuation Standards 2012 Edition follows the International Valuation Standards published by the International Valuation Standards Council ("IVSC"). Market Value is defined by the IVSC as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Basis & Assumptions

Our valuation of the Land excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the Land held in the PRC, with reference to the PRC Legal opinion of the legal adviser, Liang & Co (良翰律師事務所), we have prepared our valuation on the basis that transferable land use rights in respect of the Land for its specific term at nominal annual land use fee has been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Company and the PRC legal opinion of the Company's legal adviser, dated 11 August 2016, regarding the titles to the Land and the interests in the Land. In valuing the Land, we have prepared our valuation on the basis that the owners have enforceable title to the Land and has free and uninterrupted rights to use, occupy or assign the Land for the whole of the unexpired terms as granted.

In respect of the Land situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Target Company, are set out in the notes in the valuation certificate.

No allowance has been made in our valuation for any charges, pledges or amounts owing on the Land nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is valued on the basis that the Land is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

Method of Valuation

In valuing the Land, which is held by the Target Company for development in the PRC, we have valued the Land by Direct Comparison Approach by making reference to comparable sales evidences as available in the relevant market and where appropriate, we have also taken into account the expended construction costs.

In valuing the Land, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institutes of Surveyors.

Source of Information

We have been provided by the Target Company with extracts of documents in relation to the title to the Land. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a considerable extent on the information given by the Target Company in respect of the Land in the PRC and have accepted advice on such matters as planning approvals or statutory notices, easements, tenure, identification of land, development scheme, construction cost, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificate are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Target Company which is material to the valuation. We were also advised by the Target Company that no material facts have been omitted from the information provided.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided with copies of documents in relation to the current title to the Land. However, we have not been able to conduct searches to verify the ownership of the Land or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the Land in the PRC and we have therefore relied on the advice given by the PRC Legal adviser and the Company.

Site Inspection

Our Shanghai Office valuer, Rick Sun, has inspected the exterior and, wherever possible, the interior of the Land in August 2016. However, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period.

Unless otherwise stated, we have not carried out on-site measurements to verify the site and floor areas of the Land and we have assumed that the areas shown on the copies of the documents handed to us are correct.

Currency

Unless otherwise stated, all monetary amounts indicated herein our valuation are in Renminbi (RMB) which is the official currency of the PRC.

We attach herewith a valuation certificate.

Yours faithfully,
For and on behalf of
DTZ Cushman & Wakefield Limited
Philip C Y Tsang
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc, MHKIS
Director

Note: Mr. Philip C Y Tsang is Registered Professional Surveyor who has over 23 years' experience in the valuation of properties in the PRC.

VALUATION CERTIFICATE

Land held by the Target Company for development in the PRC

Land	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2016
A piece of land with a total site area of approximately 224,623.60 sq.m., Lot No. 2015-WG-27, east of Dongfang Avenue, south of Shanghu Road, Suzhou Wuzhong Economic Development Zone, Suzhou, Jiangsu Province, the PRC	The Land will develop a residential development by three phases to be erected on a parcel of land with a total site area of 224,623.60 sq.m. As advised by the Target Company, a total planned gross floor area of the development of 493,383.37 sq.m. with details as follows: **Uses** / **Approximate Gross Floor Area (sq.m.)** Residential 303,182.96 Retail 16,946.06 Ancillaries 16,806.38 Car Park 156,447.97 **Total** **493,383.37** The Land is located in a lake area in Wuzhong Economic Development Zone, Suzhou, Jiangsu Province surrounded by high end residential real estate projects of other renowned property developers in the PRC and is situated near an eco-park. According to the Target Company, the Land is planned for residential uses; there is no environmental issues and litigation dispute; there is no plan for renovation or change the use of the Land. The land use rights of the Land has been granted for terms due to expire on 15 November 2055 and 15 November 2085 for wholesale and retail and urban residential uses respectively.	According to the information, there will be three phrases of the project in total. The first phrase of the project has been started in February 2016 and is expected to be completed in December 2017. The second phrase is expected to start in October 2016 and is expected to be completed by August 2018. The last phrase is expected to start in June 2017 and is expected to be completed by June 2020.	RMB4,045,000,000

Notes:

(1) According to Real Estate Title Certificate No. (2016) 600923 issued by 蘇州市國土資源局 (Land Resources Bureau of Suzhou Municipal), the land use rights of the Land comprising a site area of 224,623.60 sq m, has been granted to the Target Company with terms due to expire on 15 November 2055 and 15 November 2085 for wholesale and retail and urban residential uses respectively.

(2) According to Grant Contract of State-owned Land Use Rights No. 3205012015CR0146 dated 6 November 2015 and the Supplementary Contract dated 28 December 2015, the land use rights of the Land is granted as below:

Grantee:	the Target Company
Site Area:	224,623.60 sq.m.
Land Use Term:	40 years for wholesale and retail; 70 years for residential
Land Premium:	RMB3,668,749,096
Plot Ratio:	1.5
Building Covenant:	Commence construction before 30 November 2016; complete construction before 30 November 2018.

(3) According to Planning Permit for Construction Use of Land No. 320506201600107 dated 20 January 2016, the construction site of land with a total site area of 224,623.60 sq.m. is in compliance with the requirements of urban planning requirement.

(4) According to Planning Permit for Construction Works No. 320506201600161 issued by 蘇州市規劃局 (Planning Bureau of Suzhou Municipal) dated 24 May 2016, the construction works of phase 1 of the Land with a total planned gross floor area of 162,753.42 sq.m. are in compliance with the urban planning requirements and have been approved.

(5) According to Permit for Commencement of Construction Works No. 320506201605300201 issued by 蘇州市吳中區住房和城鄉建設局 (Housing and Urban-Rural Construction Bureau of Wuzhong District of Suzhou Municipal) dated 30 May 2016, the commencement of the construction works of phase 1 of the Land with a total gross floor area of 162,753.42 sq.m. was permitted.

(6) According to the information provided by the Target Company, the estimated total construction cost to complete the development is approximately RMB2,872,000,000; a construction cost of approximately RMB67,000,000 has been expended for the development of the Land as at valuation date. In the course of our valuation, we have taken into account the above expended construction cost.

(7) According to Business Licence No. 91320506MA1MALE34W dated 30 October 2015, the Target Company was established on 30 October 2015 as a limited liability company with a registered capital of RMB100,000,000.

(8) According to the PRC legal opinion:-

(i) The Target Company has fully settled the land premium and obtained Real Estate Title Certificate;

(ii) The Land is not subject to mortgage or easement;

(iii) The Target Company is legally entitled to transfer, possess, use, lease and pledge the land use rights of the Land during the land use term; and

(iv) The Target Company has obtained the relevant approval to carry out construction and development.

(9) The status of the title and grant of major approvals and licence in accordance with the information provided by the Target Company and the opinion of the PRC legal adviser:-

Real Estate Title Certificate	Yes
Grant Contract of State-owned Land Use Rights and the Supplementary Contract	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes (part)
Permit for Commencement of Construction Works	Yes (part)
Business Licence	Yes

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) Directors' interests

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 and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register of members of the Company; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions

Name of Directors	Capacity/nature of interest	Number of issued Shares held	Approximate percentage of shareholding in issued share capital (Note 1)
Mr. Zhuang Yuekai	Founder of a discretionary trust	50,580,000	14.05%
Mr. Shi Zhen	Founder of a discretionary trust	50,580,000	14.05%
Ms. Zhao Chengmin	Founder of a discretionary trust	50,580,000	14.05%

Note 1: The percentage of shareholding was calculated based on the Company's total issued share capital of 360,000,000 shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company:

(a) was a director or employee of a company which had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or

(b) had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or were deemed to have under such provisions of the SFO); (ii) pursuant to Section 352 of the SFO, to be entered in the register of members of the Company; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange. For this purpose, the relevant provisions of the SFO will be interpreted as if applied to the Supervisors.

(b) **Substantial shareholders' interests**

So far as the Directors are aware, as at the Latest Practicable Date, the persons other than a Director or senior management of the Company who have interests or short positions in the Shares or underlying shares of the Company which are disclosable under Divisions 2 and 3 of Part XV of the SFO are as follows:

Name of Shareholder	**Capacity/nature of interest**	**Number of issued Shares held**	**Approximate percentage of shareholding in issued share capital (Note 3)**
Well Land International Limited (益能國際有限公司) ("**Well Land**") *(Note 1)*	Beneficial owner	213,736,000	59.37%
Well Honour International Limited (益鴻國際有限公司) ("**Well Honour**") *(Note 1)*	Interest of controlled corporation	213,736,000	59.37%
C & D Real Estate Corporation Limited (建發房地產集團有限公司) ("**C & D Real Estate**") *(Note 1)*	Interest of controlled corporation	213,736,000	59.37%
Xiamen C & D Inc. (廈門建發股份有限公司) *(Note 1)*	Interest of controlled corporation	213,736,000	59.37%
Xiamen C & D Corporation Limited (廈門建發集團有限公司) ("**Xiamen C & D** ") *(Note 1)*	Interest of controlled corporation	213,736,000	59.37%
Diamond Firetail Limited ("**Diamond Firetail**") *(Note 2)*	Beneficial owner	50,580,000	14.05%
Equity Trustee Limited ("**Equity Trustee**") (Note 2)	Interest of controlled corporations	50,580,000	14.05%

Name of Shareholder	Capacity/nature of interest	Number of issued Shares held	Approximate percentage of shareholding in issued share capital (Note 3)
Mr. Zhuang Yuekai *(Note 2)*	Founder of a discretionary trust	50,580,000	14.05%
Mr. Shi Zhen *(Note 2)*	Founder of a discretionary trust	50,580,000	14.05%
Ms. Zhao Chengmin *(Note 2)*	Founder of a discretionary trust	50,580,000	14.05%
Ms. Zhang Yunxia *(Note 2)*	Founder of a discretionary trust	50,580,000	14.05%
Ms. Cheng Bing *(Note 2)*	Founder of a discretionary trust	50,580,000	14.05%

Notes:

(1) These Shares were registered in the name of Well Land, a company incorporated in the British Virgin Islands. Well Land is a wholly-owned subsidiary of Well Honour. Well Honour is a wholly-owned subsidiary of C&D Real Estate. C&D Real Estate is a subsidiary of Xiamen C&D Inc., which is company listed on Shanghai Stock Exchange (stock code: 600153). Xiamen C&D Inc. is a subsidiary of Xiamen C&D, a state-owned group of companies under the supervision of Xiamen Municipality. Well Honour, C&D Real Estate, Xiamen C&D Inc. and Xiamen C&D are deemed to be interested in all the Shares in which Well Land is interested by virtue of the SFO.

(2) These Shares were registered in the name of Diamond Firetail, a company incorporated in the British Virgin Islands. Diamond Firetail is a wholly-owned subsidiary of Equity Trustee. Equity Trustee is a wholly owned by a discretionary trust (the "Trust") whereby the beneficiaries are: (a) staff of the controlling shareholder, C&D Real Estate Corporation Limited; (b) Mr. Zhuang Yuekai, who has approximately 5.82% interests in the Trust; (c) Mr. Shi Zhen, who has approximately 3.64% interests in the Trust; and (d) Ms. Zhao Chengmin, who has approximately 2.91% interests in the Trust (subject to the reallocation of interest by the trustee pursuant to the trust deed) by virtue of the SFO. Mr. Zhuang Yuekai, Mr. Shi Zhen, Ms. Zhao Chengmin, Ms. Zhang Yunxia and Ms. Cheng Bing are founder of a discretionary trust.

(3) The percentage of shareholding was calculated based on the Company's total issued share capital of 360,000,000 shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who, had or was deeded to have, interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed under provisions of Division 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 the Group or any options in respect of such share capital.

3. DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a letter of appointment with the Company for a term of three years commencing on 10 February 2015, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of his/her appointment, and either the executive Director or the Company may terminate the agreement by giving the other party not less than three months' notice in writing. Each of the executive Directors is entitled to a director's emolument of HK$1,200,000 per annum (which was determined by the Board with reference to his/her experience, knowledge, qualification, duties and responsibilities within the Group and the prevailing market conditions), and such management bonus and other benefits as may be determined by and at the sole discretion of the Board (upon the recommendation of the remuneration committee of the Board) from time to time.

Each of the non-executive Directors has entered into a letter of appointment with the Company for a term of three year commencing from 10 February 2015, 20 March 2015 and 29 April 2015 respectively, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of his/her appointment, and either the non-executive Director or the Company may terminate the agreement by giving the other party not less than three months' notice in writing. Each of the non-executive Directors does not receive any director's emolument but he/she may be entitled to such discretionary bonus and/or other benefits as may be determined by and at the sole discretion of the Board (upon the recommendation of the remuneration committee of the Board) from time to time.

Each of the independent non-executive Directors has entered into a service agreement with the Company for a term of one year commencing on 14 December 2012, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of his appointment, and either the independent non-executive Directors or the Company may terminate the agreement by giving the other party not less than three months' notice in writing. Each of the independent non-executive Directors is entitled to a director's emolument of HK$120,000 per annum from 14 December 2012 and the emolument has been revised to HK$150,000 per annum from 21 March 2015.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

4. EXPERTS' QUALIFICATIONS AND CONSENTS

The followings are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	Qualification
Octal Capital	a licensed corporation permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
DTZ	Independent property valuer
Xiamen City University Assets Appraisal Co., Ltd.	Independent property valuer
Grant Thornton Hong Kong Limited	certified public accountants
Liang & Co	PRC legal advisor

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its respective letter or references to its name in the form and context in which they respectively appear.

As at Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at Latest Practicable Date, each of the above experts had no direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2015 (the date to which the latest published audited combined financial statements of the Company were made up) or proposed to be acquired, disposed of or leased to any member of the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date:

(a) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2015, being the date to which the latest published audited accounts of the Company were made up; and

(b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group.

7. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business which competed or might compete with the business of the Group, or had or might have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

8. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any material litigations or claims and no litigations or claims of material importance were pending or threatened by or against any member of the Group.

9. MATERIAL CONTRACTS

Within the two years immediately preceding the date of this circular, the following contracts (not being contracts entered into in the ordinary course of business) had been entered into by the members of the Group which are or may be material:

(a) the share subscription agreement dated 27 May 2015 entered into between the Company as issuer and Diamond Firetail Limited as subscriber in relation to the subscription of 50,580,000 Shares in the amount of H$195,238,800;

(b) the share subscription agreement dated 27 May 2015 entered into between the Company as issuer and Mr. Lin Shuien as subscriber in relation to the subscription of 9,420,000 Shares in the amount of H$36,361,200; and

(c) the share purchase agreement dated 10 December 2014 entered into between First Beijing International Limited, Ease Gain Holdings Limited, Chosen Leader Limited, Well Land International Limited and certain covenantors in relation to the sale and purchase of 225,000,000 Shares.

10. GENERAL

(a) The secretary to the Company is Soon Yuk Tai.

(b) The legal address, registered address and address of head office of the Company is at Office no. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wan Chai, Hong Kong.

(c) The address of the Company's branch share registrar in Hong Kong is at Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(d) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at our office of Office no. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wan Chai, Hong Kong from the date of this circular up to and including the date of EGM:

(a) the Jiayuan Consignment Agreement;

(b) the Huayuan Consignment Agreement;

(c) the Jiayuan Lease;

(d) the Huayuan Lease;

(e) the Capital Increase Agreement;

(f) the material contracts referred to in the section headed "Material Contracts" in this appendix;

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

(h) the annual reports of the Company for the two years ended 31 December 2014 and 2015;

(i) the accountants' report on the Target Company from Grant Thornton Hong Kong Limited, the text of which is set out in Appendix II of this circular;

(j) the report from Grant Thornton Hong Kong Limited on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix III of this circular;

(k) the valuation report on the Land issued by DTZ, the text of which is set out in Appendix IV to this circular;

(l) service contracts of certain Directors as disclosed in this circular;

(m) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 29 to 30 of this circular;

(n) the letter issued by the Independent Financial Adviser, the text of which is set out on page 31 to 51 of this circular;

(o) the written consents referred to in the section headed "Experts' qualifications and consents" in this appendix;

(p) the legal opinion issued by Liang & Co mentioned in the valuation report on the Land;

(q) the Company's circular dated 21 April 2016;

(r) this circular.

C&D INTERNATIONAL INVESTMENT GROUP LIMITED
建發國際投資集團有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1908)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**Meeting**") of C&D International Investment Group Limited (the "**Company**") will be held at Office No.3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong on Wednesday, 12 October 2016 at 10:30 a.m., to consider, if thought fit, transact the following resolutions of the Company by way of ordinary resolutions:

ORDINARY RESOLUTIONS

THAT:

(1) (a) the consignment agreement dated 19 August 2016 entered into between Shanghai Zhaoyu Asset Management Limited Company and Shanghai Zhongyue Real Estate Development Limited Company in respect of the " Xinjiangwan Huayuan" project (the "**Huayuan Consignment Agreement**") and the consignment agreement dated 19 August 2016 entered into between Shanghai Shanxidi Real Estate Development Limited Company and Shanghai Zhongyu Asset Management Limited Company in respect of the "Xinjiangwan Jiayuan" project (the "**Jiayuan Consignment Agreement**") (copies of which marked "A" and "B" have been produced to the Meeting and initialled by the chairman of the Meeting for identification purpose) the transactions contemplated thereunder and the proposed annual caps thereunder and all other transactions in connection therewith and any other ancillary documents, be and are hereby confirmed, approved and ratified, subject to such addition or amendment as any director(s) of the Company (the "**Director(s)**") may consider necessary, desirable or appropriate;

(b) any Director(s) be and are hereby authorised for and on behalf of the Company to, amongst others, sign, execute and deliver or to authorise the signing, execution and delivery of all such documents and deeds, to do or authorise doing all such acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the Huayuan Consignment Agreement, the Jiayuan Consignment Agreement and any ancillary documentation and transactions thereof;

(2) (a) the capital increase agreement dated 18 August 2016 entered into between Xiamen Yi Yue Property Company Limited, Suzhou Zhaokun Real Estate Development Company Limited and Xiamen Liyuan Investment Company Limited (a copy of which marked "C" respectively has been produced to the Meeting and initialled by the chairman of the Meeting for identification purpose), the transactions contemplated thereunder and

the proposed annual caps thereunder, and all other transactions in connection therewith and any other ancillary documents, be and are hereby approved, confirmed and ratified, subject to such addition or amendment as any Director(s) may consider necessary, desirable or appropriate;

(b) any Director(s) be and are hereby authorised for and on behalf of the Company to, amongst others, sign, execute and deliver or to authorise the signing, execution and delivery of all such documents and deeds, to do or authorise doing all such acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the Capital Increase Agreement and any ancillary documentation and transactions thereof;

Yours faithfully
By order of the Board
C&D International Investment Group Limited
建發國際投資集團有限公司
Zhuang Yuekai
Chairman and Executive Director

Hong Kong, 24 September 2016

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Office No. 3517, 35th Floor
Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares in the Company (the "**Shares**") may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company.

2. In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, personally or by proxy, that one of the said persons so present whose name stands first in the register in respect of such Shares shall alone be entitled to vote in respect thereof.

3. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorized, and must be deposited with the Hong Kong branch share registrar and transfer office (the "**Branch Share Registrar**") of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) not less than 48 hours before the time fixed for holding of the Meeting (or any adjournment thereof).

4. The register of members of the Company will be closed from Monday, 10 October 2016 to Wednesday, 12 October 2016 (both days inclusive), during which period no transfer of the Shares will be effected. In order to qualify for attending the Meeting or any adjournment thereof, all transfers of Shares accompanied by the relevant share certificate(s) must be lodged with the Branch Share Registrar at the above address by no later than 4:30 p.m. on Friday, 7 October 2016.

5. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the Meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

As at the date of this notice, the Directors are:

Executive Directors

Mr. Zhuang Yuekai (庄躍凱) *(Chairman)*
Mr. Shi Zhen (施震)
Ms. Zhao Chengmin (趙呈閩)

Non-executive Directors
Ms. Wang Xianrong (王憲榕)
Ms. Wu Xiaomin (吳小敏)
Mr. Huang Wenzhou (黃文洲)

Independent non-executive Directors
Mr. Wong Chi Wai (黃馳維)
Mr. Wong Tat Yan, Paul (黃達仁)
Mr. Chan Chun Yee (陳振宜)

This notice is prepared in both English and Chinese. In the event of inconsistency, the English text of the notice shall prevail over the Chinese text.