**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)**

## MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF 78% EQUITY INTERESTS IN THE TARGET COMPANY AND 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 2:00 p.m. on Monday, 10 July 2017 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.

23 June 2017

# CONTENTS

In this circular, the following expressions have the following meanings:

| | |
|---|---|
| "Acquisition" | the acquisition of 78% equity interests in the Target Company from C&D Real Estate Fuzhou Company by Yi Yue pursuant to the Equity Transfer Agreement |
| "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 50.34% interest in the Company as at the Latest Practicable Date |
| "C&D Real Estate Fuzhou Company" | C&D Real Estate Fuzhou Limited* (建發房地產集團福州有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of C&D Real Estate |
| "Enlarged Group" | the Group as enlarged by the Acquisition |
| "Yi Yue" | Xiamen Yi Yue Property Company Limited (廈門益悅置業有限公司), a company established in the PRC with limited liability and an indirect wholly-owned Subsidiary of the Company |
| "Gui Qiang" | Shanghai Gui Qiang Investment Limited* (上海貴鏹投資有限公司), a company established in the PRC with limited liability and independent of the Company and its connected persons |
| "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 |
| "controlling shareholder" | has the meaning ascribed to it under the Listing Rules |
| "Directors" | the Directors of the Company |
| "EGM" | the extraordinary general meeting to be held at Office No. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong at 2:00 p.m. on Monday, 10 July 2017 or any adjournment thereof (as the case may be), to approve, among other things, the transaction contemplated under the Equity Transfer Agreement |

| | |
|---|---|
| "Equity Transfer Agreement" | the equity transfer agreement entered into between Yi Yue and C&D Real Estate Fuzhou Company on 25 April 2017 in relation to the Acquisition |
| "Group" | the Company and its subsidiaries |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Independent Board Committee" | an independent Board committee comprising the independent non-executive Directors, which will be formed to advise the Independent Shareholders on the transaction contemplated under the Equity Transfer Agreement |
| "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 Equity Transfer Agreements |
| "Independent Shareholders" | Shareholders who, under the Listing Rules, are not required to abstain from voting for the resolutions approving the transaction contemplated under the Equity Transfer Agreement |
| "Land" | a piece of land located at the south-west corner of the intersection of 104 National Road of Lianjiang and Wenbi West Road, and on the north-west side of Liyu Port (連江縣104國道與文筆西路交叉口西南角、鯉魚港灣西北側) in Lianjiang County, Fuzhou City, Fujian Province, the PRC, with an estimated total site area of 52,643 square meters |
| "GFA" | gross floor area |
| "Latest Practicable Date" | 20 June 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained 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 |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "Share(s)" | the ordinary share(s) of HK$0.1 each of the Company |

| | |
|---|---|
| "Shareholders" | holders of the Shares |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Target Company" | Lianjiang Zhaorun Real Estate Development Company Limited* (連江兆潤房地產開發有限公司), a company established in the PRC with limited liability on 25 July 2016 |
| "Shareholder Loan Framework Agreement" | the shareholder loan framework agreement dated 11 April 2016 entered into between the Company and C&D Real Estate in relation to the provision of the Group Shareholder's Loan |
| "%" | 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 RMB0.87. 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*:
P.O. Box 10008
Willow House Cricket Square
Grand Cayman KY1-1001
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

23 June 2017

*To the Shareholders*

Dear Sir or Madam,

## MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF 78% EQUITY INTERESTS IN THE TARGET COMPANY AND NOTICE OF EXTRAORDINARY GENERAL MEETING

### INTRODUCTION

Reference is made to the announcement of the Company dated 25 April 2017.

The purpose of this circular is (i) to provide the Shareholders with further information on the entering into of the Equity Transfer Agreement; (ii) to set out the recommendations from the Independent Board Committee in relation to the entering into of the Equity Transfer Agreement; (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 EQUITY TRANSFER AGREEMENT

## INTRODUCTION

Reference is made to the announcement of the Company dated 25 April 2017, whereby it was announced that C&D Real Estate Fuzhou Company, a subsidiary of C&D Real Estate, entered into the Equity Transfer Agreement with Yi Yue, a subsidiary of the Company, in relation to the acquisition of 78% equity interests in the target company.

The Board is pleased to announce that on 25 April 2017, C&D Real Estate Fuzhou Company entered into the Equity Transfer Agreement with Yi Yue, pursuant to which C&D Real Estate Fuzhou Company agreed to sell and Yi Yue agreed to purchase 78% equity interests in the Target Company. The transaction contemplated under the Equity Transfer Agreement will constitute a connected transaction under Chapter 14A of the Listing Rules and, as one of the applicable percentage ratio in respect of the Acquisition exceeds 25% but is less than 75%, the transaction also constitutes a major transaction under Chapter 14 of the Listing Rules.

### Equity Transfer Agreement

The principal terms of the Equity Transfer Agreement are set out as follows:

*Date*

25 April 2017

*Parties*

Vendor: C&D Real Estate Fuzhou Company
Purchaser: Yi Yue

*Assets to be acquired*

78% equity interests in the Target Company

*Consideration*

The cash consideration for the Acquisition shall be RMB81,491,000. Yi Yue shall pay the consideration in full to C&D Real Estate Fuzhou Company after satisfaction of the conditions precedent under the Equity Transfer Agreement. Yi Yue shall also repay the shareholder's loan in the amount of RMB505,361,900 previously advanced by C&D Real Estate Fuzhou Company to the Target Company.

The cash consideration was determined based on arm's length negotiations between Yi Yue and C&D Real Estate Fuzhou Company with reference to the valuation of the total assets and liabilities of the Target Company conducted by Xiamen Academic Practice Valuer, Co., Ltd., a third party independent of the Group, the connected persons of the Group, C&D Real Estate and C&D Real Estate

Fuzhou Company. As at 28 February 2017, the total assets of the Target Company was valued at approximately RMB633,554,200, consisting of (i) net assets of RMB104,475,600 and (ii) total liabilities of RMB529,078,600. On the other hand, the shareholder's loan of RMB505,361,900 (consisted of: principal RMB491,078,000 and accrued interest RMB14,283,900) to be paid by Yi Yue is based on the total amount of shareholder's loan previously advanced by C&D Real Estate Fuzhou Company to the Target Company. The valuation of the Target Company has been prepared by cost approach. Based on the assumption that the Target Company will continue to operate, the assets and liabilities of the Target Company will be evaluated by specific assessment method corresponding to such assets and liabilities. The assessed value of the equity interests of the Target Company will be determined by the assessed value of the total assets less the assessed value of total liabilities.

At the valuation date, the Target Company has a total asset of approximately RMB631 million. After deducting its major current assets such as cash of approximately RMB73 million, the carrying amount of the remainder is similar to the valuation of the Land provided by DTZ. The Directors consider that the aggregate consideration under the Equity Transfer Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

*Payment terms*

Yi Yue will finance the consideration under the Equity Transfer Agreement by the Group Shareholder Loan in an aggregate principle amount of not exceeding RMB5,000,000,000 obtained from C&D Real Estate. Pursuant to the Shareholder Loan Framework Agreement entered into between the Company and C&D Real Estate, the interest rate of the Group Shareholder's Loan will be based on the benchmark RMB lending rate of the People's Bank of China (that is, 4.75%), and there is no requirement of pledging any assets to C&D Real Estate under the Shareholder Loan Framework Agreement. Having considered (i) the request by financial institutions to pledge the assets of the Company and (ii) the higher interest rate (at least 10% higher than the benchmark RMB lending rate of the People's Bank of China) that is likely to be charged by financial institutions if loan facilities are to be provided by financial institutions, the Directors considered that the Group Shareholder's Loan was on terms better than normal commercial terms offered to the Group by independent third party financial institutions. As C&D Real Estate is a controlling shareholder and is therefore a connected person of the Company, the entering into of the Shareholder Loan Framework Agreement constituted connected transaction for the Company. As the Group Shareholder's Loan was on terms better than normal commercial terms offered to the Group by independent third party financial institutions and no security over the assets of the Company was granted, the entering into of the Shareholder Loan Framework Agreement was 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's Loan can be found in the Company's announcement dated 11 April 2016. As at 31 May 2017, the Company is required to repay C&D Real Estate an outstanding aggregate amount of approximate RMB650,000,000 (including principal amount of the loan and relevant interest) pursuant to the Shareholder Loan Framework Agreement. The maturity date is not more than 3 years from the date of drawdown of the relevant amount of the Group Shareholder Loan.

During the course of everyday operations, based on the cash balance position, and in the premise of retaining a certain balance of funds for use in everyday operations, the Company will, for the purpose of raising the efficiency of the usage of funds, repay the Group Shareholder Loan to C&D Real Estate in a timely manner, so as to lower the Company's interest costs and expenses. The Company has used the proceeds from the pre-sales of its residential projects in Yuhua District, Changsha City; Wuzhong District, Suzhou City; and Longwen District, Zhangzhou to repay the Group Shareholder Loan. As at the Latest Practicable Date, the proceeds form the above pre-sales amounts to approximately RMB1,600 million, part of which has been used to repay the Group Shareholder Loan. C&D Real Estate will provide new loan to the Company for the Equity Transfer Agreement and for the details of the maximum financial impact on the Company please refer to section headed "Letter from the Board — Financial effects of entering into the Equity Transfer Agreement" and Appendix III of this circular.

The Company's business plan is to obtain suitable real estate projects, expand the Company's asset size, and increase the Company's land reserve through acquisition, so as to raise the Company's continued profitability. The expansion of the Company will inevitably bring an increase in gearing ratio and interest expense, which is a common situation in the real estate industry. The Board is of the view that the costs of the Land is rather low, and there are few similar competing projects in the market, so the land there has rather high appreciation potential. Further, as the Target Company is a subsidiary of C&D Real Estate, the Company can effectively enter the Fuzhou market by leveraging upon C&D Real Estate's brand in Fuzhou. Therefore, the Board considered that this settlement method fair and reasonable. Upon completion of the Acquisition, C&D Real Estate will assist the Company in the development of the project by providing cost-free support in the area of advisory on construction management and technical solutions during the construction period of the project. In addition, C&D Real Estate will also assist the Company in promoting the sales of the properties of the project by sharing the marketing and distribution network to the Company. If the assistance from C&D Real Estate constitute a connected transaction for the Company, the Company will comply with the relevant requirements under the Listing Rules as and when appropriate.

The Directors had considered several ways of equity financing other than financing by the Group Shareholder Loan, such as placing, rights issue and open offer. In respect of the placing, given that a placing of 68,000,000 Shares of the Company has just been completed on 21 December 2016, the Directors considered that it is difficult for placing agents to identify placees without further discount on placing price which will consequently lead to further dilution of the Shareholders' interest. In respect of right issues and open offer, the Directors considered that they may have difficulty finding an independent underwriter in Hong Kong that is interested in fully underwriting the Shares to raise the proposed amount of funds. The Directors considered that even if such an independent underwriter could be identified, the rights issues or open offer would incur costly underwriting commission and the process would be relatively more costly than financing by the Group Shareholder Loan.

Having considered (i) the lower interest rate of the Group Shareholder Loan when compared to the interest rates offered by the financial institutions; (ii) the Group does not have sufficient internal financial resources to settle the consideration based on the cash balance of the Group as at 31 December 2016; and (iii) the Company has considered other alternative fund raising methods which are not only costly and time consuming, but will also lead to further dilution of the Shareholders' interest, the Directors 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 the Shareholders as a whole.

*Conditions precedent*

Completion of the Acquisition will be conditional upon the following conditions precedent having been fulfilled and which cannot be waived by the parties:

1. The Acquisition having obtained the state-owned assets valuation project filing (國有資產評估項目備案) from the State-Owned Assets Supervision And Administration Commission of Xiamen Government (廈門市人民政府國有資產監督管理委員會) (which has been fulfilled as at the Latest Practicable Date); and

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 Acquisition.

*Completion*

With effect from completion of the Acquisition, Yi Yue will hold 78% equity interests in the Target Company, while Gui Qiang will hold 22% equity interests in the Target Company. The Target Company will become a subsidiary of the Company and the financial results of the Target Company will be consolidated into the consolidated financial statements of the Company.

**SHAREHOLDING STRUCTURE OF THE TARGET COMPANY**

The shareholding structure of the Target Company before and immediately after completion of the Equity Transfer Agreement is set out as follows:

| | **Before completion of the Equity Transfer Agreement** | | **Immediately after completion of the Equity Transfer Agreement** | |
|---|---|---|---|---|
| | **Amount of the registered capital of the Target Company** *(in RMB)* | *Percentage* | **Amount of the registered capital of the Target Company** *(in RMB)* | *Percentage* |
| **Name of shareholder** | | | | |
| C&D Real Estate Fuzhou Company | 78,000,000 | 78% | — | — |
| Gui Qiang | 22,000,000 | 22% | 22,000,000 | 22% |
| Yi Yue | — | — | 78,000,000 | 78% |
| Total | 100,000,000 | 100% | 100,000,000 | 100% |

## FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below are certain financial information of the Target Company for the period from 25 July 2016 (date of establishment) to 31 December 2016 and the two months ended 28 February 2017, with reference to the Accountants' Report of the Target Company in Appendix II:

| | **As at 31 December 2016 (audited)** *(in RMB'000)* | **As at 28 February 2017 (audited)** *(in RMB'000)* |
|---|---|---|
| Total assets | 534,183 | 631,840 |
| Net assets | 99,423 | 98,804 |

| | **For the period from 25 July 2016 to 31 December 2016 (audited)** *(in RMB'000)* | **For the two months ended 28 February 2017 (audited)** *(in RMB'000)* |
|---|---|---|
| Net loss before taxation | 770 | 826 |
| Net loss after taxation | 577 | 620 |

## REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT

The Group is principally engaged in the business of property development, commercial operation and management, property leasing and the construction contractor consultancy service in the PRC.

C&D Real Estate Fuzhou Company won the Land with a total land price of RMB456 million (equivalent to a price for floor area of approximately RMB3,100/$m^2$) through bidding on 15 April 2016 and transferred the Land to the Target Company on 10 August 2016. The Target Company was established as a project company for the development of the Land on 25 July 2016 (project name: Jianfa Lingjun Garden (建發•領郡花園)). The major asset held by the Target Company is the construction in progress which mainly comprises the Land. On 20 February 2017, the Target Company entered into a loan agreement with BOC Bank (Fuzhou Gulou branch), pursuant to which BOC Bank agreed to grant a loan facility for an aggregate amount up to RMB625,000,000 to the Target Company for the five-year term since the first withdrawal date for the purpose of developing the Land. The loan facility is guaranteed by C&D Real Estate, which intends to continue to provide guarantee after the completion of the Acquisition.

The Land is located at the south-west corner of the intersection of 104 National Road of Lianjiang and Wenbi West Road, and on the north-west side of Liyu Port (連江縣104國道與文筆西路交叉口西南角、鯉魚港灣西北側) in Lianjiang County, Fuzhou City, Fujian Province, the PRC, which is a new urban area where the major developments in Lianjiang County are concentrated. It is surrounded by established residential properties. Shenhai Expressway and Fuzhou Loop Expressway are also adjacent to Lianjiang County, making Lianjiang County highly accessible. Moreover, the conditions of the Land are good. The Land is a rather rare piece of mixed used land parcel (residential use for 70 years and commercial use for shops and retail stores for 40 years) within the urban area of Lianjiang County and 8 high-rise residential buildings will be constructed on the Land according to project planning. The Land is square and smooth, which makes subsequent planning and design easy. It is believed that the Land has strong potential for appreciation because of its geographical location and surrounding environment.

As disclosed in the announcement of the Company dated 25 April 2017, the development of the Land is expected to be divided into three phases. The first phase of the project has already started in September 2016. The pre-sale criteria were met in March 2017, and completion and delivery is expected to take place in December 2019. The second phase of the projects has started in May 2017 and the third phase of the projects is expected to start in February 2018, with pre-sale criteria expected to be met by November 2017 and August 2018, and completion expected to take place by 2019 and 2020 respectively. The total GFA of the project is approximately 184,000 square meters, which primarily consists of (i) residential area of approximately 143,000 square meters; (ii) commercial area of approximately 2,400 square meters; and (iii) approximately 980 car parking spaces. The estimated capital commitment of the project (including the land price) is approximately RMB1,167,000,000. The Company will finance the estimated capital commitment primarily through proceeds from the pre-sales and the Group's Shareholder's Loan. Considering the supply and demand of the real estate market in Fuzhou, and since C&D Real Estate has penetrated into the property market in Fuzhou for many years and accumulated its customers over the years by its brand name, it is expected that there will be sufficient customer base, and we expect the third phase of land development will be accelerated to meet the customer demand.

Currently, there are few competing projects on the market in the new urban area of Lianjiang County. The Group would like to capture the opportunity and launch new projects to the market in order to achieve a breakthrough. The Group considers that the Land presents great opportunities and the Acquisition is conducted in the ordinary and usual course of business of the Group. The Board believes that the Acquisition will further improve the position of the Group in the property market in Fujian Province.

Furthermore, as the financial results as well as assets and liabilities of the Target Company will be consolidated into the consolidated financial statements of the Group, this would further increase the scale of assets and profitability of the Group which would be favorable for the continuous and rapid development of the Group's business.

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 whose shares are 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. 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. Xiamen C&D Corporation Limited ranked 117th of China Top 500 Enterprises in 2016 and has been ranked 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 can easily gain access to various opportunities in acquiring land parcels and real estate projects. It can assist the Group, which is currently at the initial stage in the field of property development, to penetrate into the local upper-middle property market in Fuzhou 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 Acquisition or was required to abstain from voting at the Board meeting. As explained above in the section headed "Consideration" under the Equity Transfer Agreement, having considered that (i) the total amount of the consideration of the Acquisition is based on the assessed value of net assets and the total liabilities of the Target Company; (ii) the location and surrounding environment of the Land; and (iii) the Acquisition will be financed by the Group Shareholder Loan, the Directors (excluding the independent non-executive Directors, who will express their views after receiving advice from the independent financial adviser) consider that the Acquisition is in the interests of the Company and the Shareholders as a whole and the terms of the Acquisition are on normal commercial terms, which are fair and reasonable.

**LISTING RULES IMPLICATIONS**

As C&D Real Estate Fuzhou Company is a subsidiary of C&D Real Estate, a controlling shareholder, C&D Real Estate Fuzhou Company is considered as a connected person of the Company. The entering into of the Equity Transfer Agreement will therefore constitute a connected transaction under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios in respect of the Acquisition exceeds 25% but is less than 75%, the Acquisition constitutes a major transaction under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and independent shareholders' requirements. An EGM will be held to seek the approval of the Independent Shareholders of the Acquisition.

C&D Real Estate (which holds 215,472,000 Shares, representing approximately 50.34% interest in the Company) and its associates shall abstain from voting on the proposed resolution to approve the Acquisition 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 Acquisition.

An Independent Board Committee consisting of all the independent non-executive Directors will be established to consider and advise the Independent Shareholders on the Acquisition. 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 Acquisition 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 EQUITY TRANSFER 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 Equity Transfer Agreements on the assets and liabilities of the Group.

Upon completion of the Acquisition, the Group will hold 78% of the issued share capital of the Target Company. Consequently, the Target Company will be accounted for as a subsidiary of the Company and the financial results and assets and liabilities of the Target Company will be consolidated into the consolidated financial statements of the Company.

(i) ***Earnings***

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 Project 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 would fluctuate from year to year.

(ii) ***Cash flow***

Based on the annual report of the Company for the year ended 31 December 2016, the Group had cash and bank balances of approximately RMB246.4 million as at 31 December 2016. Pursuant to the Equity Transfer Agreement, the consideration will be settled in cash which will be financed by the Group Shareholder's Loan. Thus, the cash outflow for the settlement of the consideration will be offset by the cash inflow from the Group Shareholder's Loan and there will not be any material impact to the cash flow of the Group.

(iii) ***Net asset value***

Based on the annual report of the Company for the year ended 31 December 2016, the consolidated net asset as at 31 December 2016 was approximately RMB1,132.3 million. Upon completion of the Acquisition, in view that the inventories of properties of the Group will increase after recognizing the Land into the Group, and such increase will be larger than the increase in the Group Shareholder's Loan which to be used to settle the considerations, the net asset value of the Group will increase.

(iv) ***Gearing***

Based on the annual report of the Company for the year ended 31 December 2016, the gearing ratio of the Group as at 31 December 2016 was approximately 94%, as derived by dividing the total borrowings of the Group as at 31 December 2016 by the total equity of the Group as at 31 December 2016. Upon completion of the Acquisition, the liabilities of the Group will increase by the Group Shareholder's Loan and therefore the gearing ratio will consequently increase.

## GENERAL INFORMATION OF THE PARTIES

C&D Real Estate Fuzhou Company is a company established in the PRC which is principally engaged in the business of property development and operation and management, etc.

Yi Yue is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the property investment and development business.

## 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 Monday, 10 July 2017 at 2:00 p.m., to consider and if thought fit, to approve, among other things, the entering into of the Equity Transfer Agreement. A form of proxy 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 resolution on the entering into of the Equity Transfer Agreement at the EGM. C&D Real Estate holds 215,472,000 Shares (representing approximately 50.34% interest in the Company) as at the Latest Practicable Date, 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 convening 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 Friday, 7 July 2017 to Monday, 10 July 2017 (both days inclusive), during which time no share transfers 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 Thursday, 6 July 2017. The holders of the Shares whose names appear on the register of members of the Company on Monday, 10 July 2017 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 Equity Transfer Agreement. 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 page 15 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is set out on pages 16 to 28 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 Equity Transfer Agreement is 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. As such, the Independent Board Committee recommends that all Independent Shareholders to vote in favour of the ordinary resolution to approve the Equity Transfer Agreement and the transactions contemplated thereunder at the upcoming EGM.

## VOTE BY POLL

In accordance with Rule 13.39(4) of the Listing Rules and 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 Equity Transfer 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)**

23 June 2017

Dear Sir or Madam,

## MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 78% EQUITY INTERESTS IN THE TARGET COMPANY AND 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 Equity Transfer Agreement, the details of which are set out in the circular issued by the Company to the Shareholders dated 23 June 2017 (the "**Circular**"). 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 16 to 28 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 Equity Transfer Agreement" in the "Letter from the Board" 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 Equity Transfer Agreement was entered into 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.

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 Equity Transfer Agreement.

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

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

23 June 2017

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

# MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 78% EQUITY INTERESTS IN THE TARGET COMPANY

## INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer 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 23 June 2017 (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.

References are made to the announcement of the Company dated 25 April 2017, whereby it was announced that C&D Real Estate Fuzhou Company entered into the Equity Transfer Agreement with Yi Yue, pursuant to which C&D Real Estate Fuzhou Company agreed to sell and Yi Yue agreed to purchase 78% equity interests in the Target Company. The cash consideration under the Equity Transfer Agreement shall be RMB81,491,000. Yi Yue shall also repay the shareholder's loan in the amount of RMB505,361,900 previously advanced by C&D Real Estate Fuzhou Company to the Target Company.

As C&D Real Estate Fuzhou Company is a subsidiary of C&D Real Estate, a controlling shareholder, C&D Real Estate Fuzhou Company is considered as a connected person of the Company. The entering into of the Equity Transfer Agreement will therefore constitute a connected transaction under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios in respect of the Acquisition exceeds 25% but is less than 75%, the Acquisition constitutes a major transaction under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and independent shareholders' requirements. An EGM will be held to seek the approval of the Independent Shareholders of the Acquisition. C&D Real Estate (which holds 215,472,000 Shares, representing approximately 50.34% interest in the Company) and its associates shall abstain from voting on the proposed resolution to approve the Acquisition at the EGM.

An independent board committee, comprising all the independent non-executive Directors, namely Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee, has been established to advise the Independent Shareholders as to whether the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, conducted on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole; and to give a recommendation to the Independent Shareholders in respect of the voting on the resolutions to be proposed at the EGM.

We, Octal Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Equity Transfer Agreement in this regard. We are not connected with the directors, chief executive and substantial shareholders of the Company or Yi Yue or C&D Real Estate or C&D Real Estate Fuzhou Company or the Target Company 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 Target Company and continuing connected transaction (details of which are set out in the circular of the Company dated 21 April 2016); (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); (iv) the continuing connected transaction in relation to the entering into of consignment agreements and the entering into of the capital increase agreement (details of which are set out in the circular of the Company dated 24 September 2016); (v) the connected transaction in relation to the entering into of subscription agreement in relation to issue of perpetual convertible bond (details of which are set out in the circular of the Company dated 26 January 2017); and (vi) the connected transactions in relation to the entering into of the share transfer agreements and second capital increase agreement (details of which are set out in the circular of the Company dated 25 February 2017). 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 Yi Yue or C&D Real Estate or C&D Real Estate Fuzhou Company or the Target Company or any of their respective subsidiaries or their respective associates. Despite the Previous Engagements, we consider our independence in regard of our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Equity Transfer Agreement (the "**Current Engagement**") unaffected due to the facts that (i) under the Previous Engagements we were entitled to receive normal professional fees that are comparable to market rates and in line with general market practice; (ii) the transaction type of the Previous Engagements and the Current Engagement varied; and (iii) we have performed our duties with impartiality in respect of each of our engagements with the Company and additionally each of the engagements was handled independently as an individual task and thus we consider ourselves eligible to act as the independent financial adviser to the Company under the requirements of the Listing Rules.

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 Equity Transfer Agreement 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, C&D Real Estate, C&D Real Estate Fuzhou Company, the Target Company, any of their respective subsidiaries or their respective associates, nor have we carried out any independent verification of the information supplied to us.

**Principal factors and reasons considered**

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

1. ***Information of the Group***

The Group is principally engaged in the business of property development, commercial operation and management, property leasing and the provision of construction contractor consultancy service in the PRC. 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.

Set out below is the financial highlight of the Group in accordance with the Hong Kong Financial Reporting Standards, as extracted from the annual report of the Company for the year ended 31 December 2015 (the "**2015 Annual Report**") and the annual report of the Company for the year ended 31 December 2016 (the "**2016 Annual Report**"):

| | For the year ended 31 December | | |
|---|---|---|---|
| | **2014** | **2015** | **2016** |
| | **(Audited)** | **(Audited)** | **(Audited)** |
| | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* |
| Revenue | 272,771 | 133,767 | 104,103 |
| Profit attributable to equity holder of the Company | 24,896 | 12,668 | 14,639 |
| Cash and cash equivalents | 155,909 | 71,925 | 246,429 |
| Total assets | 961,528 | 1,280,478 | 2,783,193 |
| Total liabilities | 344,251 | 431,237 | 1,650,940 |
| Net assets | 617,277 | 849,241 | 1,132,253 |
| Gearing ratio | 12% | 14% | 94% |

*For the year ended 31 December 2015*

From the above table, we note that the Group recorded total revenue of approximately RMB133.8 million for the year ended 31 December 2015, representing a decrease of approximately 51.0% as compared to that for the year ended 31 December 2014. The net profit attributable to owners of the Company was approximately RMB12.7 million for the year ended 31 December 2015, representing a decrease of approximately 49.1% as compared to that for the year ended 31 December 2014. As set out in the 2015 Annual Report, such decreases in revenue and net profit for the year ended 31 December 2015 was mainly due to a decrease of 62.4% in revenue derived from sales of properties.

*For the year ended 31 December 2016*

From the above table, we note that the Group recorded total revenue of approximately RMB104.1 million for the year ended 31 December 2016, representing a decrease of approximately 22.2% as compared to that for the year ended 31 December 2015. The net profit attributable to owners of the Company was approximately RMB14.6 million for the year ended 31 December 2016, representing an increase of approximately 15.6% as compared to that for the year ended 31 December 2015. As set out in the 2016 Annual Report, such decrease in revenue for the year ended 31 December 2016 was mainly due to a decrease in revenue derived from sales of properties, but partly offset by an increase in revenue derived from commercial assets management income. On the other hand, the increase in net profit was mainly due to the improved gross profit margin in the financial year of 2016.

*Financial position*

The cash and cash equivalents of the Group were approximately RMB246.4 million as at 31 December 2016 as compared to that of approximately RMB71.9 million as at 31 December 2015. According to the 2016 Annual Report, the increase in cash and cash equivalent of the Group was mainly due to net cash inflows from financing activities as a result of an increase in addition in loans from C&D Real Estate and an increase in proceeds from issuance of share capital.

2. ***Information of the Target Company***

The Target Company was established in the PRC with limited liability on 25 July 2016. As at the Latest Practicable Date, the Target Company has a total registered share capital of RMB100,000,000, which is owned as to RMB78,000,000 and RMB22,000,000 by C&D Real Estate Fuzhou Company and Gui Qiang respectively.

As set out in the Letter from the Board, the Target Company is principally engaged in the business of property development and operation and management and the major asset held by the Target Company is construction in progress (the "**Construction in Progress**") which mainly comprises the Land of 52,643 sq. m. in Lianjiang County, Fuzhou City, Fujian Province of the PRC. The Land is located at the south-west corner of the intersection of 104 National Road of Lianjiang and Wenbi West Road, and on the north-west side of Liyu Port in Lianjiang County, Fuzhou City, Fujian Province, the PRC, which is a new urban area where the major developments in Lianjiang County are concentrated. It is surrounded by established residential properties. Shenhai Expressway and Fuzhou Loop Expressway are also adjacent to Lianjiang County, making Lianjiang County highly accessible. The Land is a mixed used land parcel within the urban area of Lianjiang County and eight high-rise residential buildings will be constructed on the Land. The Directors believed that the Land has strong potential for appreciation because of its geographical location and surrounding environment.

As advised by the management of the Company, we note that the total planned construction area of Land is approximately 184,000 sq. m. with approximately 980 carparking spaces. There will be approximately 1,300 residential units of the Land which are expected to accommodate a population of 4,100. The Target Company was granted a construction approval (施工許可證) of the Land from relevant authority in January 2017. The construction of the project (the "**Project**") is a residential project with a gross floor area of approximately 184,000 sq. m. which has been started since September 2016 and is expected to complete by 2020. We set out below are the information of certain progress of construction of the Project as at 31 December 2016 and 28 February 2017:

| | **As at 31 December 2016** | **As at 28 February 2017** |
|---|---|---|
| Total planned GFA, approximately (sq. m.) | 184,000 | 184,000 |
| Total planned GFA completed, approximately (sq. m.) | — | 3,500 |
| Total % of planned GFA completed | — | 1.9% |

As of 24 May 2017, the Target Company obtained pre-sale permit of 600 residential units of the Project as the construction progress of the relevant buildings of the Project exceed 30% of the total GFA of the relevant buildings. The average price of the residential units of the Project is approximately RMB10,000 sq. m. As of the Latest Practicable Date, approximately 500 of them have been subscribed, representing approximately 83.3% of the pre-sale units. We have been advised that the Company will finance the capital commitment (including the land price), which was approximately RMB1,167 million, primarily through proceeds from the pre-sales and the Group Shareholder's Loan.

Set out below are certain financial information of the Target Company as at 31 December 2016 and 28 February 2017 and appraised values extracted from by the valuation report (the "**Valuation Report A**") prepared by Xiamen Academic Practice Valuer, Co., Ltd. (the "**Xiamen Academic**") as at 28 February 2017:

| | **For the period from 25 July 2016 to 31 December 2016 (audited)** | **For the two months ended 28 February 2017 (audited)** |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Revenue | — | — |
| Net loss before taxation | 769 | 826 |
| Net loss after taxation | 577 | 619 |

| | **As at 31 December 2016 (audited)** | **As at 28 February 2017 (audited)** | **As at 28 February 2017 (appraised value)** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Total assets | 534,183 | 631,840 | 633,554 |
| Total liabilities | 434,760 | 533,036 | 529,078 |
| Net assets | 99,423 | 98,804 | 104,476 |

Since the Project is under construction, the Target Company has yet to record any revenue for the period from 25 July 2016 to 31 December 2016 and the two months ended 28 February 2017. The net loss after taxation of the Target Company for the period from 25 July 2016 to 31 December 2016 and the two months ended 28 February 2017 were approximately RMB577,000 and RMB619,000 respectively. As at 28 February 2017, the Target Company had audited net assets of approximately RMB98.8 million, of which approximately RMB553.4 million was the Construction in Progress and approximately RMB491.1 million was the amount due to C&D Real Estate.

3. ***Reasons for and benefits of the Acquisition***

The Group is principally engaged in the business of property development, commercial operation and management, property leasing and the provision of construction contractor consultancy service in the PRC. 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.

We have researched from public sources on the information related to the residential property market in Fuzhou City. According to the Bureau of Statistics of Fuzhou, Fuzhou City has an area of approximately 12,251 sq. km.. The GDP of Fuzhou City amounted to approximately RMB619.8 billion in 2016, representing an increase of 8.5% over the previous year. The resident population of Fuzhou City was approximately of 7.6 million in 2016, representing an increase of approximately 0.9% over the previous year. In addition, the investment in the development of immovable properties amounted to approximately RMB518.4 billion for the year of 2016, representing an increase of approximately 6.8% when compared to the year of 2015. Moreover, we have conducted searches of the average property price of Lianjiang County. With respect to historical property price information of Lianjiang County, we have attempted to research those information from government websites of National Statistics Bureau, Bureau of Statistics of Fuzhou and Lianjiang County People's Government Portal. However, we could not identify relevant property price information of Lianjiang County. Alternatively, we have referred to Fang.com which is the leading real estate Internet portal in the PRC in terms of number of page views and visitors in 2015 as mentioned in its website. According to Fang.com, the average property price of Lianjiang County has increased for approximately 24.1% from approximately RMB6,454 per sq. m. in May 2016 to RMB8,011 sq. m. in April 2017. Given that the properties of the Project are located in close proximity to the downtown area of Lianjiang County and enjoy the brand premium of C&D Real Estate, the average selling price of the residential units of the Project is higher than the general average housing price of Lianjiang County.

As mentioned above, the Land is located in the new urban area of Lianjiang County which has great potential for development of residential property. Based on our studies on the geographic position of Lianjiang County, we noticed that Lianjiang County is located at the centre of an extensive and efficient air, land and marine transport network of Fujian Province, in which it takes around 35 minutes from the Land to the Fuzhou International Airport and around 30 minutes to the Mawei Harbour which is one of the major harbours of Fuzhou City. Moreover, we noticed that the third phase of Tong Gang Expressway (通港大道), which is an important linkage between Shenyang-Haikou Expressway and Fuzhou Loop Expressway, has been constructed and in operation since October 2016. Owing to the well-established transportation network system, Lianjiang County plays an important role as being one of the major logistics centres in the PRC. Having considered the transportation infrastructure and the growing logistics business in Lianjiang County, both of which will improve its GDP and income level of its residential, we are of the view that the development of the residential properties in the Lianjiang County is in line with the Group's strategy and in the interest of the Company and Shareholders as a whole.

In addition, after the completion of the Acquisition, Yi Yue will directly own 78% of the registered capital of the Target Company. Therefore, the financial results of the Target Company would be consolidated into the consolidated result of the Company and thereby increasing the scale of assets and profitability of the Group. Moreover, all the directors in the board of the Target Company can be solely appointed by Yi Yue, therefore Yi Yue, also being the controlling shareholder of the Target Company, will have the authority to manage the operation of the Target Company and utilise resources of the Target Company.

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, the cooperation with C&D Real Estate can enable the Group to (i) gain access to various opportunities in acquiring land parcels and real estate projects. (ii) penetrate the local upper-middle property market in Fuzhou City in an efficient manner; and (iii) accumulate precious property development experience for future expansion in the property market. Moreover, we understand from the management of the Company that there has been long cooperation between the Company and C&D Real Estate for several real estate development projects and management of construction projects, which have been operating efficiently and effectively. Upon completion of the Acquisition, C&D Real Estate will assist the Company in the development of the Project by providing cost-free support in the area of advisory on construction management and technical solutions during the construction period of the Project. In addition, C&D Real Estate will also assist the Company in promoting the sales of the properties of the Project by sharing the marketing and distribution network to the Company. In the event that abovementioned support services constitute continuing connected transactions under Chapter 14A of the Listing Rules, the Company will comply with relevant provisions of the Listing Rules in the future.

As set out in the "Information of the Target Company", approximately 83.3% of the pre-sale units of the Project with the average price at approximately RMB10,000 sq. m. have been subscribed as of the Latest Practicable Date. The Directors considered that the favourable response on the first batch of pre-sale units has shown robust demand for real estate property in the Lianjiang County and expected that the sale of the rest of the residential units will have similar result with that of those pre-sale units.

We noted that the department of housing management of Fuzhou City has implemented policies on the residential property market of Fuzhou City since late March 2017 (the "**Policies**"). The Policies mainly include increasing supply of public housing, increasing supply of land for residential uses, restrictions on purchasing residential property for non-local residents and restrictions on mortgage for residential property. We noticed that the general property price of Fuzhou City has encountered downward pressure recently. According to Fang.com, the average housing price of Fuzhou City has decreased for approximately 2.3% from approximately RMB8,203 sq. m. in February 2017 to RMB8,011 sq. m. in April 2017. Notwithstanding the potential impact on the property price in Fuzhou City, the Directors consider that the Policies would not have material impact on the prospect of the Project and the Target Company after considered (i) the geographical advantages of the Land; (ii) the moderate increase of the GDP of Fuzhou City; (iii) the steady increase of the population in Fuzhou City; (iv) the well-established transportation network of Lianjiang County; (v) the controlling power of the Target Company; (vi) the favourable response of the first batch of pre-sale unit of which approximately 83.3% of the pre-sale units have been subscribed as at the Latest Practicable Date; and (vii) the proven track record of cooperation with C&D Real Estate and the cost-free support from C&D Real Estate for the construction and promotion of the properties of the Project. Leveraging on the aforesaid reasons and benefits we concur with the Company that the Acquisition will provide the Group with a good investment opportunity to enhance long-term values of the Company and therefore is in the interests of the Company and the Shareholders as a whole.

4. ***Major Terms of the Equity Transfer Agreements***

(i) *Consideration*

Pursuant to the Equity Transfer Agreement, Yi Yue will acquire the 78% equity interest of the Target Company from C&D Real Estate Fuzhou Company at a cash consideration of RMB81.5 million and Yi Yue shall also repay the shareholder's loan in the amount of RMB505.4 million previously advanced by C&D Real Estate Fuzhou Company to the Target Company. The cash consideration was determined based on arm's length negotiations between Yi Yue and C&D Real Estate Fuzhou Company with reference to the valuation of the total assets and liabilities of the Target Company conducted by Xiamen Academic. The cash consideration of approximately RMB81.5 million was arrived by 78% of the net asset value of the Target Company as at 28 February 2017, at which the total assets and total liabilities of the Target Company were valued at approximately RMB633.6 million and RMB529.1 million respectively. On the other hand, the shareholder's loan of RMB505.4 million to be paid by Yi Yue is based on the total amount of shareholder's loan previously advanced by C&D Real Estate Fuzhou Company to the Target Company according to the audited accounts of the Target Company as at 28 February 2017.

We have reviewed and enquired the qualification and experience of Xiamen Academic in charge of the valuation of the Target Company. We noted that Xiamen Academic is on the recognized list of valuation companies. Meanwhile, we understand from our enquiry with Xiamen Academic that it is a third party independent of the Group and/or the connected persons of the Group and/or C&D Real Estate and/or C&D Real Estate Fuzhou Company and/or the Target Company and/or any of their respective subsidiaries or their respective associates. We have also reviewed the scope of services provided under the engagement of Xiamen Academic 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 Xiamen Academic is qualified and possesses sufficient relevant experience in performing the valuation of the Target Company.

As set out in the Valuation Report A, the assessed value of the total asset, the total liability and total net asset were approximately RMB633.6 million, RMB529.1 million and RMB104.5 million respectively as at 28 February 2017. Based on our review of the Valuation Report A and our discussion with Xiamen Academic, we noted that the valuation of the Land has been prepared by cost approach and the major assumptions include (i) there will be no significant and unpredictable changes in the existing political, legal, financial or economic conditions which might adversely affect the economy in general and the valuation of the Land; (ii) the Target Company continues to operate in the foreseeable future; (iii) the key management will successfully carry out all necessary activities for development of the Target Company; (iv) the Target Company will comply with the laws and regulations; and (v) there is no force majeure or unexpected condition associated with the assets valued that might adversely affect the reported values. Based on our review and analysis of the Valuation Report A, we consider that this methodology is a commonly adopted approach and justifiable in appraising such assets and liabilities and the assumptions being evaluated and validated can provide a reasonable basis in arriving at the valuation. We consider that the basis and assumptions adopted by Xiamen Academic for the valuation are fair and reasonable.

According to the appraised value of the Construction In Progress as at 31 March 2017 extracted by the valuation report prepared by DTZ (the "**Valuation Report B**") as set out in Appendix IV to the Circular, we noted that the appraised value of the Construction In Progress as at 31 March 2017 was approximately RMB561.0 million an increase of 1.1% when compared to the assessed value of approximately RMB555.1 million as at 28 February 2017 in the Valuation Report A.

In compliance with the requirements of Rule 13.80 of the Listing Rules, we have reviewed and enquired the qualification and experience of the personnel of DTZ in charge of the valuation. We noted that Mr. Philip C Y Tsang, being responsible for the signing the Valuation Report B, has over 24 years' experience in the valuation of properties in the PRC. 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, C&D Real Estate and C&D Real Estate Fuzhou Company did not have any business relationship except the issue of valuation reports in relation to the Target Company and other assets of the Group in preparations of the Group's financial reporting. 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 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 (i) the Land is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value; (ii) the 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; and (iii) the owners of the Land 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. 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 the expected outstanding development cost of the Project. We consider that this methodology is a commonly adopted approach and justifiable and the assumptions are fair and reasonable.

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.

Having considered (i) the competence of Xiamen Academic and DTZ; and (ii) the reasonableness of valuation approaches, basis and assumptions being adopted in the Valuation Report A and Valuation Report B, we are of the view that the consideration is fair and reasonable.

(ii) *Settlement*

As set out in the Letter from the Board, Yi Yue will finance the consideration under the Equity Transfer Agreement by the Group Shareholder's Loan obtained from C&D Real Estate. Pursuant to the Shareholder Loan Framework Agreement entered into between the Company and C&D Real Estate, the interest rate of the Group Shareholder's Loan will be based on the benchmark RMB lending rate of the People's Bank of China, and there is no requirement of pledging any assets to C&D Real Estate under the Shareholder Loan Framework Agreement. Having considered (i) the request by financial institutions to pledge the assets of the Company while the Group lacks further valuable assets for pledging against new borrowings; and (ii) the higher interest rate (at least 10% higher than the benchmark RMB lending rate of the People's Bank of China) that is likely to be charged by financial institutions if loan facilities are to be provided by financial institutions, the Directors considered that the Group Shareholder's Loan was on terms better than normal commercial terms offered to the Group by independent third party financial institutions.

As advised by the management of the Company, the Directors had considered several ways of equity financing other than financing by the Group Shareholder's Loan, such as placing, rights issue and open offer. In respect of the placing, given that a placing of 68,000,000 Shares of the Company has just been completed on 21 December 2016, the Directors considered that it is difficult for placing agents to identify placees without further discount on placing price which will consequently lead to further dilution of the Shareholders' interest. In respect of right issues and open offer, the Directors considered that they may have difficulty finding an independent underwriter in Hong Kong that is interested in fully underwriting the Shares to raise the proposed amount of funds.

In addition, we also understand from the Company that the equity financing methods including the placing, rights issue and open offer will dilute the existing Shareholders' interest in the Company under certain magnitude of discount on the placing price or subscription price to attract relevant placees or subscribers in order to proceed those equity financing methods. Although the gearing ratio of the Company will increase upon completion of the Acquisition, the Directors believe that the Company can repay the Group Shareholder's Loan by proceeds to be generated from the sale of the properties of the Project as such the gearing position of the Company will be improved in the future.

In view that (i) the interest rate of the Group Shareholder's Loan is lower than the interest rates offered from independent financial institutions; (ii) the Group Shareholder's Loan does not require any assets to be secured by the Group while the loans from independent financial institutions do; and (iii) the Group Shareholder's Loan has no dilution impact to the Shareholders, we are of the view that the utilization of the Group Shareholder's Loan to settle the consideration is in the interest of the Company and independent Shareholders as a whole.

**Financial effects of the entering into the Equity Transfer Agreement**

Upon completion of the Acquisition, the Group will hold 78% of the issued share capital of the Target Company. Consequently, the Target Company will be accounted for as a subsidiary of the Company and the financial results and assets and liabilities of the Target Company will be consolidated into the consolidated financial statements of the Company.

(i) ***Earnings***

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 Project 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 would fluctuate from year to year.

(ii) ***Cash flow***

As set out in the financial highlight under the section headed "Information of the Group", the Group had cash and bank balances of approximately RMB246.4 million as at 31 December 2016. Pursuant to the Equity Transfer Agreement, the consideration will be settled in cash which will be financed by the Group Shareholder's Loan. The estimated capital commitment of the project (including the land price) is approximately RMB1,167 million. Taking into account the result of the sale of pre-sale units as at the Latest Practicable Date and the supply and demand of the real estate market in Fuzhou City, the Directors consider that the Group Shareholder's Loan and proceed from pre-sale units can offset the cash outflow as a result of the capital commitment.

(iii) ***Net asset value***

As set out in the financial highlight under the section headed "Information of the Group", the consolidated net asset as at 31 December 2016 was approximately RMB1,132.3 million. Upon completion of the Acquisition, in view that the inventories of properties of the Group will increase after recognizing the Land into the Group, and such increase will be larger than the increase in the Group Shareholder's Loan which to be used to settle the considerations, the net asset value of the Group will increase.

(iv) ***Gearing***

As set out in the financial highlight under the section headed "Information of the Group", the gearing ratio of the Group as at 31 December 2016 was approximately 94%, as derived by dividing the total borrowings of the Group as at 31 December 2016 by the total equity of the Group as at 31 December 2016. Upon completion of the Acquisition, the liabilities of the Group will increase by the Group Shareholder's Loan and therefore the gearing ratio will consequently increase.

As set out in the Letter from the Board, the Company has used the proceeds from the pre-sales of other residential projects of the Company to repay the Group Shareholder's Loan. As at the Latest Practicable Date, the proceeds from the above pre-sales amounts to approximately RMB1,600 million, part of which has been used to repay the Group Shareholder's Loan. Moreover, the Directors believe that the Company can repay the Group Shareholder's Loan by proceeds to be generated from the sale of the properties of the Project as such the gearing position of the Company will be improved in the future.

**Recommendation**

Having considered the above principal factors, we are of the opinion that the terms of the Equity Transfer Agreement and transactions contemplated thereunder 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 Equity Transfer Agreement.

Yours faithfully,
For and on behalf of
**Octal Capital Limited**

| | |
|---|---|
| **Alan Fung** | **Louis Chan** |
| *Managing Director* | *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 for each of the three financial years ended 31 December 2014, 2015 and 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 (http://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
- annual report of the Company for the year ended 31 December 2016 published on 7 April 2017 (pages 67 to 143).

### Statement Of Indebtedness

***Borrowings — secured***

At the close of business on 30 April 2017, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had guaranteed interest-bearing bank borrowings of RMB1,483,923,000. Among the secured interest-bearing bank borrowings of the Enlarged Group, RMB2,923,000 were secured by certain property, plant and equipment and RMB1,481,000,000 were secured by property under development for sale.

***Borrowings — unsecured***

At the close of business on 30 April 2017, the Enlarged Group had unsecured and guaranteed interest-bearing bank borrowings of RMB350,000,000, unsecured and unguaranteed amounts due to non-controlling interests of RMB250,520,000, and unsecured and unguaranteed interest-bearing loans from the intermediate holding companies of RMB1,764,765,000.

***Financial guarantee contracts***

At the close of business on 30 April 2017, the Enlarged Group has provided guarantees to banks and financial institutions for mortgage facilities granted to purchasers of the Enlarged Group's properties amounting to RMB850,660,000. 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 30 April 2017, the Enlarged Group had capital commitments, which were contracted but not provided for, in respect of property, plant and equipment and properties under development of RMB4,932,000 and RMB1,662,956,000 respectively.

***Pledged assets***

The Enlarged Group had pledged its bank deposits of RMB407,000 as at 30 April 2017 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 Enlarged Group's property units.

As at 30 April 2017, bank borrowings are effectively secured by the underlying assets that consist of certain of the Enlarged Group's property, plant and equipment with a carrying amount of RMB10,947,000 and properties under development for sale with a carrying amount of RMB4,493,954,000.

***Contingent liabilities***

As at the close of business on 30 April 2017, the Enlarged Group did not have other significant contingent liabilities.

***Disclaimer***

Save as aforesaid in this section of the circular and apart from Enlarged intra-group liabilities and normal trade and other payables in the ordinary course of business, at the close of business on 30 April 2017, the Enlarged 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, taking into account the financial resources and banking facilities available to the Enlarged Group, the Enlarged 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 the auditors has been set out in Appendix II in this circular.

**Management Discussion and Analysis of the Target Company**

***Industry Analysis***

Early in 2016, under the stimulation of encouraging purchase policy, of which the purpose is "De-Stocking", coupled with the support of easing credit environment, the real-estate market in the PRC in the first 10 months of 2016 is extremely popular. After the National Day Holiday, more than 20 cities in the PRC have released new real-estate regulation policies. With the intervening of the regulation policies, the increase of the real-estate price in 2017 will tend to be stabilized or slow down.

The new real-estate regulation policies of Fuzhou mainly aims to restrain certain groups of people who already have multiple commodity housing from buying further houses. The main purpose of the new policies, is to curb investment and speculative demand, and the government will at the same time continue to support rational consumer demand, so as to guide the market to return to a stable position. The new policy is anticipated to play a certain suppressive role on the price increase of new housing in Fuzhou, and the number of concluded transactions will also to a certain extent be impacted. However, it is anticipated that there will not be material changes to the basic trend for the development of the real estate market on the whole.

As the major target customers in Lianjiang County are those with rigid demand or upgrading demand, and not speculative trades targeted by the new policy, hence, we are of the view that the influence from the implementation of the new policy in Lianjiang County is rather limited. Also, with changes in the demand structure, we anticipate that there will be more long-term and stable customer resources in the future, which will further strengthen the Company's influence on the Fuzhou market

***Business Review***

The Target Company was established in the PRC with limited liability on 25 July 2016. The core business of the Target Company is real estate development and operation, As at the date of this circular, the Target Company has a total registered share capital of RMB100,000,000, which is owned as to RMB78,000,000 and RMB22,000,000 by C&D Real Estate Fuzhou Company and Gui Qiang respectively.

***Selling and distribution expenses***

The selling and distribution expenses of Target Company for the period from 25 July 2016 (date of establishment) to 31 December 2016 and the two months ended 28 February 2017 were about RMB 779,000 and 820,000. The expenses were mainly the advertising fees before the sale of realty.

***Income tax benefits***

The income tax benefits for period from 25 July 2016(date of establishment) to 31 December 2016 and the two months ended 28 February 2017 were approximately RMB192,000 and 207,000 as a result of the recognition of deferred income tax assets.

***Capital Structure***

As at 31 December 2016 and 28 February 2017, the registered capital of the Target Company was RMB100,000,000.

***Financial resources***

As at 28 February 2017, the Target Company's financing mainly relied on interest-bearing loans from C&D Real Estate Fuzhou Company. 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 RMB625,000,000 for project construction to the Target Company with guarantee from C&D Real Estate and the Land as mortgage.

No particular trend of seasonality was observed for the Target Company's borrowing requirements for the year ended 28 February 2017.

***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 28 February 2017, the Target Company had loan from intermediate holding company of approximately RMB491,078,000 denominated in RMB.

As at 28 February 2017, the Target Company's net gearing ratio is 497%.

Currently, the Target Company's financing mainly relies on interest loans from the controlling shareholder and bank borrowings. As of now the pre-sale of the Project has already started. With 500 out of the 600 units subscribed which represents 83.3% of the first pre-sale batch, the pre-sale status is considered quite desirable. Further, future pre-sales are expected to increase sizes. Hence the Target Company would generate sufficient cash flows for settling all outstanding debts.

***Employees and Remuneration Policies***

The Target Company had 20 staff members and 22 staff members as at 31 December 2016 and 28 February 2017 respectively. Staff costs for period from 25 July 2016(date of establishment) to 31 December 2016 and the two months ended 28 February 2017 were RMB1,433,000 and RMB348,000 respectively. The Target Company's remuneration policy is in line with the prevailing market practice on performance of individual staff and the Target Company 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 2016 and 28 February 2017.

***Capital Commitments***

As at 31 December 2016 and 28 February 2017, capital commitments of the Target Company amounted to RMB394,440,000 and RMB396,650,000 respectively.

## 2A. PROPERTY INTERESTS AND VALUATION OF PROPERTIES

Our Land is valued at RMB561,000,000 as at 31 March 2017 by DTZ Cushman & Wakefield Limited. Details of the valuation are summarised in Appendix IV to this circular. There is a net revaluation surplus, representing the excess market value of the Land over its book value, approximately RMB1,738,000 of which will not be included in the Group's accounts for the year ending 28 February 2017. In accordance with the Group's accounting policy, the Land is stated at cost less accumulated depreciation. As such, the net revaluation surplus arising from the valuation of the Land has not been included in the financial statement of assets and liabilities as at 28 February 2017 under the section headed "Appendix II Accountants' Report of the Target Company" in this circular.

Disclosure of the reconciliation of the valuation of such Land as required under Rule 5.07 of Listing Rules is set out below:

| | *RMB'000* | *RMB'000* |
|---|---|---|
| Valuation of the Land as at 31 March 2017 as set out in the Valuation Report included in Appendix IV | | 561,000 |
| Net book value of the Land as at 28 February 2017 as set out in Accountants' Report of the Target Company included in Appendix II | | |
| — the Land | 474,304 | |
| — Construction in progress | 61,180 | |
| — interests capitalized | 17,925 | |
| | 553,409 | |
| Add:Additions of Construction in progress during the period from 28 February 2017 to 31 March 2017 (unaudited) | 5,853 | |
| Net book value of the Land as at 31 March 2017 subject to valuation as set out in the Valuation Report included in Appendix IV | | 559,262 |
| Net revaluation surplus. | | 1,738 |

## 3. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

Leveraging on the strong background of C&D Real Estate, as a state-owned enterprise and its abundant financial support, the Enlarged 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 Enlarged Group will make full use of the branding strength, operational excellence and financial advantages of C&D Real Estate. The Enlarged 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 Enlarged Group. In terms of financing, the Enlarged Group will adopt a diversified yet prudent financing approach to obtain low-cost funds with C&D Real Estate's excellent credit.

With respect to the positioning and planning of the Enlarged Group, the Enlarged 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 Enlarged 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.

For example, the Enlarged Group plans to construct a residential project of low-rise and high-rise buildings with a total GFA of approximately 358,000 sq.m. in Changtai County, Zhangzhou City, neighboring Xiamen City.

With a growing aging population in the PRC and significant increase in the demand for health care, the Enlarged 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 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. As at the Latest Practicable Date, the Enlarged Group does not have materialised arrangement on the health and pension industries.

*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.*

Grant Thornton
致同

23 June 2017

The directors
C&D International Investment Group Limited

Dear Sirs,

We set out below our report on the financial information of Lianjiang Zhaorun Real Estate Development Company Limited (the "Target Company" or "Lianjiang Zhaorun"), which comprises the statements of financial position of the Target Company as at 31 December 2016 and 28 February 2017, the statements of profit or loss and other comprehensive income, the statements of cash flows and the statements of changes in equity of the Target Company for the period from 25 July 2016 (date of establishment) to 31 December 2016 and for the two months ended 28 February 2017 (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 23 June 2017 (the "Circular") in connection with the proposed acquisition of 78% 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 25 July 2016. The Target Company is located in Fuzhou City, Fujian 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 25 July 2016 (date of establishment) to 31 December 2016 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 28 February 2017.

**Opinion**

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Target Company as at 31 December 2016 and 28 February 2017 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 25 July 2016 (date of establishment) to 31 December 2016 and for the two months ended 28 February 2017 (the "Financial Information"):

### (A) STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | *Notes* | **Period from 25 July 2016 (date of establishment) to 31 December 2016** | **Two months ended 28 February 2017** |
|---|---|---|---|
| | | *RMB'000* | *RMB'000* |
| **Revenue** | 4 | — | — |
| Other income | 5 | 10 | — |
| Administrative expenses | | (779) | (826) |
| Finance costs | 6 | — | — |
| **Loss before income tax** | 7 | (769) | (826) |
| Income tax credit, net | 8 | 192 | 207 |
| **Loss and total comprehensive loss for the period** | | (577) | (619) |

## (B) STATEMENTS OF FINANCIAL POSITION

| | *Notes* | **As at 31 December 2016** *RMB'000* | **As at 28 February 2017** *RMB'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | 359 | 331 |
| Deferred tax assets | 12 | 195 | 402 |
| | | 554 | 733 |
| **Current assets** | | | |
| Properties under development for sale | 13 | 531,478 | 553,409 |
| Other receivables | 14 | 1,218 | 4,373 |
| Cash and cash equivalents | | 933 | 73,325 |
| | | 533,629 | 631,107 |
| **Current liabilities** | | | |
| Trade and other payables | 15 | 45,084 | 33,638 |
| Amount due to immediate holding company | 16 | — | 137 |
| Amount due to a fellow subsidiary | 16 | — | 180 |
| Amount due to non-controlling shareholder | 16 | 8,000 | 8,000 |
| Loan from intermediate holding company | 16 | 381,673 | 491,078 |
| Income tax liabilities | | 3 | 3 |
| | | 434,760 | 533,036 |
| **Net current assets** | | 98,869 | 98,071 |
| **Net assets** | | 99,423 | 98,804 |
| **EQUITY** | | | |
| Paid-up capital | 17 | 100,000 | 100,000 |
| Accumulated losses | | (577) | (1,196) |
| **Total equity** | | 99,423 | 98,804 |

## (C) STATEMENTS OF CHANGES IN EQUITY

| | Paid-up capital | Accumulated losses | Total equity |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At 25 July 2016 (date of establishment) | — | — | — |
| Capital contribution from shareholders (note 17) | 100,000 | — | 100,000 |
| Loss and total comprehensive loss for the period | — | (577) | (577) |
| **At 31 December 2016 and 1 January 2017** | 100,000 | (577) | 99,423 |
| Loss and total comprehensive loss for the period | — | (619) | (619) |
| **At 28 February 2017** | 100,000 | (1,196) | 98,804 |

## (D) STATEMENTS OF CASH FLOWS

| | Period from 25 July 2016 (date of establishment) to 31 December 2016 | Two months ended 28 February 2017 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Cash flows from operating activities** | | |
| Loss before income tax | (769) | (826) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 53 | 28 |
| Interest income | (10) | — |
| Operating loss before working capital changes | (726) | (798) |
| Increase in properties under development for sale | (517,510) | (17,974) |
| Increase in other receivables | (1,218) | (3,155) |
| Increase/(decrease) in trade and other payables | 31,116 | (15,403) |
| ***Net cash used in operating activities*** | (488,338) | (37,330) |
| **Cash flows from investing activities** | | |
| Interest received | 10 | — |
| Purchase of property, plant and equipment | (412) | — |
| ***Net cash used in investing activities*** | (402) | — |
| **Cash flows from financing activities** | | |
| Capital contribution from shareholders | 100,000 | — |
| Advances from immediate holding company | — | 137 |
| Advances from a fellow subsidiary | — | 180 |
| Advances from non-controlling shareholder | 8,000 | — |
| Advances from intermediate holding company | 381,673 | 109,405 |
| ***Cash from financing activities*** | 489,673 | 109,722 |
| **Net increase in cash and cash equivalents** | 933 | 72,392 |
| **Cash and cash equivalents at the beginning of the period** | — | 933 |
| **Cash and cash equivalents at the end of the period, represented by bank balances** | 933 | 73,325 |

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

### 1. GENERAL INFORMATION

Lianjiang Zhaorun was established in the PRC with limited liability on 25 July 2016. The address of its registered office is Room 406 & 408, Building 5, Million City Square, 10 Matsu Road, Feng Town, Lianjiang Country, Fuzhou City, Fujian Province, the PRC. The Target Company is principally engaged in properties development in the PRC.

In the opinion of the directors of Lianjiang Zhaorun, the immediate holding company and ultimate holding company of Lianjiang Zhaorun are C&D Real Estate Fuzhou 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 includes all applicable individual HKFRSs, Hong Kong Accounting Standards, amendments 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 effective for the financial period beginning on 25 July 2016 (date of establishment) to 31 December 2016 and the two months ended 28 February 2017. 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 policies below.

As at 28 February 2017, the Target Company had not yet generated any revenue and was dependent on financial support from its intermediate holding company C&D Real Estate Corporation Limited ("C&D Real Estate"), for further property development and working capital. The Financial Information have been prepared on a going concern basis as the intermediate holding company of the Target Company, has undertaken to provide the necessary 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** |
|---|---|---|
| Amendments to HKAS7 | Disclosure initiative | 1 January 2017 |
| 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.

***Amendments to HKAS 7 "Disclosure Initiative"***

The amendments to HKAS 7 require entities to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

An entity applies its judgement when determining the exact form and content of the disclosures needed. The amendments suggest a number of specific disclosures in order to satisfy the above requirement, including:

— changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses.

— a reconciliation of the opening and closing balances of liabilities arising from financing activities in the combined statement of financial position including those changes identified immediately above.

The amendments to HKAS 7 are effective for annual periods beginning on or after 1 January 2017.

The Directors consider that the application of Amendments to HKAS 7 in the future will not have a significant impact on the Target Comapny's results and financial position.

***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 financial liabilities 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:

| | |
|---|---|
| Furniture and fixtures | 20% |
| Leasehold improvement | 5 years or over the lease terms, whichever is shorter |

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 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 period 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 trade and other payables, amount due to immediate holding company, amount due to a fellow subsidiary, amount due to non-controlling shareholder 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.

Trade and other payables, amount due to immediate holding company, amount due to a fellow subsidiary, amount due to non-controlling shareholder 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 group 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.

***Short-term employee benefits***

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

### 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 initial recognition of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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 and 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 and 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).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the parent of the Target Company.

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.

### 3.1 Key sources of estimation uncertainty

**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 properties under development for sale 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. If the actual net realisable value of properties under development is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material provision for impairment loss may result. At 31 December 2016 and 28 February 2017, the carrying amount of properties under development for sale were RMB531,478,000 and RMB553,409,000 respectively (note 13).

## 4. REVENUE

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

## 5. OTHER INCOME

| | Period from 25 July 2016 (date of establishment) to 31 December 2016 | Two months ended 28 February 2017 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Bank interest income | 10 | — |

## 6. FINANCE COSTS

| | Period from 25 July 2016 (date of establishment) to 31 December 2016 | Two months ended 28 February 2017 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Interest on loan from intermediate holding company | 13,968 | 3,957 |
| Less: interest capitalised in properties under development for sale* | (13,968) | (3,957) |
| | — | — |

* The borrowing costs have been capitalised at a rate of 6.3% per annum for the two months ended 28 February 2017.

## 7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

| | Period from 25 July 2016 (date of establishment) to 31 December 2016 | Two months ended 28 February 2017 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Depreciation of property, plant and equipment | 53 | 28 |

## 8. INCOME TAX CREDIT, NET

| | Note | Period from 25 July 2016 (date of establishment) to 31 December 2016 | Two months ended 28 February 2017 |
|---|---|---|---|
| | | *RMB'000* | *RMB'000* |
| **Current income tax** | | | |
| PRC corporate income tax | | (3) | — |
| **Deferred tax** | 12 | 195 | 207 |
| **Income tax credit, net** | | 192 | 207 |

PRC Enterprise Income Tax has been provided in the Financial Information at the rate of 25% on the assessable profits for the Relevant Periods.

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

| | Period from 25 July 2016 (date of establishment) to 31 December 2016 | Two months ended 28 February 2017 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Loss before income tax | (769) | (826) |
| Tax at the applicable tax rate of 25% | 192 | 207 |
| **Income tax credit** | 192 | 207 |

## 9. EMPLOYEE BENEFIT EXPENSES

| | Period from 25 July 2016 (date of establishment) to 31 December 2016 | Two months ended 28 February 2017 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Salaries, wages and other benefits | 1,300 | 854 |
| Contributions to defined contribution retirement plans | 213 | 133 |
| Less: employee benefit expenses capitalised in properties under development for sales | (1,513) | (987) |
| **Employee benefit expenses recognised as an expense** | — | — |

## 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 25 July 2016 (date of establishment) to 31 December 2016 | Two months ended 28 February 2017 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Salaries, wages and other benefits | 1,327 | 277 |
| Contributions to defined contribution retirement plans | 106 | 71 |
| | 1,433 | 348 |

Their emoluments were within the band of Nil to HK$1,000,000.

## 11. PROPERTY, PLANT AND EQUIPMENT

| | Furniture and fixtures | Leasehold improvement | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **At 25 July 2016 (date of establishment)** | | | |
| Costs | — | — | — |
| Accumulated depreciation | — | — | — |
| Net book amount | — | — | — |
| **Period ended 31 December 2016** | | | |
| Opening net book amount | — | — | — |
| Addition | 132 | 280 | 412 |
| Depreciation | (4) | (49) | (53) |
| Closing net book amount | 128 | 231 | 359 |
| **At 31 December 2016 and 1 January 2017** | | | |
| Costs | 132 | 280 | 412 |
| Accumulated depreciation | (4) | (49) | (53) |
| Net book amount | 128 | 231 | 359 |
| **Two months ended 28 February 2017** | | | |
| Opening net book amount | 128 | 231 | 359 |
| Depreciation | (4) | (24) | (28) |
| Closing net book amount | 124 | 207 | 331 |
| **At 28 February 2017** | | | |
| Costs | 132 | 280 | 412 |
| Accumulated depreciation | (8) | (73) | (81) |
| Net book amount | 124 | 207 | 331 |

## 12. DEFERRED TAXATION

The movement of deferred tax assets are as follows:

| | **Others** |
|---|---|
| | *RMB'000* |
| At 25 July 2016 (date of establishment) | — |
| Credited to profit or loss | 195 |
| At 31 December 2016 and 1 January 2017 | 195 |
| Credited to profit or loss | 207 |
| **At 28 February 2017** | 402 |

## 13. PROPERTIES UNDER DEVELOPMENT FOR SALE

| | **As at 31 December 2016** | **As at 28 February 2017** |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Properties under development for sale include: | | |
| — cost of leasehold land | 474,304 | 474,304 |
| — construction costs and capitalised expenditure | 43,206 | 61,180 |
| — interests capitalised | 13,968 | 17,925 |
| | 531,478 | 553,409 |

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 2016 and 28 February 2017, 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.

## 14. OTHER RECEIVABLES

| | **As at 31 December 2016** | **As at 28 February 2017** |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Other receivables | 1,218 | 4,373 |

The directors of the Group considered that the fair values of other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

## 15. TRADE AND OTHER PAYABLES

| | As at 31 December 2016 | As at 28 February 2017 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Trade payables** | | |
| To third parties | 27,727 | 15,284 |
| **Other payables** | | |
| Accruals and other payables | 3,389 | 429 |
| Interest payable on loan from intermediate holding company | 13,968 | 17,925 |
| | 17,357 | 18,354 |
| | 45,084 | 33,638 |

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

The Target Company was granted by its suppliers average credit period of 30 days. Included in trade payables are trade creditors with the following ageing analysis, based on invoice dates, as of the end of reporting period.

| | As at 31 December 2016 | As at 28 February 2017 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| 0-30 days | 27,354 | 14,940 |
| 31-60 days | 28 | 177 |
| 61-90 days | — | 9 |
| Over 90 days | 345 | 158 |
| | 27,727 | 15,284 |

## 16. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY/A FELLOW SUBSIDIARY/NON-CONTROLLING SHAREHOLDER/LOAN FROM INTERMEDIATE HOLDING COMPANY

The amount due to immediate holding company/a fellow subsidiary/non-controlling shareholder are unsecured, interest-free and repayable on demand.

The loan from intermediate holding company is unsecured, interest-bearing at floating lending rate of People's Bank of China per annum as at 31 December 2016 and 28 February 2017 respectively. The amount would be repayable on demand.

The carrying amounts of the balances approximate their fair values.

## 17. PAID-UP CAPITAL

During the period from 25 July 2016 (date of establishment) to 31 December 2016, the Target Company received a total of RMB100,000,000 from its immediate holding company and another shareholder as its paid-up capital.

As at 31 December 2016 and 28 February 2017, the registered and paid-up capital of the Target Company was RMB100,000,000.

## 18. COMMITMENTS

### (a) Capital commitments

As at 31 December 2016 and 28 February 2017, the Target Company had the following capital commitments:

| | **As at 31 December 2016** | **As at 28 February 2017** |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Contracted but not provided for | | |
| - Properties under development for sale | 394,440 | 396,650 |

(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 2016 and 28 February 2017, the total future minimum lease payments under non-cancellable operating leases in respect of office were as follows:

| | **As at 31 December 2016** | **As at 28 February 2017** |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Within one year | 303 | 296 |
| In the second to fifth years | 157 | 112 |
| | 460 | 408 |

## 19. 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 25 July 2016 (date of establishment) to 31 December 2016** | **Two months ended 28 February 2017** |
|---|---|---|---|
| | | *RMB'000* | *RMB'000* |
| **Intermediate holding company** | | | |
| C&D Real Estate | Interest expenses | 13,968 | 3,957 |

During the two months ended 28 February 2017, the Target Company incurred loan interest of RMB3,957,000 (2016: RMB13,968,000) 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 at 6.3% per annum.

**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.

## 20. NON-CASH TRANSACTION

During the two months ended 28 February 2017, borrowing costs of RMB3,957,000 (2016: RMB13,968,000) were capitalised as properties under development for sale.

## 21. 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.

### 21.1 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 2016** | **As at 28 February 2017** |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Financial assets** | | |
| Loan and receivables | | |
| - Other receivables | 1,218 | 4,373 |
| - Cash and cash equivalents | 933 | 73,325 |
| | 2,151 | 77,698 |
| **Financial liabilities** | | |
| At amortised cost: | | |
| - Trade and other payables | 45,084 | 33,638 |
| - Amount due to immediate holding company | — | 137 |
| - Amount due to a fellow subsidiary | — | 180 |
| - Amount due to non-controlling shareholder | 8,000 | 8,000 |
| - Loan from intermediate holding company | 381,673 | 491,078 |
| | 434,757 | 533,033 |

21.2 **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 16 and 19 to the Financial Information.

At 28 February 2017, 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 RMB2,455,000 (31 December 2016: RMB1,908,000). 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.

21.3 **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 2016 and 28 February 2017, 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.

21.4 **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 trade and other payables, amount due to immediate holding company, amount due to a fellow subsidiary, amount due to non-controlling shareholder and loan from 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 | Total | Carrying amount |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at 31 December 2016** | | | |
| Trade and other payables | 45,084 | 45,084 | 45,084 |
| Amount due to non-controlling shareholder | 8,000 | 8,000 | 8,000 |
| Loan from intermediate holding company | 381,673 | 381,673 | 381,673 |
| | 434,757 | 434,757 | 434,757 |

| | On demand or within one year | Total | Carrying amount |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at 28 February 2017** | | | |
| Trade and other payables | 33,638 | 33,638 | 33,638 |
| Amount due to immediate holding company | 137 | 137 | 137 |
| Amount due to a fellow subsidiary | 180 | 180 | 180 |
| Amount due to non-controlling shareholder | 8,000 | 8,000 | 8,000 |
| Loan from intermediate holding company | 491,078 | 491,078 | 491,078 |
| | 533,033 | 533,033 | 533,033 |

21.5 **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.

## 22. 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 amounts due to immediate holding company, a fellow subsidiary and non-controlling shareholder, 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 28 February 2017 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

23 June 2017

Lin Ching Yee Daniel
Practising Certificate Number: 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 interests in Lianjiang Zhaorun Real Estate Development Company Limited (連江兆潤房地產開發有限公司, the "Target Company"), Suzhou Zhaoxiang Real Estate Development Company Limited (蘇州兆祥房地產開發有限公司, "Suzhou Zhaoxiang") and Fujian Zhaohe Real Estate Company Limited (福建兆和房地產有限公司, "Fujian Zhaohe"), which has been prepared by the Directors of the Company to illustrate the financial effect of the acquisition of 78% equity interest in the Target Company by way of equity transfer and acquisitions of Suzhou Zhaoxiang and Fujian Zhaohe completed in March 2017 since the date to which the latest audit financial statements of the Group as of 31 December 2016 (the "Acquisitions"). Details of the Acquisitions are set out in this circular and the circular issued by the Company to the Shareholders dated 25 February 2017.

The unaudited pro forma financial information has been prepared by the Directors of the Company in accordance with paragraph 4.25 and 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 Acquisitions pursuant to the terms of the Equity Transfer Agreement as set out in the Circular.

The preparation of the unaudited pro forma consolidated statement of financial position of the Enlarged Group is based on (i) the audited consolidated statement of financial position of the Group as at 31 December 2016 which has been extracted from the published annual report of the Company for the year ended 31 December 2016; (ii) the audited statements of financial position of the Suzhou Zhaoxiang and Fujian Zhaohe as at 30 September 2016, as extracted from the previously published pro forma financial information reported in accordance with paragraph 4.29(7) of the Listing Rules set out in the Appendix III to the circular issued by the Company in respect of the proposed acquisition of 37% equity interest in Suzhou Zhaoxiang and 60% equity interest in Fujian Zhaohe dated 25 February 2017; and (iii) the audited statement of financial position of the Target Company as at 28 February 2017 as set out in Appendix II to this circular, after making pro forma adjustments relating to the Acquisitions that are (i) directly attributable to the Acquisitions; and (ii) factually supportable, as if the Acquisitions had been completed on 31 December 2016.

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 or results of the Enlarged Group had the Acquisitions been completed as at the specified dates or any future date.

The unaudited pro forma financial information should be read in conjunction with the historical financial information of the Group as set out in the published annual report of the Company for the year ended 31 December 2016 and other financial information included elsewhere in this circular.

## (ii) Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2016

| | The Group as at 31 December 2016 | Suzhou Zhaoxiang as at 30 September 2016 | Fujian Zhaohe as at 30 September 2016 | Target Company as at 28 February 2017 | Subtotal | Pro forma adjustments | | | | | | | | | | The Enlarged Group |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | | | *Note 1* | *Note 1* | *Note 2* | *Note 3* | *Note 3* | *Note 4* | *Note 5* | *Note 5* | *Note 6* | *Note 7* | |
| **Non-current assets** | | | | | | | | | | | | | | | | |
| Property, plant and equipment | 70,906 | 874 | 123 | 331 | 72,234 | | | | | | | | | | | 72,234 |
| Interests in leasehold land | 301 | — | — | — | 301 | | | | | | | | | | | 301 |
| Investment properties | 682,130 | — | — | — | 682,130 | | | | | | | | | | | 682,130 |
| Interests in associates | 821,928 | — | — | — | 821,928 | | (519,188) | | | (263,752) | | | | | | 38,988 |
| Interest in a joint venture | 50,024 | — | — | — | 50,024 | | | | | | | | | | | 50,024 |
| Investments in subsidiaries | — | — | — | — | — | | 151,273 | (151,273) | | 61,111 | (61,111) | | 81,491 | (81,491) | | — |
| Loans to subsidiaries | — | — | — | — | — | | 1,817,825 | (1,817,825) | | 650,051 | (650,051) | | 505,361 | (505,361) | | — |
| Deposits for land acquisition | 64,166 | — | — | — | 64,166 | | | | | | | | | | | 64,166 |
| Deferred tax assets | 6,904 | 9,197 | 214 | 402 | 16,717 | | | | | | | | | | | 16,717 |
| | 1,696,359 | 10,071 | 337 | 733 | 1,707,500 | | | | | | | | | | | 924,560 |
| **Current assets** | | | | | | | | | | | | | | | | |
| Inventories of properties | 821,504 | 4,117,595 | 752,982 | 553,409 | 6,245,490 | | | | | | | | | | | 6,245,490 |
| Trade and other receivables | 18,901 | 3,886 | 2,494 | 4,373 | 29,654 | | | | | | | | | | | 29,654 |
| Cash and cash equivalents | 246,429 | 121,816 | 314 | 73,325 | 441,884 | 1,449,910 | (1,297,930) | | 447,410 | (447,410) | | 586,852 | (586,852) | | (2,235) | 591,629 |
| | 1,086,834 | 4,243,297 | 755,790 | 631,107 | 6,717,028 | | | | | | | | | | | 6,866,773 |

| | The Group as at 31 December 2016 | Suzhou Zhaoxiang as at 30 September 2016 | Fujian Zhaohe as at 30 September 2016 | Target Company as at 28 February 2017 | Subtotal | Pro forma adjustments | | | | | | | | | | The Enlarged Group |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | | | *Note 1* | *Note 1* | *Note 2* | *Note 3* | *Note 3* | *Note 4* | *Note 5* | *Note 5* | *Note 6* | *Note 7* | |
| **Current liabilities** | | | | | | | | | | | | | | | | |
| Trade and other payables | 103,192 | 215,506 | 29,292 | 33,638 | 381,628 | | | | | | | | | (14,283) | | 367,345 |
| Advances received from pre-sale of properties under development | 71,212 | 374,770 | — | — | 445,982 | | | | | | | | | | | 445,982 |
| Amounts due to non-controlling shareholders | 218,872 | — | 3,769 | 8,000 | 230,641 | | | | | | | | | | | 230,641 |
| Amount due to immediate holding company | — | 39 | — | 137 | 176 | | | | | | | | | | | 176 |
| Amount due to a fellow subsidiary | — | — | — | 180 | 180 | | | | | | | | | | | 180 |
| Amount due to intermediate holding company | — | — | 1,118 | — | 1,118 | | | | | | | | | | | 1,118 |
| Loan from intermediate holding company | — | — | — | 491,078 | 491,078 | | | | | | | | | (491,078) | | — |
| Interest-bearing borrowings | 3,236 | — | — | — | 3,236 | | | | | | | | | | | 3,236 |
| Income tax liabilities | 20,915 | 5,364 | — | 3 | 26,282 | | | | | | | | | | | 26,282 |
| | 417,427 | 595,679 | 34,179 | 533,036 | 1,580,321 | | | | | | | | | | | 1,074,960 |
| **Net current assets** | 669,407 | 3,647,618 | 721,611 | 98,071 | 5,136,707 | | | | | | | | | | | 5,791,813 |
| **Total assets less current liabilities** | 2,365,766 | 3,657,689 | 721,948 | 98,804 | 6,844,207 | | | | | | | | | | | 6,716,373 |

| | The Group as at 31 December 2016 | Suzhou Zhaoxiang as at 30 September 2016 | Fujian Zhaohe as at 30 September 2016 | Target Company as at 28 February 2017 | Subtotal | Pro forma adjustments | | | | | | | | | | The Enlarged Group |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | | | *Note 1* | *Note 1* | *Note 2* | *Note 3* | *Note 3* | *Note 4* | *Note 5* | *Note 5* | *Note 6* | *Note 7* | |
| **Non-current liabilities** | | | | | | | | | | | | | | | | |
| Loans from intermediate holding companies | 1,059,893 | 3,569,246 | 441,284 | — | 5,070,423 | 1,449,910 | | (1,817,825) | 447,410 | | (650,051) | 586,852 | | | | 5,086,719 |
| Loan from non-controlling shareholder | — | — | 232,160 | — | 232,160 | | | | | | | | | | | 232,160 |
| Deferred tax liabilities | 173,620 | — | — | — | 173,620 | | | | | | | | | | | 173,620 |
| | 1,233,513 | 3,569,246 | 673,444 | — | 5,476,203 | | | | | | | | | | | 5,492,499 |
| **Net assets** | 1,132,253 | 88,443 | 48,504 | 98,804 | 1,368,004 | | | | | | | | | | | 1,223,874 |
| **EQUITY** | | | | | | | | | | | | | | | | |
| Issued capital | 35,219 | 100,000 | 50,000 | 100,000 | 285,219 | | 100,000 | (200,000) | | | (50,000) | | | (100,000) | | 35,219 |
| Reserves | 978,023 | (11,557) | (1,496) | (1,196) | 963,774 | | 51,980 | (71,485) | | | (11,111) | | | (3,228) | (2,235) | 927,695 |
| **Equity attributable to the equity holders of the Company** | 1,013,242 | 88,443 | 48,504 | 98,804 | 1,248,993 | | | | | | | | | | | 962,914 |
| Non-controlling interests | 119,011 | — | — | — | 119,011 | | | 120,212 | | | | | | 21,737 | | 260,960 |
| **Total equity** | 1,132,253 | 88,443 | 48,504 | 98,804 | 1,368,004 | | | | | | | | | | | 1,223,874 |

*Notes*

(1) The adjustments represent the second capital increase in the Suzhou Zhaoxiang amounted to RMB129,280,000, and the derecognition of the interests in associates amounted to RMB519,188,000, which comprises of RMB21,993,000 as investment in Suzhou Zhaoxiang and RMB497,195,000 as loans to Suzhou Zhaoxiang when the Suzhou Zhaoxiang becomes a subsidiary of the Enlarged Group upon the completion of acquisition. The amounts of RMB100,000,000 and RMB51,980,000 was recognised in the Suzhou Zhaoxiang's share capital and share premium is extracted from the previously published pro forma financial information as set out in the note 1 in the Appendix III to the circular dated 25 February 2017. Upon completion of the acquisition, the assets and liabilities of the Suzhou Zhaoxiang in the consolidated financial statements of the Enlarged Group will be accounted for using the merger accounting as the Company and the Suzhou Zhaoxiang are both under the control of Xiamen C&D Corporation Limited ("Xiamen C&D"), ultimate holding company of the Company and the Suzhou Zhaoxiang, before and after the date of acquisition, and the control is not transitory. Pursuant to the second capital increase agreement, the Group has agreed to contribute shareholder's loan in the amount of RMB1,320,630,000 for the repayment of the shareholder's loans previously made by the Suzhou Zhaoxiang. The consideration will be settled in cash of RMB1,449,910,000 in accordance with the payment terms of the second 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. Cash payment of RMB1,297,930,000 represent the difference between the cash consideration of RMB1,449,910,000 and the capital consideration of RMB152,980,000 less the payment for the directly attributable transaction costs of RMB1,000,000.

(2) The adjustment represents the elimination of share capital of the Suzhou Zhaoxiang of RMB200,000,000, inter-company balances of RMB1,817,825,000, the effect of the merger accounting restatement and the recognition of merger reserves arose as a result of the Acquisitions of RMB71,485,000. The effect of the merger accounting restatement and merger reserves of RMB71,485,000 represented the difference between the registered capital of RMB200,000,000, the carrying amount for the investment in Suzhou Zhaoxiang of RMB151,273,000 pursuant to the capital increase agreement and the non-controlling interests of RMB120,212,000 in the Suzhou Zhaoxiang, being the non-controlling interests' proportionate share of the Suzhou Zhaoxiang's net assets as at 30 September 2016 of RMB44,222,000 and the effect on the Suzhou Zhaoxiang's net assets arising from the acquisition of RMB75,990,000 (RMB151,980,000 x 50%).

(3) The adjustments represent the consideration for the acquisition of the Fujian Zhaohe by way of equity transfer at RMB43,340,000, and the derecognition of the interests in associates amounted to RMB263,752,000, which comprises of RMB17,771,000 as investment in Fujian Zhaohe and RMB245,981,000 as loans to Fujian Zhaohe when the Fujian Zhaohe becomes a subsidiary of the Enlarged Group upon the completion of acquisition. Upon completion of the Acquisitions, the assets and liabilities of the Fujian Zhaohe will be accounted for in the consolidated financial statements of the Enlarged Group using the merger accounting as the Company and the Fujian Zhaohe are both under the control of Xiamen C&D, the ultimate holding company of the Company and the Fujian Zhaohe, before and after the date of acquisition, and the control is not transitory. Pursuant to the share transfer agreements, the Group has agreed to contribute Shareholder's loans in the amount of RMB404,070,000 for the repayment of part of the Shareholder's loans previously made by the Fujian Zhaohe. The consideration will be settled in cash of RMB447,410,000 in accordance with the payment terms of the share transfer agreements. 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.

(4) The adjustment represents the elimination of share capital of the Fujian Zhaohe of RMB50,000,000, inter-company balances of RMB650,051,000, the effect of the merger accounting restatement and the recognition of merger reserves arose as a result of the Acquisitions of RMB11,111,000. The effect of the merger accounting restatement and merger reserves represented the difference between the registered capital of RMB50,000,000 and the carrying amount for the investment in Fujian Zhaohe of RMB61,111,000.

(5) The adjustments represent the consideration for the acquisition of the Target Company by way of equity transfer at RMB81,491,000. Upon completion of the acquisition, the assets and liabilities of the Target Company will be accounted for in the consolidated financial statements of the Enlarged Group using the merger accounting as the Company and the Target Company are both under the control of Xiamen C&D, the ultimate holding company of the Company and the

Target Company, before and after the date of acquisition, and the control is not transitory. Pursuant to the Equity Transfer Agreement, the Group has agreed to contribute Shareholder's loans in the amount of RMB505,361,000 for the repayment of part of the Shareholder's loans previously made by the Target Company. The consideration will be settled in cash in accordance with the payment terms of the Equity Transfer 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.

(6) The adjustment represents the elimination of share capital of the Target Company, inter-company balances and the recognition of merger reserves arose as a result of the Acquisitions. The merger reserves of RMB3,228,000 represented the difference between the registered capital of RMB100,000,000 and the consideration for the acquisition of RMB81,491,000 pursuant to the Equity Transfer Agreement and the non-controlling interests of RMB21,737,000 (RMB98,804,000 x 22%) in the Target Company being the non-controlling interests' proportionate share of the Target Company's net assets as at 28 February 2017.

(7) The adjustment represents the estimated professional fees attributable to the Acquisitions of approximately RMB2,235,000, which comprised of RMB1,408,000 for Acquisition of Suzhou Zhaoxiang and Fujian Zhaohe, and RMB827,000 for Acquisition of the Target Company and the amounts will be recognised in profit or loss. This adjustment is not expected to have a continuing effect on the Enlarged Group's consolidated statement of profit or loss and other comprehensive income.

(8) No adjustment has been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 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.*

GrantThornton
致同

## 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 unaudited pro forma financial information of C&D International Investment Group Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2016 and related notes as set out in Part A of Appendix III to the circular dated 23 June 2017 (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 78% equity interest in Lianjiang Zhaorun Real Estate Company Limited by way of equity transfer and acquisitions of 37% equity interest in Suzhou Zhaoxiang Real Estate Development Company Limited and 60% equity interest in Fujian Zhaohe Real Estate Company Limited completed in March 2017 since the date to which the latest audited financial statements of the Group as of 31 December 2016 (the "Acquisitions") on the Group's financial position as at 31 December 2016 as if the Acquisitions had taken place at 31 December 2016. As part of this process, information about the Group's financial position as at 31 December 2016 has been extracted by the Directors from the annual result of the Company for the year ended 31 December 2016, on which an auditor's 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.

Our 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" issued by the HKICPA 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 the 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 31 December 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

23 June 2017

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 value of the Land held by Lianjiang Zhaorun Real Estate Development Company Limited (連江兆潤房地產開發有限公司) (the "Target Company") as at 31 March 2017.*

CUSHMAN & WAKEFIELD
戴 德 梁 行

16/F Jardine House
1 Connaught Place
Central
Hong Kong

23 June 2017

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 located at the south-west corner of the intersection of 104 National Road of Lianjiang and Wenbi West Road, and on the north-west side of Liyu Port (連江縣104國道與文筆西路交叉口西南角、鯉魚港灣西北側) in Lianjiang County, Fuzhou City, Fujian Province, the PRC, with an estimated total site area of 52,643 square meters**

**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 Lianjiang Zhaorun Real Estate Development Company Limited (連江兆潤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 March 2017 (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 and where the parties had each acted knowledgeably, prudently and without compulsion".

**Valuation Basis and 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, Fujian Xufeng Law Firm (福建旭豐律師事務所), 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 23 June 2017, 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 (Market 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.

**Sources 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 Xiamen Office valuer, Stronger SC Hong, has inspected the exterior and, wherever possible, the interior of the Land in April 2017. 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 24 years' experience in the valuation of properties in the PRC.

## VALUATION CERTIFICATE

**Land held by the Target Company for development in the PRC**

| **Property** | **Description and tenure** | **Particulars of occupancy** | **Market value in existing state as at 31 March 2017** |
|---|---|---|---|
| A piece of land located at the south-west corner of the intersection of 104 National Road of Lianjiang and Wenbi West Road, and on the north-west side of Liyu Port (連江縣104國道與文筆西路交叉口西南角、鯉魚港灣西北側) in Lianjiang County, Fuzhou City, Fujian Province, the PRC, with an estimated total site area of 52,643 square meters | The development is a large-scale wholesale and urban residential uses complex under construction and is erected on a parcel of land with a total site area of approximately 52,643 square meters.<br><br>As advised by the Target Company, the development has a total planned gross floor area of the development of 183,972.13 square meters with details as follows: | As at the valuation date, the Land was under construction and is scheduled for completion in 2019. | RMB561,000,000 |

| **Uses** | **Approximate Gross Floor Area (square meters)** |
|---|---:|
| Residential | 142,876.33 |
| Commercial | 2,372.48 |
| Ancillaries | 1,830.02 |
| Car Park | 36,893.30 |
| **Total:** | 183,972.13 |

The Land is located in Lianjiang County, Fuzhou, Fujian Province surrounded by residential real estate projects of other renowned property developers in the PRC. According to the Target Company, the Land is planned for residential and commercial 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 19 September 2056 and 19 September 2086 for wholesale and urban residential uses respectively.

*Notes:-*

(1) According to Real Estate Title Certificate No. (2017) 0001112 issued by 連江縣國土資源局 (Land Resources Bureau of Lianjiang County), the land use rights of the Land comprising a site area of 52,643 square meters, has been granted to the Target Company with terms due to expire on 19 September 2056 and 19 September 2086 for wholesale and urban residential uses respectively.

(2) According to Grant Contract of State-owned Land Use Rights No. 35012220160421P010 dated 22 April 2016 and the Supplementary Contract dated 10 August 2016, the land use rights of the Land is granted as below:

| | |
|---|---|
| Grantee: | The Target Company |
| Site Area: | 52,643 square meters |
| Land Premium: | RMB456,000,000 |
| Land Use Term: | 40 years for wholesale and retail; 70 years for residential |
| Plot Ratio: | Between 2.5 and 2.8 |
| Building Covenant: | Complete the construction before 22 April 2021. |

(3) According to Planning Permit for Construction Use of Land No. 350122201600017 dated 24 August 2016, the construction site of the Land with a total site area of 52,643 square meters is in compliance with the requirements of urban planning requirement.

(4) According to Planning Permit for Construction Works No. 350122201600017 issued by 連江縣住房和城鄉建設局 (Housing and Urban-Rural Construction Bureau of Lianjiang County) dated 24 October 2016, the construction works with a total planned gross floor area of 183,972.13 square meters are in compliance with the urban planning requirements and have been approved.

(5) According to Permit for Commencement of Construction Works No. 350122201701060101 issued by 連江縣住房和城鄉建設局 (Housing and Urban-Rural Construction Bureau of Lianjiang County) dated 6 January 2017, the commencement of the construction works with a total planned gross floor area of 183,040.99 square meters was permitted.

(6) According to Permits for Pre-sale No. [2017] 013 dated 31 March 2017 issued by 連江縣住房和城鄉建設局 (Housing and Urban Rural Construction Bureau of Lianjiang County), portion of the development with a total gross floor area of 23,669 square metres is allowed for pre-sale.

(7) According to the information provided by the Target Company, a construction cost of approximately RMB47,650,000 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.

(8) According to Business Licence No. 91350122MA349WX96X dated 25 July 2016, the Target Company was established on 25 July 2016 as a limited liability company with a registered capital of RMB100,000,000.

(9) 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 subject to a bank mortgage for a loan amount of RMB625,000,000 for a period of 60 months from drawdown date;

(iii) The Target Company is legally entitled to pre-sale the development according to the prescribed scope of Permits for pre-sale; and

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

(10) 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 |
| Permit for Commencement of Construction Works | Yes |
| Permit for Pre-sale | Yes (partly) |
| 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 OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions of the Directors, supervisors 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 | 51,372,000 | 12.00% |
| Mr. Shi Zhen | Founder of a discretionary trust | 51,372,000 | 12.00% |
| Ms. Zhao Chengmin | Founder of a discretionary trust | 51,372,000 | 12.00% |

*Note 1:* The percentage of shareholding was calculated based on the Company's total issued share capital of 428,000,000 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 Issuers, 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.

## 3. 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 | 215,472,000 | 50.34% |
| Well Honour International Limited (益鴻國際有限公司) ("**Well Honour**") *(Note 1)* | Interest of controlled corporation | 215,472,000 | 50.34% |
| C&D Real Estate (建發房地產集團有限公司) *(Note 1)* | Interest of controlled corporation | 215,472,000 | 50.34% |
| Xiamen C&D Inc. (廈門建發股份有限公司) *(Note 1)* | Interest of controlled corporation | 215,472,000 | 50.34% |
| Xiamen C & D Corporation Limited (廈門建發集團有限公司) ("**Xiamen C & D**") *(Note 1)* | Interest of controlled corporation | 215,472,000 | 50.34% |
| Diamond Firetail Limited ("**Diamond Firetail**") *(Note 2)* | Beneficial owner | 51,372,000 | 12.00% |
| Equity Trustee Limited ("**Equity Trustee**") *(Note 2)* | Interest of controlled corporations | 51,372,000 | 12.00% |
| Mr. Zhuang Yuekai *(Note 2)* | Founder of a discretionary trust | 51,372,000 | 12.00% |

| Name of Shareholder | Capacity/nature of interest | Number of issued Shares held | Approximate percentage of shareholding in issued share capital (Note 3) |
|---|---|---|---|
| Mr. Shi Zhen *(Note 2)* | Founder of a discretionary trust | 51,372,000 | 12.00% |
| Ms. Zhao Chengmin *(Note 2)* | Founder of a discretionary trust | 51,372,000 | 12.00% |
| Ms. Zhang Yunxia *(Note 2)* | Founder of a discretionary trust | 51,372,000 | 12.00% |
| Ms. Cheng Bing *(Note 2)* | Founder of a discretionary trust | 51,372,000 | 12.00% |
| Viewforth Limited ("Viewforth") | Beneficial owner | 40,000,000 | 9.35% |
| Fullshare Holdings Limited ("Fullshare Holdings") | Interest of controlled corporations | 40,000,000 *(Note 4)* | 9.35% |
| Magnolia Wealth international Limited ("Magnolia Wealth") | Interest of controlled corporations | 40,000,000 *(Note 4)* | 9.35% |
| Ji Changqun | Interest of controlled corporations | 40,000,000 *(Note 4)* | 9.35% |

*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 the 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 428,000,000 shares in issue as at the Latest Practicable Date.

(4) These Shares were registered in the name of Viewforth, a company incorporated in the British Virgin Islands. Viewforth is a wholly-owned subsidiary of Fullshare Holdings. Fullshare Holdings is a controlled corporation of Magnolia Wealth. Magnolia Wealth is 100% beneficially owned by Mr. Ji Changqun. Therefore, Fullshare Holdings, Magnolia Wealth and Mr. Ji Changqun are deemed to be interested in the Shares held by Viewforth by virtue of the SFO.

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.

## 4. 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, the emolument has been revised to HK$150,000 per annum from 21 March 2015 and the emolument has been revised to HK$180,000 per annum from 1 January 2017.

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.

## 5. EXPERT'S QUALIFICATIONS AND CONSENTS

The followings are the qualifications of the expert 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 |
| Grant Thornton Hong Kong Limited | certified public accountants |
| Fujian Xufeng Law Firm (福建旭豐律師事務所) | Legal adviser to the Company as to PRC laws |

The above expert 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 it appears.

As at Latest Practicable Date, the above expert 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, the above expert 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 2016 (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.

## 6. 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 2016, being the date to which the latest published audited consolidated financial statements of the Company were made up.

## 7. MATERIAL LITIGATION

As at the Latest Practicable Date, none of the members of the Enlarged 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 Enlarged Group.

## 8. 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 Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2016, 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 Enlarged Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Enlarged Group.

## 9. 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.

## 10. 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 Enlarged Group which are or may be material:

(a) the Equity Transfer Agreement as defined herein;

(b) the share transfer agreement dated 5 January 2017 entered into between Licheng Enterprise Management Company Limited and Xiamen Yi Yue Property Company Limited in relation to the acquisition of 30% of equity interests in Fujian Zhaohe Real Estate Company Limited in the consideration of RMB21,670,000;

(c) the share transfer agreement dated 5 January 2017 entered into between Fujian Zhao Run Property Company Limited and Xiamen Yi Yue Property Company Limited in relation to the acquisition of 30% of equity interests in Fujian Zhaohe Real Estate Company Limited in the consideration of RMB21,670,000;

(d) the capital increase agreement dated 5 January 2017 entered into between Xiamen Yi Yue Property Company Limited, Suzhou Zhaokun Real Estate Development Company Limited and Xiamen Liyuan Investment Company Limited in relation to the increase of registered capital of Suzhou Zhaoxiang Real Estate Development Company Limited from RMB114,940,000 to RMB200,000,000;

(e) the subscription agreement dated 4 December 2016 entered into between Well Land International Limited and the Company in relation to the issue of perpetual convertible bond in an aggregate principal amount of HK$500,000,000;

(f) the placing agreement dated 4 December 2016 entered into between the Company and BaoQiao Partners Capital Limited in relation to the placing of 68,000,000 new Shares at the placing price of HK$3.97 per share to not less than six placees;

(g) 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 in relation to the increase of registered capital of Suzhou Zhaoxiang Real Estate Development Company Limited from RMB100,000,000 to RMB114,940,000;

(h) 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 HK$195,238,800; and

(i) 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 HK$36,361,200.

**11. 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.

**12. DOCUMENTS AVAILABLE FOR INSPECTION**

(a) the Equity Transfer Agreement;

(b) the material contracts referred to in the section headed “Material Contracts” in this appendix;

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

(d) the annual reports of the Company for the three years ended 31 December 2014, 2015 and 2016;

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

(f) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 15 of this circular;

(g) the letter issued by the Independent Financial Adviser, the text of which is set out on page 16 to 28 of this circular;

(h) the accountants' report on the Target Company, the text of which is set out in Appendix II of this circular;

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

(j) the written consent referred to in the section headed "Expert's qualifications and consents" in this appendix;

(k) the Company's circular dated 26 January 2017;

(l) the Company's circular dated 25 February 2017;

(m) the Company's circular dated 10 April 2017; and

(n) 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 Monday, 10 July 2017 at 2:00 p.m., to consider, if thought fit, transact the following resolutions of the Company by way of ordinary resolutions:

### ORDINARY RESOLUTIONS

**"THAT**:

1. (a) the Equity Transfer Agreement dated 25 April 2017 (the "**Equity Transfer Agreement**") entered into between C&D Real Estate Fuzhou Limited ("**C&D Real Estate Fuzhou Company**") and Xiamen Yi Yue Property Company Limited ("**Yi Yue**") pursuant to which C&D Real Estate Fuzhou Company agreed to sell and Yi Yue agreed to purchase 78% equity interests in Lianjiang Zhaorun Real Estate Development Company Limited ("**Target Company**") (a copy of which has been produced to the Meeting and initialled by the chairman of the Meeting for identification purpose), the transactions contemplated 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 Equity Transfer 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, 23 June 2017

*Registered office:*
P.O. Box 10008
Willow House Cricket Square
Grand Cayman KY1-1001
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 Friday, 7 July 2017 to Monday, 10 July 2017 (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 Thursday, 6 July 2017.

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.