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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)

**VERY SUBSTANTIAL ACQUISITION AND
CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF
(I) 100% EQUITY INTERESTS IN CHANGSHA ZHAOXI;
(II) 100% EQUITY INTERESTS IN TAICANG JIANJIN;
(III) 51% EQUITY INTERESTS IN NANNING DINGCHI; AND
(IV) 51% EQUITY INTERESTS IN NANNING QINGHE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Advisor to the Independent Board Committee
and the Independent Shareholders**



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 2:30 p.m. on Wednesday, 9 May 2018 is set out on pages N-1 to N-4 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, 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 April 2018

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DEFINITIONS

In this circular, unless otherwise defined, the following expressions have the following meanings:

“Aggregated Transaction”	the transactions contemplated under the Equity Transfer Agreements, aggregated with the Previous Transaction
“associate”	has the meaning ascribed to it under the Listing Rules
“Auditors”	Grant Thornton Hong Kong Limited, the Company’s auditors
“Board”	the board of Directors
“C&D Nanning”	C&D Real Estate Corporation Nanning Limited* (建發房地產集團南寧有限公司), a company established with limited liability in the PRC and a wholly-owned subsidiary of C&D Real Estate
“C&D Real Estate”	C&D Real Estate Corporation Limited (建發房地產集團有限公司), a controlling shareholder which held approximately 60.74% of the issued share capital of the Company as at the Latest Practicable Date
“Changsha Zhaoxi”	Changsha Zhaoxi Real Estate Development Company Limited* (長沙兆禧房地產有限公司), a company established with limited liability in the PRC on 13 December 2016
“Changsha Zhaoxi Equity Transfer Agreement”	the equity transfer agreement entered into between Yi Yue and Xiamen Jianhui on 16 January 2018, pursuant to which Xiamen Jianhui agreed to sell and Yi Yue agreed to purchase 100% equity interests in Changsha Zhaoxi
“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
“Dingchi Land”	the land parcel for urban residential and commercial retail use located at the south of Jinfu Road (錦富路) and the east of Xuande Road (宣德路), Jiangnan District (江南區), Nanning City (南寧市), Guangxi Zhuang Autonomous Region (廣西壯族自治區), the PRC with a site area of approximately 22,276.35 sq.m.
“Directors”	the directors of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be held at Office No. 3517, 35th Floor, Wu Chung House, 213 Queen’s Road East, Wanchai, Hong Kong on Wednesday, 9 May 2018 at 2:30 p.m. or any adjournment thereof (as the case may be), to consider and approve, among other things, the transactions contemplated under the Equity Transfer Agreements
“Enlarged Group”	the Group including Changsha Zhaoxi, Taicang Jianjin, Nanning Dingchi and Nanning Qinghe following the completion of the transactions contemplated under the Equity Transfer Agreements
“Equity Transfer Agreements”	include the Changsha Zhaoxi Equity Transfer Agreement, the Taicang Jianjin Equity Transfer Agreement, the Nanning Dingchi Equity Transfer Agreement and the Nanning Qinghe Equity Transfer Agreement
“Fujian Puhe”	Fujian Puhe Certified Public Accountants Company Limited* (福建普和會計師事務所), an accountant firm in the PRC
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Guangxi Dinghua”	Guangxi Dinghua Business Stock Company Limited* (廣西鼎華商業股份有限公司), a company established in the PRC with limited liability
“Guangxi Dingxinsheng”	Guangxi Dingxinsheng Trading Stock Company Limited* (廣西鼎欣盛商貿股份有限公司), a company established in the PRC with limited liability
“Guangxi Shangyuan”	Guangxi Shangyuan Investment Company Limited* (廣西尚遠投資有限責任公司), a company established in the PRC with limited liability
“Independent Board Committee”	an independent Board committee comprising the independent non-executive Directors, which will be formed to advise the Independent Shareholders on the transactions contemplated under the Equity Transfer Agreements

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“Independent Financial Advisor” or “RHB Capital”	RHB Capital Hong Kong 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 transactions contemplated under the Equity Transfer Agreements
“Independent Property Valuer” or “C&W”	Cushman & Wakefield Limited, an independent property valuer
“Independent Shareholders”	Shareholders who, under the Listing Rules, are not required to abstain from voting for the resolutions approving the transactions contemplated under the Equity Transfer Agreements
“Jianjin Land”	include the Jianjin Land A and the Jianjin Land B, which are the land parcels for residential and commercial use located at the Taicang City High-Tech Zone (太倉市高新區), Jiangsu Province, the PRC with a total site area of approximately 85,936.73 sq.m.
“Latest Practicable Date”	16 April 2018, 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
“Longyan Hengfu”	Longyan Hengfu Real Estate Development Company Limited* (龍岩恒富房地產開發有限公司), a company established in the PRC with limited liability on 19 January 2017, which is 40% owned by Yi Yue
“Longyan Lirong”	Longyan Lirong Real Estate Development Company Limited* (龍岩利榮房地產開發有限公司), a company established in the PRC with limited liability on 19 January 2017, which is 30% owned by Yi Yue
“Nanning Dingchi”	Nanning Dingchi Real Estate Development Company Limited* (南寧市鼎馳置業投資有限責任公司), a company established with limited liability in the PRC on 27 July 2011
“Nanning Dingchi Equity Transfer Agreement”	the equity transfer agreement entered into between Yi Yue and C&D Nanning on 16 January 2018, pursuant to which C&D Nanning agreed to sell and Yi Yue agreed to purchase 51% equity interests in Nanning Dingchi

DEFINITIONS

“Nanning Land Bureau”	Nanning Municipal Bureau of Land Resources* (南寧市國土資源局)
“Nanning Qinghe”	Nanning Qinghe Real Estate Development Company Limited* (南寧市慶和房地產開發有限責任公司), a company established with limited liability in the PRC on 26 February 2004
“Nanning Qinghe Equity Transfer Agreement”	the equity transfer agreement entered into between Yi Yue and C&D Nanning on 16 January 2018, pursuant to which C&D Nanning agreed to sell and Yi Yue agreed to purchase 51% equity interests in Nanning Qinghe
“PRC”	The People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Previous Transaction”	the transactions announced by the Company on 31 October 2017, whereby Yi Yue entered into two equity transfer agreements with C&D Real Estate, pursuant to which C&D Real Estate agreed to sell and Yi Yue agreed to purchase 40% equity interests in Longyan Hengfu and 30% equity interests in Longyan Lirong, respectively
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	the ordinary share(s) of HK\$0.1 each of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“sq.m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taicang Jianjin”	Taicang Jianjin Real Estate Development Company Limited* (太倉建晉房地產開發有限公司), a company established with limited liability in the PRC on 24 July 2017
“Taicang Jianjin Equity Transfer Agreement”	the equity transfer agreement entered into between Yi Yue and C&D Real Estate on 16 January 2018, pursuant to which C&D Real Estate agreed to sell and Yi Yue agreed to purchase 100% equity interests in Taicang Jianjin
“Target Companies”	include Changsha Zhaoxi, Taicang Jianjin, Nanning Dingchi and Nanning Qinghe

DEFINITIONS

“Xiamen Jianhui”	Xiamen Jianhui Real Estate Development Company Limited* (廈門建匯房地產開發有限公司), a company established with limited liability in the PRC and a wholly-owned subsidiary of C&D Real Estate
“Yi Yue”	Xiamen Yi Yue Property Company Limited* (廈門益悅置業有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Zhaoxi Land”	the land parcel for residential use located at the east of Yingri Road (映日路) and the north of Xuesong Road (雪松路), Meixi Lake (梅溪湖), Yuelu District (嶽麓區), Changsha City (長沙市), Hunan Province, the PRC with a site area of approximately 80,463.65 sq.m.
“%”	per cent.

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

LETTER FROM THE BOARD

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 April 2018

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION AND
CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF
(I) 100% EQUITY INTERESTS IN CHANGSHA ZHAOXI;
(II) 100% EQUITY INTERESTS IN TAICANG JIANJIN;
(III) 51% EQUITY INTERESTS IN NANNING DINGCHI; AND
(IV) 51% EQUITY INTERESTS IN NANNING QINGHE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 16 January 2018.

The purpose of this circular is (i) to provide the Shareholders with further information on the transactions contemplated under the Equity Transfer Agreements; (ii) to set out the recommendations from the Independent Board Committee in relation to the transactions contemplated under the Equity

LETTER FROM THE BOARD

Transfer Agreements; (iii) to set out the letter from the Independent Financial Advisor 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.

INTRODUCTION

Reference is made to the announcement of the Company dated 31 October 2017, whereby it was announced that Yi Yue entered into two equity transfer agreements with C&D Real Estate, pursuant to which C&D Real Estate agreed to sell and Yi Yue agreed to purchase 40% equity interests in Longyan Hengfu and 30% equity interests in Longyan Lirong respectively.

The Board is pleased to announce that on 16 January 2018, Yi Yue, an indirect wholly-owned subsidiary of the Company, entered into the following agreements:

- (1) the Changsha Zhaoxi Equity Transfer Agreement, pursuant to which Xiamen Jianhui agreed to sell and Yi Yue agreed to purchase 100% equity interests in Changsha Zhaoxi. The cash consideration under the Changsha Zhaoxi Equity Transfer Agreement shall be RMB51,131,603.05. Yi Yue shall also repay the shareholder's loan in the amount of RMB3,161,614,963.22 previously advanced by Xiamen Jianhui (or its shareholder) to Changsha Zhaoxi;
- (2) the Taicang Jianjin Equity Transfer Agreement, pursuant to which C&D Real Estate agreed to sell and Yi Yue agreed to purchase 100% equity interests in Taicang Jianjin. The cash consideration under the Taicang Jianjin Equity Transfer Agreement shall be RMB54,343,700.84. Yi Yue shall also repay the shareholder's loan in the amount of RMB1,497,285,232.54 previously advanced by C&D Real Estate to Taicang Jianjin;
- (3) the Nanning Dingchi Equity Transfer Agreement, pursuant to which C&D Nanning agreed to sell and Yi Yue agreed to purchase 51% equity interests in Nanning Dingchi. The cash consideration under the Nanning Dingchi Equity Transfer Agreement shall be RMB3,561,599.42. Yi Yue shall also repay the shareholder's loan in the amount of RMB189,507,330 previously advanced by C&D Nanning to Nanning Dingchi; and
- (4) the Nanning Qinghe Equity Transfer Agreement, pursuant to which C&D Nanning agreed to sell and Yi Yue agreed to purchase 51% equity interests in Nanning Qinghe. The cash consideration under the Nanning Qinghe Equity Transfer Agreement shall be RMB30,632,143.28.

LETTER FROM THE BOARD

ACQUISITION OF 100% EQUITY INTERESTS OF CHANGSHA ZHAOXI

Changsha Zhaoxi Equity Transfer Agreement

Date

16 January 2018

Parties

Vendor: Xiamen Jianhui

Purchaser: Yi Yue

Assets to be acquired

100% equity interests in Changsha Zhaoxi

Consideration

The cash consideration under the Changsha Zhaoxi Equity Transfer Agreement shall be RMB51,131,603.05. Yi Yue shall pay the consideration in full to Xiamen Jianhui after satisfaction of the condition precedent under the Changsha Zhaoxi Equity Transfer Agreement. Yi Yue shall also repay the shareholder's loan in the amount of RMB3,161,614,963.22 previously advanced by Xiamen Jianhui (or its shareholder) to Changsha Zhaoxi. The shareholder's loan provided to Changsha Zhaoxi is for the acquisition and development of the Zhaoxi Land. The cash consideration and the repayment of the shareholder's loan shall be settled by Yi Yue in cash upon the satisfaction of the condition precedent under the Changsha Zhaoxi Equity Transfer Agreement.

The cash consideration was determined based on arm's length negotiations between Yi Yue and Xiamen Jianhui with reference to the valuation of the total assets and liabilities of Changsha Zhaoxi conducted by Fujian Puhe and Xiamen Qianyuan Asset Valuation and Property Valuation Company Limited* (廈門乾元資產評估與房地產估價有限責任公司), third parties independent of the Group, the connected persons of the Group and C&D Real Estate. As at 30 September 2017, the total assets of Changsha Zhaoxi was valued at approximately RMB3,266,657,885.77, consisting of (i) net assets of RMB51,131,603.05 and (ii) total liabilities of RMB3,215,526,282.72. On the other hand, the shareholder's loan of RMB3,161,614,963.22 to be paid by Yi Yue is based on the total amount of shareholder's loan (principal and interests) previously advanced by Xiamen Jianhui (or its shareholder) to Changsha Zhaoxi according to the audited accounts of Changsha Zhaoxi as at 30 September 2017, subject to adjustment for any actual amount realized during the period from 30 September 2017 to the date of the completion. The valuation of Changsha Zhaoxi has been prepared by asset-based approach. Based on the assumption that Changsha Zhaoxi will continue to operate, the assets and liabilities of Changsha Zhaoxi will be evaluated by specific assessment method corresponding to such assets and liabilities. The assessed value of the equity interests of Changsha Zhaoxi will be determined by the assessed value of the total assets less the assessed value of total liabilities. The Directors consider that the aggregate consideration under the Changsha Zhaoxi Equity Transfer Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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Moreover, the Company engaged C&W, a third party independent of the Group, the connected persons of the Group, C&D Real Estate and Xiamen Jianhui, to assess the appraised value of the Zhaoxi Land as at 28 February 2018. As at 28 February 2018, the appraised value of the Zhaoxi Land was RMB3,372,000,000 with an increase of approximately 3.22% when compared to the assessed value of the total asset of Changsha Zhaoxi of approximately RMB3,266,657,885.77 as at 30 September 2017. Different valuation approaches were adopted in the valuation conducted by Fujian Puhe and Xiamen Qianyuan Asset Valuation and Property Valuation Company Limited* (廈門乾元資產評估與房地產估價有限責任公司) and the valuation report of C&W. While cost approach was adopted by Fujian Puhe and Xiamen Qianyuan Asset Valuation and Property Valuation Company Limited* (廈門乾元資產評估與房地產估價有限責任公司), direct comparison approach was adopted by C&W by assuming sale with benefit of vacant possession in its existing state by referencing comparable sale transactions as available in the markets. Appropriate adjustments and analysis are considered given the differences in location, size and other characters between the comparable properties and the subject properties.

Since the major asset held by Changsha Zhaoxi is the Zhaoxi Land and the consideration under the Changsha Zhaoxi Equity Transfer Agreement is based on the valuation of the Zhaoxi Land, the Directors believe that it is sufficient and more appropriate to include the valuation report prepared by C&W in Appendix IV of this circular.

As at 28 February 2018, the total assets of Changsha Zhaoxi amounted to approximately RMB3,348,344,000, consisting of: (i) total liabilities of approximately RMB3,343,606,000 and (ii) net assets of approximately RMB4,738,000. As at 28 February 2018, the Zhaoxi Land was valued at RMB3,372,000,000, exceeding its book value by approximately RMB79,508,000. While differences may rise between the consideration and the book value because of different reporting time points and methods, having considered that: (i) the total consideration under the Changsha Zhaoxi Equity Transfer Agreement is close to the sum of shareholders loans (approximately RMB2,675,000,000), re consolidated net assets and the revaluation surplus of the Zhaoxi Land; and (ii) the Zhaoxi Land is of advantageous location and high development potential; the Directors are of the view that the consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Shareholding structure of Changsha Zhaoxi

Name of shareholder	Before the completion of the acquisition of Changsha Zhaoxi		Immediately after the completion of the acquisition of Changsha Zhaoxi	
	Amount of the registered capital of Changsha Zhaoxi (in RMB)	Percentage	Amount of the registered capital of Changsha Zhaoxi (in RMB)	Percentage
Xiamen Jianhui	50,000,000	100%	—	—
Yi Yue	—	—	50,000,000	100%
Total:	<u>50,000,000</u>	<u>100%</u>	<u>50,000,000</u>	<u>100%</u>

LETTER FROM THE BOARD

Financial information of Changsha Zhaoxi

Changsha Zhaoxi was established in the PRC with limited liability on 13 December 2016. Set out below is certain financial information of Changsha Zhaoxi from 13 December 2016 (date of establishment) to 31 December 2016 and the period from 1 January 2017 to 31 December 2017 (reference to the accountant's report of Changsha Zhaoxi in Appendix IIa):

	As at 31 December 2016 (audited) <i>(in RMB'000)</i>	As at 31 December 2017 (audited) <i>(in RMB'000)</i>
Total assets	1,452,448	3,401,695
Net assets	49,998	10,364
	For the period from 13 December 2016 (date of establishment) to 31 December 2016 (audited) <i>(in RMB'000)</i>	For the year ended 31 December 2017 (audited) <i>(in RMB'000)</i>
Net loss before taxation	2	52,824
Net loss after taxation	2	39,634

Reconciliation of the valuation of the Zhaoxi Land

The Zhaoxi Land is revalued by C&W at RMB3,372,000,000 as at 28 February 2018. Details of the valuation are summarised in Appendix IV to this circular. In accordance with the Changsha Zhaoxi's accounting policy, the Zhaoxi Land is stated at cost less accumulated depreciation. As such, there is a net revaluation surplus, representing the excess market value of the Zhaoxi Land over its book value, of approximately RMB79,508,000, of which will not be included in Changsha Zhaoxi's accounts for the year ended 31 December 2017 under the accountants' report of Changsha Zhaoxi in Appendix IIa to this circular.

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

	<i>RMB'000</i>	<i>RMB'000</i>
Valuation of the Zhaoxi Land as at 28 February 2018 as set out in the valuation report included in Appendix IV		3,372,000
Net book value of the Zhaoxi Land as at 31 December 2017 as set out in accountant's report included in Appendix IIa — Properties under development for sale	3,273,446	
Less: Depreciation of Properties during the period from 31 December 2017 to 28 February 2018 (unaudited)	—	
Add: Addition of Construction in process during the period from 31 December 2017 to 28 February 2018 (unaudited)	<u>19,046</u>	
Net book value of the Zhaoxi Land as at 28 February 2018 subject to valuation as set out in the valuation report included in Appendix IV		<u>3,292,492</u>
Net revaluation surplus		<u><u>79,508,000</u></u>

Financial effects of entering into of the Changsha Zhaoxi Equity Transfer Agreement

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

Upon completion of the transaction contemplated under the Changsha Zhaoxi Equity Transfer Agreement, the Group will hold 100% equity interests of Changsha Zhaoxi. Consequently, Changsha Zhaoxi will become a subsidiary of the Company and the financial results and assets and liabilities of Changsha Zhaoxi will be consolidated into the consolidated financial statements of the Company.

(i) *Earning*

As at the Latest Practicable Date, the construction project has commenced on the Zhaoxi Land. As it generally takes more than one year to develop the property project before the completion, revenue can only be recognised upon completion of the construction project and the titles of the properties are passed to the customers in stages. Therefore, the earnings of Changsha Zhaoxi would fluctuate from year to year.

(ii) *Cash flow*

The Group had cash at bank and in hand of approximately RMB1,626.9 million as at 31 December 2017. Pursuant to the Changsha Zhaoxi Equity Transfer Agreement, the cash consideration of RMB51,131,603.05 will be paid in full by Yi Yue to Xiamen Jianhui upon the fulfilment of conditions precedent under the Changsha Zhaoxi Equity Transfer Agreement. The Directors consider that the cash at bank and in hand of the Group on hand and the borrowings from controlling shareholders can offset the cash outflow as a result of the capital commitment.

LETTER FROM THE BOARD

(iii) *Net asset value*

The consolidated net asset of the Group as at 31 December 2017 was approximately RMB3,012.7 million. Upon completion of the transaction contemplated under the Changsha Zhaoxi Equity Transfer Agreement, in view that the inventories of properties of the Group will increase after recognising the Zhaoxi Land into the Group, and such increase will be larger than the increase in the borrowings from controlling shareholders of the Group which is to be used to settle the consideration, the net asset value of the Group will increase.

(iv) *Gearing*

The gearing ratio of the Group as at 31 December 2017 was approximately 373.95%, as derived by dividing the total borrowings of the Group as at 31 December 2017 by the total equity of the Group as at 31 December 2017. Upon completion of the transaction contemplated under the Changsha Zhaoxi Equity Transfer Agreement, the liabilities of the Group will increase by the borrowings from the controlling shareholders and therefore the gearing ratio will consequently increase.

Information about the Zhaoxi Land

The Zhaoxi Land is the major asset held by Changsha Zhaoxi. On 23 November 2016, Changsha Zhaoxi entered into the land use rights grant contract with the Administration Committee of Xiangjiang New District, Hunan* (湖南湘江新區管理委員會), pursuant to which Changsha Zhaoxi acquired the land use rights of the Zhaoxi Land in the total consideration of RMB2,899,870,000. The Zhaoxi Land is located at the east of Yingri Road (映日路) and the north of Xuesong Road (雪松路), Meixi Lake (梅溪湖), Yuelu District (嶽麓區), Changsha City (長沙市), Hunan Province, the PRC, with Changsha Metro Line 2 West Meixi Lake Station to the 100 meters northeast, Yali Middle School (雅禮中學), Changjun Meixihu Experimental Middle School (長郡梅溪湖實驗中學), and Yuelu Experimental Primary School (嶽麓區實驗小學) to the west, close to the Longwanggang River (龍王港河) and Xiao River (肖河) landscape belt, fully furnished and in good condition, with a site area of approximately 80,463.65 sq.m. and an estimated plot ratio floor area of not exceeding approximately 313,808.24 sq.m. for residential use. The term of the land use rights of the Zhaoxi Land is 70 years for residential use.

The Zhaoxi Land would be developed in three phases. For the first phase, the construction has begun in April 2017 and the pre-sale is expected to commence before May 2018. The completion is expected to be before August 2019. For the second phase, the construction has commenced, the pre-sale is expected to commence before December 2018 and the completion is expected to be before February 2020. For the third phase, the construction and the pre-sale are expected to commence in February 2019 and December 2019 respectively and the completion is expected to be before February 2021. The actual schedule of construction, pre-sale and completion of each phase may vary in accordance with the actual market conditions.

LETTER FROM THE BOARD

On 17 October 2017, Changsha Zhaoxi entered into a loan agreement with the Agricultural Bank of China pursuant to which the Agricultural Bank of China has granted a loan of RMB500,000,000 to Changsha Zhaoxi for the term from 17 October 2017 to 16 October 2022 for the purpose of the development and construction of the Zhaoxi Land. The loan facility is guaranteed by C&D Real Estate, which intends to continue to provide guarantee after the completion of the transaction contemplated under the Changsha Zhaoxi Equity Transfer Agreement. Despite that C&D Real Estate will cease to hold shares in Changsha Zhaoxi after the completion of the transaction contemplated under the Changsha Zhaoxi Equity Transfer Agreement, the guarantee provided by C&D Real Estate will remain enforceable and the transfer of ownership of Changsha Zhaoxi will not trigger early repayment of the RMB500 million bank loan. As set out in Appendix II-a, Changsha Zhaoxi has drawn from such bank loan an outstanding amount of RMB250,000,000 as at 31 December 2017.

ACQUISITION OF 100% EQUITY INTERESTS OF TAICANG JIANJIN

Taicang Jianjin Equity Transfer Agreement

Date

16 January 2018

Parties

Vendor: C&D Real Estate

Purchaser: Yi Yue

Assets to be acquired

100% equity interests in Taicang Jianjin

Consideration

The cash consideration under the Taicang Jianjin Equity Transfer Agreement shall be RMB54,343,700.84. Yi Yue shall pay the consideration in full to C&D Real Estate after satisfaction of the condition precedent under the Taicang Jianjin Equity Transfer Agreement. Yi Yue shall also repay the shareholder's loan in the amount of RMB1,497,285,232.54 previously advanced by C&D Real Estate to Taicang Jianjin. The shareholder's loan provided to Taicang Jianjin is for the acquisition and development of the Jianjin Land. The cash consideration and the repayment of the shareholder's loan shall be settled by Yi Yue in cash upon the satisfaction of the condition precedent under the Taicang Jianjin Equity Transfer Agreement.

The cash consideration was determined based on arm's length negotiations between Yi Yue and C&D Real Estate with reference to the valuation of the total assets and liabilities of Taicang Jianjin conducted by Fujian Puhe and Xiamen Dacheng Fanghua Assets Appraisal Land Real Estate Appraisal Company Limited* (廈門大成方華資產評估土地房地產估價有限公司), third parties independent of the Group, the connected persons of the Group and C&D Real Estate. As at 30 September 2017, the total assets of Taicang Jianjin was valued at approximately RMB1,553,571,343.34, consisting of (i)

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net assets of RMB54,343,700.84 and (ii) total liabilities of RMB1,499,227,642.50. On the other hand, the shareholder's loan of RMB1,497,285,232.54 to be paid by Yi Yue is based on the total amount of shareholder's loan (principal and interests) previously advanced by C&D Real Estate to Taicang Jianjin according to the audited accounts of Taicang Jianjin as at 30 September 2017. The valuation of Taicang Jianjin has been prepared by asset-based approach. Based on the assumption that Taicang Jianjin will continue to operate, the assets and liabilities of Taicang Jianjin will be evaluated by specific assessment method corresponding to such assets and liabilities. The assessed value of the equity interests of Taicang Jianjin will be determined by the assessed value of the total assets less the assessed value of total liabilities. The Directors consider that the aggregate consideration under the Taicang Jianjin Equity Transfer Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Moreover, the Company engaged C&W, a third party independent of the Group, the connected persons of the Group and C&D Real Estate, to assess the appraised value of the Jianjin Land as at 28 February 2018. As at 28 February 2018, the appraised values of the Jianjin Land A and the Jianjin Land B were RMB680,000,000 and RMB1,006,000,000 respectively with an increase of approximately 8.52% when compared to the assessed value of the total asset of Taicang Jianjin of RMB1,553,571,343.34 as at 30 September 2017, subject to adjustment for any actual amount realized during the period from 30 September 2017 to the date of the completion. Different valuation approaches were adopted in the valuation conducted by Fujian Puhe and Xiamen Dacheng Fanghua Assets Appraisal Land Real Estate Appraisal Company Limited* (廈門大成方華資產評估土地房地產估價有限公司) and the valuation report of C&W. While cost approach was adopted by Fujian Puhe and Xiamen Dacheng Fanghua Assets Appraisal Land Real Estate Appraisal Company Limited* (廈門大成方華資產評估土地房地產估價有限公司), direct comparison approach was adopted by C&W by assuming sale with benefit of vacant possession in its existing state by referencing comparable sale transactions as available in the markets. Appropriate adjustments and analysis are considered given the differences in location, size and other characters between the comparable properties and the subject properties.

Since the major asset held by Taicang Jianjin is the Jianjin Land and the consideration under the Taicang Jianjin Equity Transfer Agreement is based on the valuation of the Jianjin Land, the Directors believe that it is sufficient and more appropriate to include the valuation report prepared by C&W in Appendix IV of this circular.

As at 28 February 2018, the total assets of Taicang Jianjin amounted to approximately RMB1,812,440,000, consisting of: (i) total liabilities of approximately RMB1,790,612,000 and (ii) net assets of approximately RMB21,828,000. As at the same day, the Jianjin Land was valued at RMB1,686,000,000, exceeding its book value by approximately RMB42,934,000. While differences may rise between the consideration and the book value because of different reporting time points and methods, having considered that: (i) the total consideration under the Taicang Jianjin Equity Transfer Agreement is close to the sum of shareholders loans (approximately RMB1,547,590,000), re consolidated net assets and the revaluation surplus of the Jianjin Land; and (ii) the Jianjin Land is of advantageous location and high development potential; the Directors are of the view that the consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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Shareholding structure of Taicang Jianjin

Name of shareholder	Before the completion of the acquisition of Taicang Jianjin		Immediately after the completion of the acquisition of Taicang Jianjin	
	Amount of the registered capital of Taicang Jianjin (in RMB)	Percentage	Amount of the registered capital of Taicang Jianjin (in RMB)	Percentage
C&D Real Estate	50,000,000	100%	—	—
Yi Yue	—	—	50,000,000	100%
Total:	<u>50,000,000</u>	<u>100%</u>	<u>50,000,000</u>	<u>100%</u>

Financial information of Taicang Jianjin

Set out below is certain financial information of Taicang Jianjin for the period from 24 July 2017 (date of establishment) to 31 December 2017:

	As at 31 December 2017 (audited) (in RMB'000)
Total assets	1,620,814
Net assets	22,086
	For the period from 24 July 2017 (date of establishment) to 31 December 2017 (audited) (in RMB'000)
Net loss before taxation	37,157
Net loss after taxation	27,914

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Reconciliation of the valuation of the Jianjin Land

The Jianjin Land is revalued by C&W at RMB1,686,000,000 as at 28 February 2018. Details of the valuation are summarised in Appendix IV to this circular. In accordance with the Taicang Jianjin's accounting policy, the Jianjin Land is stated at cost less accumulated depreciation. As such, there is a net revaluation surplus, representing the excess market value of the Jianjin Land over its book value, of approximately RMB42,934,000, of which will not be included in Taicang Jianjin's accounts for the year ended 31 December 2017 under the accountants' report of Taicang Jianjin in Appendix IIB to this circular.

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

	<i>RMB'000</i>	<i>RMB'000</i>
Valuation of the Jianjin Land as at 28 February 2018 as set out in the valuation report included in Appendix IV		1,686,000
Net book value of the Jianjin Land as at 31 December 2017 as set out in accountant's report included in Appendix IIB — Properties under development for sale	1,604,440	
Less: Depreciation of Properties during the period from 31 December 2017 to 28 February 2018 (unaudited)	—	
Add: Addition of Construction in process during the period from 31 December 2017 to 28 February 2018 (unaudited)	<u>38,626</u>	
Net book value of the Jianjin Land as at 28 February 2018 subject to valuation as set out in the valuation report included in Appendix IV		<u>1,643,066</u>
Net revaluation surplus		<u><u>42,934,000</u></u>

Financial effects of entering into of the Taicang Jianjin Equity Transfer Agreement

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

Upon completion of the transaction contemplated under the Taicang Jianjin Equity Transfer Agreement, the Group will hold 100% equity interests of Taicang Jianjin. Consequently, Taicang Jianjin will become a subsidiary of the Company and the financial results and assets and liabilities of Taicang Jianjin will be consolidated into the consolidated financial statements of the Company.

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(i) *Earning*

As at the Latest Practicable Date, the construction project has commenced on the Jianjin Land. As it generally takes more than one year to develop the property project before the completion, revenue can only be recognised upon completion of the construction project and the titles of the properties are passed to the customers in stages. Therefore, the earnings of Taicang Jianjin would fluctuate from year to year.

(ii) *Cash flow*

The Group had cash at bank and in hand of approximately RMB1,626.9 million as at 31 December 2017. Pursuant to the Taicang Jianjin Equity Transfer Agreement, the cash consideration of RMB54,343,700.84 will be paid in full by Yi Yue to C&D Real Estate upon the fulfilment of conditions precedent under the Taicang Jianjin Equity Transfer Agreement. The Directors consider that the cash at bank and in hand of the Group on hand and the borrowings from controlling shareholders can offset the cash outflow as a result of the capital commitment.

(iii) *Net asset value*

The consolidated net asset of the Group as at 31 December 2017 was approximately RMB3,012.7 million. Upon the completion of the transaction contemplated under the Taicang Jianjin Equity Transfer Agreement, in view that the inventories of properties of the Group will increase after recognising the Jianjin Land into the Group, and such increase will be larger than the increase in the borrowings from controlling shareholders of the Group which is to be used to settle the consideration, the net asset value of the Group will increase.

(iv) *Gearing*

The gearing ratio of the Group as at 31 December 2017 was approximately 373.95%, as derived by dividing the total borrowings of the Group as at 31 December 2017 by the total equity of the Group as at 31 December 2017. Upon the completion of the transaction contemplated under the Taicang Jianjin Equity Transfer Agreement, the liabilities of the Group will increase by the borrowings from the controlling shareholders and therefore the gearing ratio will consequently increase.

Information about the Jianjin Land

The Jianjin Land is the major asset held by Taicang Jianjin which includes land parcel no. WG 2017-12-1 (the “**Jianjin Land A**”) and land parcel no. WG 2017-12-2 (the “**Jianjin Land B**”). The original acquisition cost of the Jianjin Land is RMB1,530,980,000, of which the original acquisition costs of the Jianjin Land A and the Jianjin Land B are RMB618,590,000 and RMB912,390,000 respectively. The Jianjin Land is located at the Taicang City High-Tech Zone (太倉市高新區), Jiangsu Province, the PRC, of which: (i) the Jianjin Land A locates at the west of Xingye Road (興業路), the north of Xuangong Road (宣公路), the south of Suzhou Road (蘇州路), with a site area of approximately 37,953.19 sq.m. and an estimated plot ratio floor area of not exceeding approximately 68,315.74 sq.m. for residential and commercial use and the terms of the land use rights of the Jianjin Land A are 70 years for residential use and 40 years for commercial use, respectively; and (ii) the

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Jianjin Land B locates at the north of Luoyang East Road (洛陽東路) and the west of Changsheng Road (常勝路) with a site area of approximately 47,983.54 sq.m. and an estimated plot ratio floor area of not exceeding approximately 100,765.43 sq.m. for residential and commercial use and the terms of the land use rights of the Jianjin Land B are 70 years for residential use and 40 years for commercial use, respectively. The Jianjin Land belongs to the urban area of Taicang. Wanda Plaza* (萬達廣場), Dongsheng Commercial Plaza* (東盛商業廣場) and other commercial facilities are within three kilometers of the Jianjin Land. The Jianjin Land has good development potential, with a total site area of approximately 85,936.73 sq.m. and an estimated total plot ratio floor area of not exceeding approximately 169,081.17 sq.m. for residential and commercial use. The Jianjin Land is currently under construction and the completion of the construction is expected to be before June 2020. The sale and delivery will be commenced after the completion. The actual schedule of completion and sale may vary in accordance with the actual market conditions.

ACQUISITION OF 51% EQUITY INTERESTS OF NANNING DINGCHI

Nanning Dingchi Equity Transfer Agreement

Date

16 January 2018

Parties

Vendor: C&D Nanning

Purchaser: Yi Yue

Assets to be acquired

51% equity interests in Nanning Dingchi

Consideration

The cash consideration under the Nanning Dingchi Equity Transfer Agreement shall be RMB3,561,599.42. Yi Yue shall pay the consideration in full to C&D Nanning after satisfaction of the condition precedent under the Nanning Dingchi Equity Transfer Agreement. Yi Yue shall also repay the shareholder's loan in the amount of RMB189,507,330 previously advanced by C&D Nanning to Nanning Dingchi, in proportion to the equity interests held by C&D Nanning. The shareholder's loan provided to Nanning Dingchi provided by its shareholders is to provide fund to the Jiangnan Government (as defined below) for the compensation and costs of demolition for the Urban Redevelopment Project A (as defined below). The cash consideration and the repayment of the shareholder's loan shall be settled by Yi Yue in cash upon the satisfaction of the condition precedent under the Nanning Dingchi Equity Transfer Agreement.

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The cash consideration was determined based on arm's length negotiations between Yi Yue and C&D Nanning with reference to the valuation of the total assets and liabilities of Nanning Dingchi conducted by Fujian Puhe and Xiamen University Assets Appraisal Land Real Estate Appraisal Company Limited* (廈門市大學資產評估土地房地產估價有限責任公司), third parties independent of the Group, the connected persons of the Group and C&D Real Estate. As at 30 September 2017, the total assets of Nanning Dingchi was valued at approximately RMB379,936,817.62, consisting of (i) net assets of RMB6,983,528.28 and (ii) total liabilities of RMB372,953,289.34. On the other hand, the shareholder's loan of RMB189,507,330 to be paid by Yi Yue is based on the total amount of shareholder's loan (principal and interests) previously advanced by C&D Nanning to Nanning Dingchi according to the audited accounts of Nanning Dingchi as at 30 September 2017, subject to adjustment for any actual amount realized during the period from 30 September 2017 to the date of the completion. The valuation of Nanning Dingchi has been prepared by asset-based approach. Based on the assumption that Nanning Dingchi will continue to operate, the assets and liabilities of Nanning Dingchi will be evaluated by specific assessment method corresponding to such assets and liabilities. The assessed value of the equity interests of Nanning Dingchi will be determined by the assessed value of the total assets less the assessed value of total liabilities. The Directors consider that the aggregate consideration under the Nanning Dingchi Equity Transfer Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As at 28 February 2018, the total assets of Nanning Dingchi amounted to approximately RMB427,576,000, consisting of: (i) total liabilities of approximately RMB428,169,000 and (ii) net liabilities of approximately RMB593,000. As at the same day, the Dingchi Land was valued at RMB249,000,000, exceeding its purchase cost by approximately RMB17,771,487. While differences may rise between the consideration and the book value because of different reporting time points and methods, having considered that: (i) the total consideration under the Nanning Dingchi Equity Transfer Agreement is close to the sum of shareholders loans (approximately RMB188,190,000), re consolidated net assets and the revaluation surplus of the Dingchi Land, which is the difference of the land premium amounted to RMB 231,228,513 and the market value of the Dingchi Land amounted to RMB 249,000,000; and (ii) Nanning Dingchi has acquired the Dingchi Land, which is of advantageous location and high development potential; the Directors are of the view that the consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Shareholding structure of Nanning Dingchi

Name of shareholder	Before the completion of the acquisition of Nanning Dingchi		Immediately after the completion of the acquisition of Nanning Dingchi	
	Amount of the registered capital of Nanning Dingchi <i>(in RMB)</i>	Percentage	Amount of the registered capital of Nanning Dingchi <i>(in RMB)</i>	Percentage
C&D Nanning	5,100,000	51%	—	—
Guangxi Dingxinsheng	4,300,000	43%	4,300,000	43%
Guangxi Shangyuan	600,000	6%	600,000	6%
Yi Yue	—	—	5,100,000	51%
Total:	<u>10,000,000</u>	<u>100%</u>	<u>10,000,000</u>	<u>100%</u>

Guangxi Dingxinsheng is a company established in the PRC with limited liability, the principal businesses of which are food wholesale and retail, property leasing, logistics and convention, exhibition services, etc.. Guangxi Shangyuan is a company established in the PRC with limited liability, the principal businesses of which are investment holding, consultancy services, etc.. To the best of the knowledge, information and belief of the Directors having made all reasonable enquires, Guangxi Dingxinsheng and Guangxi Shangyuan are third parties independent of the Company and its connected persons.

Financial information of Nanning Dingchi

Nanning Dingchi was established in the PRC with limited liability on 27 July 2011. Set out below is certain financial information of Nanning Dingchi for the two years ended 31 December 2016 and 31 December 2017 (reference to accountant's report of Nanning Dingchi in Appendix IIc):

	As at 31 December 2016 (audited) <i>(in RMB'000)</i>	As at 31 December 2017 (audited) <i>(in RMB'000)</i>
Total assets	8,384	379,452
Net assets	8,084	(585)

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	For the year ended 31 December 2016 (audited) (in RMB'000)	For the year ended 31 December 2017 (audited) (in RMB'000)
Net loss before taxation	899	11,546
Net loss after taxation	674	8,669

Financial effects of entering into of the Nanning Dingchi Equity Transfer Agreement

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

Upon completion of the transaction contemplated under the Nanning Dingchi Equity Transfer Agreement, the Group will hold 51% equity interests of Nanning Dingchi. Consequently, Nanning Dingchi will become a subsidiary of the Company and the financial results and assets and liabilities of Nanning Dingchi will be consolidated into the consolidated financial statements of the Company.

(i) *Earning*

As at the Latest Practicable Date, no construction project commenced on the Dingchi Land. As it generally takes more than one year to develop the property project before the completion, revenue can only be recognised upon the completion of the construction project and the titles of the properties are passed to the customers in stages. Therefore, the earnings of Nanning Dingchi and in turn the share of results would fluctuate from year to year.

(ii) *Cash flow*

The Group had cash at bank and in hand of approximately RMB1,626.9 million as at 31 December 2017. Pursuant to the Nanning Dingchi Equity Transfer Agreement, the cash consideration of RMB3,561,599.42 will be paid in full by Yi Yue to C&D Nanning upon the fulfilment of conditions precedent under the Nanning Dingchi Equity Transfer Agreement. The Directors consider that the cash at bank and in hand of the Group and the borrowings from controlling shareholders can offset the cash outflow as a result of the capital commitment.

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(iii) *Net asset value*

The consolidated net asset of the Group as at 31 December 2017 was approximately RMB3,012.7 million. Upon the completion of the transaction contemplated under the Nanning Dingchi Equity Transfer Agreement and the acquisition of the Dingchi Land, in view that the inventories of properties of the Group will increase after recognising the Dingchi Land into the Group, and such increase will be larger than the increase in the borrowings from controlling shareholders of the Group which is to be used to settle the consideration, the net asset value of the Group will increase.

(iv) *Gearing*

The gearing ratio of the Group as at 31 December 2017 was approximately 373.95%, as derived by dividing the total borrowings of the Group as at 31 December 2017 by the total equity of the Group as at 31 December 2017. Upon the completion of the transaction contemplated under the Nanning Dingchi Equity Transfer Agreement, the liabilities of the Group will increase by the borrowings from the controlling shareholders and therefore the gearing ratio will consequently increase.

Information about Nanning Dingchi

C&D Nanning acquired 51% equity interests in Nanning Dingchi on 6 July 2017 at the consideration of RMB3,603,983.34. Nanning Dingchi is principally engaged in property development business. Nanning Dingchi entered into an investment agreement with the People's Government of Jiangnan District, Nanning City (南寧市江南區人民政府) (the "**Jiangnan Government**") on 18 January 2017, whereby Nanning Dingchi shall provide fund to the Jiangnan Government to settle the compensation and costs of demolition for urban redevelopment project (the "**Urban Redevelopment Project A**") in Area No.9 (九號片區), Wuyi West Road (五一西路), Jiangnan District (江南區), Nanning City. Under the said agreement, since Nanning Dingchi provides fund for the Urban Redevelopment Project A, Nanning Dingchi is entitled to participate and intends to participate in the auctions or listing-for-sale for not more than three out of five parcels of urban redevelopment land. Should Nanning Dingchi fail to win the auction for the land under the Urban Redevelopment Project A, the Jiangnan Government shall return the sum paid by Nanning Dingchi for the Urban Redevelopment Project A with interests to Nanning Dingchi. Should Nanning Dingchi win the auction for the land under the Urban Redevelopment Project A, the Jiangnan Government will only return the sum paid by Nanning Dingchi in relation to the Urban Redevelopment Project A and no longer pay any interests. The consideration of the land will be paid separately.

LETTER FROM THE BOARD

Information about the Dingchi Land

On 6 February 2018, Nanning Dingchi entered into an agreement with the Nanning Land Bureau, an independent third party of the Company and C&D Real Estate, pursuant to which Nanning Dingchi has successfully won the bid for the auction for, and acquired the land use rights of the Dingchi Land which is located at the south of Jinfu Road (錦富路) and the east of Xuande Road (宣德路), Jiangnan District (江南區), Nanning City (南寧市), Guangxi Zhuang Autonomous Region (廣西壯族自治區), the PRC for a consideration of RMB231,228,513. Based on the information provided by Nanning Dingchi, the Dingchi Land has a site area of approximately 22,276 sq.m. and an estimated plot ratio floor area of not exceeding approximately 77,968 sq.m. for urban residential and commercial retail use and the Dingchi Land is to be developed into a residential project. The development of the Dingchi Land is under planning and the actual schedule of development may vary in accordance with the actual market conditions. The Dingchi Land has not commenced construction as at the Latest Practicable Date. As at the Latest Practicable Date, Nanning Dingchi has paid RMB115,614,257 to the Nanning Land Bureau for the settlement of the consideration of the Dingchi Land. Based on the information provided by Nanning Dingchi, Nanning Dingchi intended to settle the payment for the abovementioned land acquisition by way of loan advanced by C&D Nanning and/or the Group. The valuation report of the Dingchi Land is set out in Appendix IV of this circular.

ACQUISITION OF 51% EQUITY INTERESTS OF NANNING QINGHE

Nanning Qinghe Equity Transfer Agreement

Date

16 January 2018

Parties

Vendor: C&D Nanning

Purchaser: Yi Yue

Assets to be acquired

51% equity interests in Nanning Qinghe

Consideration

The cash consideration under the Nanning Qinghe Equity Transfer Agreement shall be RMB30,632,143.28. Yi Yue shall pay the consideration in full to C&D Real Estate after satisfaction of the condition precedent under the Nanning Qinghe Equity Transfer Agreement. The cash consideration shall be settled by Yi Yue in cash upon the satisfaction of the condition precedent under the Nanning Qinghe Equity Transfer Agreement.

LETTER FROM THE BOARD

The cash consideration was determined based on arm's length negotiations between Yi Yue and C&D Nanning with reference to the valuation of the total assets and liabilities of Nanning Qinghe conducted by Fujian Puhe and Xiamen University Assets Appraisal Land Real Estate Appraisal Company Limited* (廈門市大學資產評估土地房地產估價有限責任公司), third parties independent of the Group, the connected persons of the Group and C&D Real Estate. As at 30 September 2017, the total assets of Nanning Qinghe was valued at approximately RMB66,063,580.79, consisting of (i) net assets of RMB60,063,026.04 and (ii) total liabilities of RMB6,000,554.75. The valuation of Nanning Qinghe has been prepared by asset-based approach. Based on the assumption that Nanning Qinghe will continue to operate, the assets and liabilities of Nanning Qinghe will be evaluated by specific assessment method corresponding to such assets and liabilities. The assessed value of the equity interests of Nanning Qinghe will be determined by the assessed value of the total assets less the assessed value of total liabilities. The Directors consider that the consideration under the Nanning Qinghe Equity Transfer Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Shareholding structure of Nanning Qinghe

Name of shareholder	Before the completion of the acquisition of Nanning Qinghe		Immediately after the completion of the acquisition of Nanning Qinghe	
	Amount of the registered capital of Nanning Qinghe (in RMB)	Percentage	Amount of the registered capital of Nanning Qinghe (in RMB)	Percentage
C&D Nanning	30,600,000	51%	—	—
Guangxi Dinghua	29,400,000	49%	29,400,000	49%
Yi Yue	—	—	30,600,000	51%
Total:	<u>60,000,000</u>	<u>100%</u>	<u>60,000,000</u>	<u>100%</u>

Guangxi Dinghua, which, to the best of knowledge, information and belief of the Directors having made all reasonable enquires, is a third party independent of the Company and its connected persons, is a company established in the PRC with limited liability, the principal businesses of which are food wholesale and retail, real estate development, property leasing, etc..

LETTER FROM THE BOARD

Financial information of Nanning Qinghe

Nanning Qinghe was established in the PRC with limited liability on 26 February 2004. Set out below is certain financial information of Nanning Qinghe for the two years ended 31 December 2016 and 31 December 2017 (reference to the accountant's report of Nanning Qinghe in Appendix IIId):

	As at 31 December 2016 (audited) (in RMB'000)	As at 31 December 2017 (audited) (in RMB'000)
Total assets	71,658	67,884
Net assets	62,686	61,960
	For the year ended 31 December 2016 (audited) (in RMB'000)	For the year ended 31 December 2017 (audited) (in RMB'000)
Net profit/(loss) before taxation	(377)	(726)
Net profit/(loss) after taxation	2,651	(726)

Financial effects of entering into of the Nanning Qinghe Equity Transfer Agreement

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

Upon completion of the transaction contemplated under the Nanning Qinghe Equity Transfer Agreement, the Group will hold 51% equity interests of Nanning Dingchi. Consequently, Nanning Qinghe will become a subsidiary of the Company and the financial results and assets and liabilities of Nanning Qinghe will be consolidated into the consolidated financial statements of the Company.

(i) *Earning*

As at the Latest Practicable Date, Nanning Qinghe has not acquired any land but intends to participate in future land auctions, acquisitions, as well as development (if acquired any land). Since revenue can only be recognized upon the completion of construction project and the title of the properties are passed to customers, the earnings of Nanning Qinghe and in turn the share of results would fluctuate from year to year.

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(ii) *Cash flow*

The Group had cash at bank and in hand of approximately RMB1,626.9 million as at 31 December 2017. Pursuant to the Nanning Dingchi Equity Transfer Agreement, the cash consideration of RMB30,632,143.28 will be paid in full by Yi Yue to C&D Nanning upon the fulfilment of conditions precedent under the Nanning Qinghe Equity Transfer Agreement. The Directors consider that the cash at bank and in hand of the Group and the borrowings from controlling shareholders can offset the cash outflow as a result of the capital commitment.

(iii) *Net asset value*

The consolidated net asset of the Group as at 31 December 2017 was approximately RMB3,012.7 million. Upon the completion of the transaction contemplated under the Nanning Qinghe Equity Transfer Agreement, the net asset of Nanning Qinghe will be consolidated into the account of the Group resulting an increase in the net asset of the Group and that such increase will be larger than the increase in the borrowings from the controlling shareholder of the Group which is to be used to settle the consideration, the net asset value of the Group will increase.

(iv) *Gearing*

The gearing ratio of the Group as at 31 December 2017 was approximately 373.95%, as derived by dividing the total borrowings of the Group as at 31 December 2017 by the total equity of the Group as at 31 December 2017. Upon the completion of the transaction contemplated under Nanning Qinghe Equity Transfer Agreement, the liabilities of the Group will increase by the borrowings from the controlling shareholders and therefore the gearing ratio will consequently increase.

Information about Nanning Qinghe

C&D Nanning acquired 51% equity interests in Nanning Qinghe on 6 July 2017 at the consideration of RMB30,600,000. Nanning Qinghe is principally engaged in property development business. Nanning Qinghe entered into an investment agreement with the People's Government of Xixiangtang District, Nanning City (南寧市西鄉塘區人民政府) (the "**Xixiangtang Government**") and Nanning Commission of Rural and Urban Construction (南寧城鄉建設委員會) on 28 March 2014, whereby Nanning Qinghe shall provide fund to the Xixiangtang Government to settle the compensation and costs of demolition for urban redevelopment project (the "**Urban Redevelopment Project B**") in Sanhua Area (三華片區), Zhonghua Road (中華路), Xixiangtang District (西鄉塘區), Nanning City. Under the said agreement, since Nanning Qinghe provides fund for the Urban Redevelopment Project B, Nanning Qinghe is entitled to participate in the auctions or listing-for-sale for three parcels of urban redevelopment land, in which Nanning Qinghe intends to participate. Should Nanning Qinghe fail to win the auction for the land under the Urban Redevelopment Project B, the Xixiangtang Government shall return the sum paid by Nanning Qinghe for the Urban Redevelopment Project B with interests to Nanning Qinghe. Should Nanning Qinghe win the auction for the land under the Urban Redevelopment Project B, the Xixiangtang Government will only return the sum paid by Nanning Qinghe in relation to the Urban Redevelopment Project B and no longer pay any interests. The consideration of the land will be paid separately.

LETTER FROM THE BOARD

CONDITIONS PRECEDENT UNDER THE EQUITY TRANSFER AGREEMENTS

The completion of the transactions contemplated under the Equity Transfer Agreements will be conditional upon the granting of all the necessary approval(s) required under the Listing Rules, including the approval by the Independent Shareholders in respect of each of the transactions contemplated under the Equity Transfer Agreements. The transactions contemplated under each of the Changsha Zhaoxi Equity Transfer Agreement, the Taicang Jianjin Equity Transfer Agreement, the Nanning Dingchi Equity Transfer Agreement and the Nanning Qinghe Equity Transfer Agreement are not inter-conditional to each other.

COMPLETION

With effect from the completion of the acquisitions contemplated under the Equity Transfer Agreements, Yi Yue will hold 100% equity interests in each of Changsha Zhaoxi and Taicang Jianjin, and 51% equity interests in each of Nanning Dingchi and Nanning Qinghe, respectively. As such, Changsha Zhaoxi, Taicang Jianjin, Nanning Dingchi and Nanning Qinghe will each become an indirect subsidiary of the Company and each of its respective financial results will be consolidated into the consolidated financial statements of the Company.

PAYMENT TERMS AND FUTURE CAPITAL COMMITMENT

Yi Yue will finance the consideration under the Equity Transfer Agreements by loans provided by the controlling shareholder of the Group. The Group expected that it will finance the payment for the consideration under the Equity Transfer Agreements by the shareholder's borrowing available to the Group. Borrowings from controlling shareholders, being a financial assistance received by the Group from a connected person, constitute a connected transaction under Chapter 14A of the Listing Rules. As such, borrowings from controlling shareholders (i) will be conducted on normal commercial terms or better; and (ii) will not be secured by the assets of the Group, such borrowings from controlling shareholders will be fully exempted from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

The Company considered to use borrowings from controlling shareholders to finance the consideration because borrowings from controlling shareholders will be offered at a better interest rate than borrowings from external financial institutions. Currently, the interest rate of shareholder loan obtained by the subsidiaries of the Group from the controlling shareholder is 5.9% per annum. The interest rate of the shareholder loan is lower than the interest rates of those similar unsecured loans provided by external financial institution. Therefore, the Company considered such borrowings from controlling shareholders proper and preferable and the transaction is in the best interest of shareholders and the Company as a whole.

The reasons that the consideration will be financed by loan from the controlling shareholder are: (i) compared to borrowings from external entities such loan from the controlling shareholder has been offered at a lower interest rate without any asset of the Group secured; (ii) with the support of loan from the controlling shareholder the Company could leverage larger assets to expand its primary business; and (iii) the Company is able to entertain its internal resources with higher flexibility so as to capture further investment opportunities timely.

LETTER FROM THE BOARD

The Group will repay the shareholders' loan by the cash inflows from the contract sales of the existing and future properties. Since several properties of the Group has begun pre-sales which is expected to be well received by the customers, the Group is of the opinion that the shareholders' loan can be repaid in time.

The future capital commitment for developing the Zhaoxi Land, the Jianjin Land and the Dingchi Land will be financed primarily by proceeds from the pre-sale of the properties and bank borrowings for property development (房地產開發貸款). The future capital requirement of Nanning Dingchi and Nanning Qinghe (if any) will be financed by the internal resources of the Company and the loans provided by the controlling shareholder of the Group.

INFORMATION ABOUT THE PARTIES TO THE EQUITY TRANSFER AGREEMENTS

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

Xiamen Jianhui is a company established with limited liability in the PRC and is a wholly-owned subsidiary of C&D Real Estate. It is principally engaged in real estate development and property management.

C&D Nanning is a company established with limited liability in the PRC and is a wholly-owned subsidiary of C&D Real Estate. It is principally engaged in real estate development and operation, property management services and investments in the real estate industry.

C&D Real Estate is a company established with limited liability in the PRC, and is a controlling shareholder of the Company which held 446,336,745 issued Shares, representing approximately 60.74% of the issued share capital of in the Company as at the Latest Practicable Date. It is principally engaged in the businesses of property development, commercial operation, property management and investment, etc..

REASONS FOR AND BENEFITS OF THE TRANSACTIONS CONTEMPLATED UNDER THE EQUITY TRANSFER AGREEMENTS

The Group is principally engaged in the businesses of property development, real estate industry chain investment services and investment in emerging industries in the PRC.

Given that (i) each of the Zhaoxi Land, the Jianjin Land, and the Dingchi Land is featured with complete surrounding facilities and prime location with considerable development potential; (ii) the acquisition of the Zhaoxi Land, the Jianjin Land and the Dingchi Land will allow the Group to further expand its land reserve; and (iii) the cooperation with local enterprises through the acquisitions of Nanning Dingchi and Nanning Qinghe will facilitate the joint development of local potential land resources and enable the Group to gain further access to the local land resources at controllable costs in the future, the Directors are of the view that the entering into of the Equity Transfer Agreements will allow the Company to expand its primary businesses, and the terms of the Equity Transfer Agreements are fair and reasonable in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As Xiamen Jianhui and C&D Nanning are wholly-owned subsidiaries of C&D Real Estate and C&D Real Estate is the controlling shareholder of the Company, Xiamen Jianhui, C&D Nanning and C&D Real Estate are considered as connected persons of the Company. As such, the transactions contemplated under the Equity Transfer Agreements constitute connected transactions under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements.

As announced by the Company on 31 October 2017, Yi Yue entered into two equity transfer agreements with C&D Real Estate, pursuant to which C&D Real Estate agreed to sell and Yi Yue agreed to purchase 40% equity interests in Longyan Hengfu and 30% equity interests in Longyan Lirong. Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Equity Transfer Agreements are required to be aggregated with the Previous Transaction. After aggregation, as one or more of the applicable percentage ratios in respect of the Aggregated Transaction exceed 100%, the Aggregated Transaction constitutes a very substantial acquisition under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements. An EGM will be held to seek the approval of the Independent Shareholders of the transactions contemplated under the Equity Transfer Agreements.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Directors have material interest in the transactions contemplated under the Equity Transfer Agreements or was required to abstain from voting at the Board meeting.

C&D Real Estate (which held 446,336,745 issued Shares, representing approximately 60.74% of the issued share capital of the Company as at the Latest Practicable Date) and its associates shall abstain from voting on the proposed resolution to approve the transactions contemplated under the Equity Transfer Agreements 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 Latest Practicable Date, no other Shareholder is interested in the transactions contemplated under the Equity Transfer Agreements.

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

EXTRAORDINARY GENERAL MEETING

The EGM will be held by the Company at Office No. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong on Wednesday, 9 May 2018 at 2:30 p.m., to consider and if thought fit, to approve, among other things, the transactions contemplated under the Equity Transfer Agreements. A form of proxy and the reply slip for use at the EGM are enclosed with this circular.

LETTER FROM THE BOARD

Any Shareholder and his or her or its associates with a material interest in the resolutions will abstain from voting on the resolutions on the transactions contemplated under the Equity Transfer Agreements at the EGM. C&D Real Estate holds 446,336,745 Shares (representing approximately 60.74% of the issued share capital of the Company). As such, C&D Real Estate and its associates will be required to abstain from voting on the relevant resolutions at the EGM.

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

The notice of the EGM is set out on pages N-1 to N-4 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, 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, 4 May 2018 to Wednesday, 9 May 2018 (both days inclusive), during which time no share transfers will be effected. The holders of the Shares whose names appear on the register of members of the Company on Thursday, 3 May 2018 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 ADVISOR

The Independent Board Committee comprising all independent non-executive Directors has been formed to advise the Independent Shareholders on the reasonableness and fairness in respect of the transactions contemplated under the Equity Transfer Agreements. RHB Capital Hong Kong Limited, the Independent Financial Advisor, has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the above issues. The text of the letter from the Independent Board Committee is set out on pages 32 to 33 of this circular and the text of the letter from the Independent Financial Advisor containing its advice is set out on pages 34 to 69 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 transactions contemplated under the Equity Transfer Agreements are in the ordinary and usual course of business of the Group and are on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and its Shareholders as a whole. As such, the Independent Board Committee recommends that all Independent Shareholders to vote in favour of the relevant resolutions to be proposed in the EGM.

LETTER FROM THE BOARD

VOTE BY POLL

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

FURTHER INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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 transactions contemplated under the Equity Transfer Agreements 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 April 2018

To the Independent Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION AND
CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF
(I) 100% EQUITY INTERESTS IN CHANGSHA ZHAOXI;
(II) 100% EQUITY INTERESTS IN TAICANG JIANJIN;
(III) 51% EQUITY INTERESTS IN NANNING DINGCHI; AND
(IV) 51% EQUITY INTERESTS IN NANNING QINGHE
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 transactions contemplated under the Equity Transfer Agreements, the details of which are set out in the circular issued by the Company to the Shareholders dated 23 April 2018 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires. RHB Capital Hong Kong Limited has been appointed as the Independent Financial Advisor to advise the Independent Board Committee. We wish to draw your attention to the letter from the Independent Financial Advisor as set out on pages 34 to 69 of the Circular.

Having taken into account (i) the reasons as disclosed in the paragraph headed “Reasons for and benefits of the transactions contemplated under the Equity Transfer Agreements” 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 transactions contemplated under the Equity Transfer Agreements were entered into in the ordinary and usual course of business of the Group and are on normal commercial terms, the terms are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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 transactions contemplated under the Equity Transfer Agreements.

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

LETTER FROM RHB CAPITAL

The following is the text of the letter of advice from RHB Capital Hong Kong Limited to the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions and the transactions contemplated under the Equity Transfer Agreements, which has been prepared for the purpose of inclusion in this circular.



12/F., World-Wide House
19 Des Voeux Road Central
Hong Kong

23 April 2018

Office No. 3517, 35th Floor
Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

*To: the Independent Board Committee and
the Independent Shareholders of C&D International Investment Group Limited*

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION AND CONNECTED
TRANSACTION IN RELATION TO THE ACQUISITION OF
(I) 100% EQUITY INTERESTS IN CHANGSHA ZHAOXI;
(II) 100% EQUITY INTERESTS IN TAICANG JIANJIN;
(III) 51% EQUITY INTERESTS IN NANNING DINGCHI; AND
(IV) 51% EQUITY INTERESTS IN NANNING QINGHE**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the acquisitions of (i) 100% equity interests in Changsha Zhaoxi (the “**Changsha Zhaoxi Acquisition**”); (ii) 100% equity interests in Taicang Jianjin (the “**Taicang Jianjin Acquisition**”); (iii) 51% equity interests in Nanning Dingchi (the “**Nanning Dingchi Acquisition**”); and (iv) 51% equity interests in Nanning Qinghe (the “**Nanning Qinghe Acquisition**”) (collectively as the “**Acquisitions**”) and the transactions contemplated under the Equity Transfer Agreements, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 23 April 2018 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined or the context requires otherwise.

LETTER FROM RHB CAPITAL

On 16 January 2018 that , Yi Yue, an indirect wholly-owned subsidiary of the Company, entered into the following Equity Transfer Agreements:

- (i) the Changsha Zhaoxi Equity Transfer Agreement, pursuant to which Xiamen Jianhui agreed to sell and Yi Yue agreed to purchase 100% equity interests in Changsha Zhaoxi. The cash consideration under the Changsha Zhaoxi Equity Transfer Agreement shall be RMB51,131,603.05. Yi Yue shall also repay the shareholder's loan in the amount of RMB3,161,614,963.22 previously advanced by Xiamen Jianhui (or its shareholder) to Changsha Zhaoxi;
- (ii) the Taicang Jianjin Equity Transfer Agreement, pursuant to which C&D Real Estate agreed to sell and Yi Yue agreed to purchase 100% equity interests in Taicang Jianjin. The cash consideration under the Taicang Jianjin Equity Transfer Agreement shall be RMB54,343,700.84. Yi Yue shall also repay the shareholder's loan in the amount of RMB1,497,285,232.54 previously advanced by C&D Real Estate to Taicang Jianjin;
- (iii) the Nanning Dingchi Equity Transfer Agreement, pursuant to which C&D Nanning agreed to sell and Yi Yue agreed to purchase 51% equity interests in Nanning Dingchi. The cash consideration under the Nanning Dingchi Equity Transfer Agreement shall be RMB3,561,599.42. Yi Yue shall also repay the shareholder's loan in the amount of RMB189,507,330 previously advanced by C&D Nanning to Nanning Dingchi; and
- (iv) the Nanning Qinghe Equity Transfer Agreement, pursuant to which C&D Nanning agreed to sell and Yi Yue agreed to purchase 51% equity interests in Nanning Qinghe. The cash consideration under the Nanning Qinghe Equity Transfer Agreement shall be RMB30,632,143.28.

With effect from the completion of the Acquisitions, Yi Yue will hold 100% equity interests in each of Changsha Zhaoxi and Taicang Jianjin, and 51% equity interests in each of Nanning Dingchi and Nanning Qinghe. As such, Changsha Zhaoxi, Taicang Jianjin, Nanning Dingchi and Nanning Qinghe will each become an indirect subsidiary of the Company and each of its respective financial results will be consolidated into the consolidated financial statements of the Company.

As (i) C&D Real Estate is the controlling shareholder of the Company, Xiamen Jianhui, C&D Nanning and (ii) Xiamen Jianhui and C&D Nanning are wholly-owned subsidiaries of C&D Real Estate, each of C&D Real Estate, Xiamen Jianhui and C&D Nanning is considered as connected person of the Company. Accordingly, the Acquisitions constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Furthermore, pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Equity Transfer Agreements are required to be aggregated with the Previous Transaction. After aggregation, as one or more of the applicable percentage ratios in respect of the Aggregated Transaction exceed 100%, the Aggregated Transaction constitutes a very substantial acquisition under Chapter 14 of the Listing Rules. The Acquisitions are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14 and 14A of the Listing Rules. An EGM will be held to seek the approval of the Independent Shareholders of the Acquisitions and the transactions contemplated under the Equity Transfer Agreements.

LETTER FROM RHB CAPITAL

C&D Real Estate (which held 446,336,745 issued Shares, representing approximately 60.74% of the issued share capital of the Company as at the Latest Practicable Date) and its associates shall abstain from voting on the proposed resolution(s) to approve the Acquisitions and the transactions contemplated under the Equity Transfer Agreements at the EGM. Save for the aforesaid, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the date of Latest Practicable Date, no other Shareholder is interested in the transactions contemplated under the Equity Transfer Agreements and required to abstain from voting on the said resolution(s) at the EGM and none of the Directors has material interest in the transactions contemplated under the Equity Transfer Agreements or was required to abstain from voting at the Board meeting.

The Independent Board Committee consisting of all the independent non-executive Directors namely, Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee, has been formed to advise the Independent Shareholders as to (i) whether the Acquisitions and the transactions contemplated under the Equity Transfer Agreements are on normal commercial terms and conducted in the ordinary and usual course of business of the Group; (ii) whether the terms of each of the Equity Transfer Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole and (iii) how to vote on the relevant resolution(s) in respect of the Acquisitions and the transactions contemplated under the Equity Transfer Agreements at the EGM. We, RHB Capital Hong Kong Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we are independent from and not connected with the Company, Yi Yue, C&D Real Estate, Xiamen Jianhui, C&D Nanning or any of their respective associates pursuant Rule 13.84 of the Listing Rules. For the past two years up to the Latest Practicable Date, we have not acted as a financial adviser or independent financial adviser to the Company, Yi Yue, C&D Real Estate, Xiamen Jianhui, C&D Nanning or any of their respective. In addition, we are not aware of the existence of or change in any circumstances that would affect our independence. Apart from normal professional fees payable to us for our service to the Company in connection with this appointment, no arrangement exists whereby we shall receive any other fees or benefits from the Company, Yi Yue, C&D Real Estate, Xiamen Jianhui, C&D Nanning or any of their respective associates. We, therefore, considered ourselves eligible to give independent advice on the Acquisitions and the transactions contemplated under the Equity Transfer Agreements.

BASIS OF OUR OPINION AND RECOMMENDATIONS

In formulating our opinion and recommendations, we have relied on the information, facts and representations contained or referred to in the Circular, and the information, facts and representations provided to us by the Company, and the opinions expressed as well as statements of intention by the Directors, the Company and its management. We have assumed that all information, facts, representations and opinions contained or referred to in the Circular or provided to us were true, accurate and complete in all material respects as at the date of the Circular and will remain so up to the date of the EGM. The Company will notify the Shareholders and the general public of any material

LETTER FROM RHB CAPITAL

changes to such information, facts, representations and opinions as soon as possible. In addition, we have assumed that all views, opinions and statements of intention provided by the Directors, advisors and representatives of the Company have been arrived at after due and careful enquiries. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us, or to believe that any relevant information has been omitted or withheld.

We consider that we have reviewed sufficient information currently available to us, among other things, the Circular, the Equity Transfer Agreements, the annual report of the Company for the year ended 31 December 2016 (the “**2016 Annual Report**”), the interim report of the Company for the six months ended 30 June 2017 (the “**2017 Interim Report**”), the announcement of the Company’s annual results for the year ended 31 December 2017 (the “**2017 Annual Results Announcement**”), the accountants report of each of Changsha Zhaoxi, Taicang Jianjin, Nanning Dingchi and Nanning Qinghe in Appendix IIa — II d to the Circular, the unaudited pro forma financial information of the Enlarged Group in Appendix III to the Circular and the valuation report in Appendix IV to the Circular, and have performed all necessary steps required under Rule 13.80 of the Listing Rules to enable us to reach an informed view and justify our reliance on the given information. We, however, have not conducted any independent verification of the information provided by the Directors, the Company and its management, nor have we conducted independent detailed investigation or audit into the businesses, affairs, financial position or future prospects of the Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect, and the information, facts, representations and opinions made available to us as of the Latest Practicable Date.

We noted that the Company had acquired 40% equity interests in Longyan Hengfu Real Estate Development Company Limited* (龍岩恒富房地產開發有限公司) and 30% equity interests in Longyan Lirong Real Estate Development Company Limited* (龍岩利榮房地產開發有限公司) respectively from C&D Real Estate in December 2017 (for the details of the Previous Transaction, please refer to the announcement and circular of the Company dated 31 October 2017 and 7 December 2017, respectively). However, we would not include the Previous Transaction in our analysis herein below given that (i) the location of the properties to the Previous Transaction and the transactions under the Equity Transfer Agreements are different; and (ii) the Previous Transaction was considered to be fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Company stated in the circular of the Company dated 7 December 2017 and was duly passed by the independent shareholders of the Company at the extraordinary general meeting of the Company. We wish to illustrate that the properties to the Acquisitions, the Acquisitions and the transactions under the Equity Transfer Agreements are our main focus.

All Directors jointly and severally accept full responsibility for the accuracy of the information, facts and representations contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained, facts and representations in the Circular are true, accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading.

LETTER FROM RHB CAPITAL

This letter is issued as our opinion and recommendations to the Independent Board Committee and the Independent Shareholders which is solely for their consideration of whether to approve the Acquisitions and transactions contemplated under the Equity Transfer Agreements at the EGM, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Acquisitions and the transactions contemplated under the Equity Transfer Agreements, we have considered the following principal factors and reasons:

1. Overview of the Group

The Group is principally engaged in the business of property development, real estate industry chain investment service and emerging industry investment in the PRC. According to the 2017 Interim Report, the Group plans to expand and refine its property development business by (i) continuing to cultivate its presence in key cities, entering into cities with growth potential, and increasing efforts in acquisition of lands to expand and improve the Group's land reserve; (ii) adopting diversified cooperation models according to specific circumstances to reduce operational risks; and (iii) enhancing the Group's product standardisation, brand value and corporate image in regional markets.

Set out below is a summary of the consolidated financial information of the Company as extracted from the 2017 Annual Results Announcement:

Consolidated income statement

	For the year ended	
	31 December	
	2016	2017
	(audited)	(audited)
	(restated)	
	<i>(in RMB'000) (in RMB'000)</i>	
Revenue	104,103	3,237,677
Profit attributable to the Shareholders	(28,076)	329,416

LETTER FROM RHB CAPITAL

Consolidated balance sheet

	As at 31 December	
	2016 (audited) (restated)	2017 (audited)
	(in RMB'000)	(in RMB'000)
Cash at bank and in hand	631,282	1,626,866
Total assets	8,596,078	22,856,609
Total liabilities	6,810,499	19,843,936
Net assets	1,785,579	3,012,673

1.1 *Financial performance for the year ended 31 December 2017*

Revenue of the Group increased from approximately RMB104.1 million (restated) for the year ended 31 December 2016 to approximately RMB3,237.6 million for the year ended 31 December 2017, representing an increase of approximately RMB3,133.5 million. As set out in the 2017 Annual Results Announcement, such increase was mainly attributable to the increase of sales of properties of approximately RMB3,010.4 million due to the increase in saleable GFA delivered from approximately 2,196 sq.m. for the year ended 31 December 2016 to approximately 173,306 sq.m. for the year ended 31 December 2017.

Profit attributable to the Shareholders increased by approximately RMB357.4 million from loss attributable to Shareholders of approximately RMB28.0 million (restated) for the year ended 31 December 2016 to profit attributable to Shareholders of approximately RMB329.4 million for the year ended 31 December 2017. According to the management of the Company, such increase was mainly attributable to the significant increase in sales of properties due to increase in saleable GFA sold and delivered of Suzhou Dushuwan (Phase I) and Changsha Zhongyangyuefu during the year.

1.2 *Financial position as of 31 December 2017*

The Group's cash at bank and in hand increased from approximately RMB631.2 million (restated) as at 31 December 2016 to approximately RMB1,626.8 million as at 31 December 2017, representing an increase of approximately 157.7%. Total assets of the Group increased from approximately RMB8,596.0 million (restated) as at 31 December 2016 to approximately RMB22,856.6 million as at 31 December 2017 mainly due to the increase in cash at bank and in hand during the relevant period. As at 31 December 2017, total liabilities of the Group amounted to approximately RMB19,843.9 million, representing an increase of approximately 191.37% as compared to that of 31 December 2016. As set out in the 2017 Annual Results Announcement, such increase was mainly due the increase in advances received from the pre-sale of properties under development and properties held for sale and the increase in interest-bearing borrowings during the relevant period. The net assets

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of the Group increased from approximately RMB1,785.5 million (restated) as at 31 December 2016 to approximately RMB3,012.6 million as at 31 December 2017 mainly due to the increase in inventories of properties and was partially offset by the increase in advances received from the pre-sale of properties under development and properties held for sale during the relevant period.

2. Overview of Changsha Zhaoxi, Taicang Jianjin, Nanning Dingchi and Nanning Qinghe

2.1 Overview of Changsha Zhaoxi

Changsha Zhaoxi is a company established in the PRC with limited liability on 13 December 2016 and is principally engaged in the business of property development and management. As at the Latest Practicable Date, Changsha Zhaoxi had a registered capital of RMB50 million, which was contributed solely by Xiamen Jianhui. In addition, the Zhaoxi Land is the major asset held by Changsha Zhaoxi.

As stated in the Letter from the Board, on 23 November 2016, Changsha Zhaoxi entered into the land use rights grant contract with the Administration Committee of Xiangjiang New District, Hunan* (湖南湘江新區管理委員會), pursuant to which Changsha Zhaoxi acquired the land use rights of the Zhaoxi Land in the total consideration of RMB2,899,870,000. The Zhaoxi Land is located at the east of Yingri Road (映日路) and the north of Xuesong Road (雪松路), Meixi Lake (梅溪湖), Yuelu District (嶽麓區), Changsha City (長沙市), Hunan Province, the PRC, with Changsha Metro Line 2 West Meixi Lake Station to the 100 meters northeast, Yali Middle School (雅禮中學), Changjun Meixihu Experimental Middle School (長郡梅溪湖實驗中學), and Yuelu Experimental Primary School (嶽麓區實驗小學) to the west, close to the Longwanggang River (龍王港河) and Xiao River (肖河) landscape belt, fully furnished and in good condition, with a site area of approximately 80,463.65 sq.m. and an estimated plot ratio floor area of not exceeding approximately 313,808.24 sq.m. for residential use. The term of the land use rights of the Zhaoxi Land is 70 years for residential use.

We were given the understanding from the management of the Company that the Zhaoxi Land is planned to be developed in three phases. For the first phase, the construction has begun in April 2017 and the pre-sale is expected to commence before May 2018. The completion is expected to be before August 2019. For the second phase, the construction has commenced, the pre-sale is expected to commence before December 2018 and the completion is expected to be before February 2020. For the third phase, the construction and the pre-sale are expected to commence in February 2019 and December 2019 respectively and the completion is expected to be before February 2021. The actual schedule of construction, pre-sale and completion of each phase may vary in accordance with the actual market conditions.

As stated in the Letter from the Board, on 17 October 2017, Changsha Zhaoxi entered into a loan agreement with the Agricultural Bank of China pursuant to which the Agricultural Bank of China has granted a loan of RMB500,000,000 to Changsha Zhaoxi for the term from 17 October 2017 to 16 October 2022 for the purpose of the development and construction of the Zhaoxi Land (the “**ABC Loan**”). The loan facility is guaranteed by C&D Real Estate and we are given the understanding by the Company that C&D Real Estate intends to continue to provide guarantee for the ABC Loan after the completion of the transaction contemplated under the Changsha Zhaoxi Equity Transfer Agreement and the transfer of ownership of Changsha Zhaoxi will not trigger early repayment of the ABC Loan.

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Set out below is a summary of the profit and loss of Changsha Zhaoxi for the period from 13 December 2016 (date of establishment) to 31 December 2016 and for the period from 1 January 2017 to 31 December 2017, respectively, and the financial positions of Changsha Zhaoxi as at 31 December 2016 and 31 December 2017, respectively:

Income statement

	For the period from 13 December 2016 (date of establishment) to 31 December 2016 (audited) (in RMB'000)	For the year ended 31 December 2017 (audited) (in RMB'000)
Revenue	—	—
Loss before income tax	2	52,824
Loss and total comprehensive loss for the period/year	2	39,634

Balance sheet

	As at 31 December 2016 (audited) (in RMB'000)	As at 31 December 2017 (audited) (in RMB'000)
Total assets	1,452,448	3,401,695
Total liabilities	1,402,450	3,391,331
Net assets	49,998	10,364

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As advised by the management of the Company, Changsha Zhaoxi did not recognise any revenue for the year ended 31 December 2017 as the Zhaoxi Project is still under construction. The loss before income tax and loss and total comprehensive loss for the year ended 31 December 2017 was approximately RMB52,824,000 and RMB39,634,000, respectively, were primarily attributable to the administrative expenses and finance costs incurred during the relevant period. As at 31 December 2017, total assets of Changsha Zhaoxi amounted to approximately RMB3,401.6 million, which mainly comprised the Zhaoxi Land. Total liabilities of Changsha Zhaoxi amounted to approximately RMB3,391.3 million as at 31 December 2017, which mainly represent the loan from intermediate holding company of the Changsha Zhaoxi of approximately RMB2,947.5 million.

Reconciliation of the valuation of the Zhaoxi Land

The Zhaoxi Land is revalued by C&W at approximately RMB3,372 million as at 28 February 2018. Details of the valuation are summarised in Appendix IV to the Circular. In accordance with the Changsha Zhaoxi's accounting policy, the Zhaoxi Land is stated at cost less accumulated depreciation. As such, there is a net revaluation surplus, representing the excess market value of the Zhaoxi Land over its book value, of approximately RMB79,508,000 as at 28 February 2018, of which will not be included in Changsha Zhaoxi's accounts for the year ended 31 December 2017 under the accountants' report of Changsha Zhaoxi in Appendix IIa to the Circular.

The reconciliation of the valuation of the Zhaoxi Land is set out below:

	<i>RMB'000</i>	<i>RMB'000</i>
Valuation of the Zhaoxi Land as at 28 February 2018		3,372,000
Unaudited net book value of the Zhaoxi Land as at 28 February 2018	3,292,492	
Net revaluation surplus		<u>79,508</u>

2.2 Overview of Taicang Jianjin

Taicang Jianjin is a company established in the PRC with limited liability on 24 July 2017 and is principally engaged in the business of property development and management. As at the Latest Practicable Date, Taicang Jianjin had a registered capital of RMB50 million, which was contributed solely by C&D Real Estate.

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The major asset of Taicang Jianjin is the Jianjin Land which includes land parcel no. WG 2017-12-1 (the “**Jianjin Land A**”) and land parcel no. WG 2017-12-2 (the “**Jianjin Land B**”). The original acquisition cost of the Jianjin Land is RMB1,530,980,000, of which the original acquisition costs of the Jianjin Land A and the Jianjin Land B are RMB618,590,000 and RMB912,390,000 respectively. The Jianjin Land A locates at the west of Xingye Road (興業路), the north of Xuangong Road (宣公路) and the south of Suzhou Road (蘇州路) in Taicang City High-Tech Zone (太倉市高新區) of Jiangsu Province, with a site area of approximately 37,953.19 sq.m. and an estimated plot ratio floor area of not exceeding approximately 68,315.74 sq.m. for residential and commercial use and the terms of the land use rights of the Jianjin Land A are 70 years for residential use and 40 years for commercial use, respectively. The Jianjin Land B locates at the north of Luoyang East Road (洛陽東路) and the west of Changsheng Road (常勝路) in Taicang City High-Tech Zone (太倉市高新區) of Jiangsu Province, with a site area of approximately 47,983.54 sq.m. and an estimated plot ratio floor area of not exceeding approximately 100,765.43 sq.m. for residential and commercial use and the terms of the land use rights of the Jianjin Land B are 70 years for residential use and 40 years for commercial use, respectively. The Jianjin Land is situated in the urban area of Taicang. Wanda Plaza* (萬達廣場), Dongsheng Commercial Plaza (東盛商業廣場) and other commercial facilities are within three kilometers of the Jianjin Land.

The Jianjin Land has a total site area of approximately 85,936.73 sq.m. and an estimated total plot ratio floor area of not exceeding approximately 169,081.17 sq.m. for residential and commercial use. The Jianjin Land is currently under construction and the completion of the construction is expected to be before June 2020. The sale and delivery will be commenced after the completion. The actual schedule of completion and sales may vary in accordance with the actual market conditions.

Set out below is a summary of the profit and loss of Taicang Jianjin for the period from 24 July 2017 (date of establishment) to 31 December 2017 and the financial position of Taicang Jianjin as at 31 December 2017:

Income statement

	For the period from 24 July 2017 (date of establishment) to 31 December 2017 (audited) (in RMB'000)
Revenue	—
Loss before income tax	37,157
Loss and total comprehensive loss for the period	27,914

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Balance sheet

	As at 31 December 2017 (audited) <i>(in RMB'000)</i>
Total assets	1,620,814
Total liabilities	1,598,728
Net assets	22,086

As advised by the management of the Company, Taicang Jianjin has not recognised any revenue for the period from 24 July 2017 to 31 December 2017 as the Jianjin Project is still under construction. The loss before income tax and loss and total comprehensive loss for the period from 24 July 2017 to 31 December 2017 of approximately RMB37,157,000 and RMB27,914,000, respectively, were mainly attributable to the administrative expenses and finance costs incurred during the relevant period. As at 31 December 2017, total assets of Taicang Jianjin amounted to approximately RMB1,620.8 million, which mainly comprised the Jianjin Land. Total liabilities of Taicang Jianjin amounted to approximately RMB1,598.7 million as at 31 December 2017 mainly representing the loan from immediate holding company of Taicang Jianjin of approximately RMB1,547.8 million.

Reconciliation of the valuation of the Jianjin Land

The Jianjin Land is revalued by C&W at approximately RMB1,686 million as at 28 February 2018. Details of the valuation are summarised in Appendix IV to the Circular. In accordance with the Taicang Jianjin's accounting policy, the Jianjin Land is stated at cost less accumulated depreciation. As such, there is a net revaluation surplus, representing the excess market value of the Jianjin Land over its book value, of approximately RMB42,934,000 as at 28 February 2018, of which will not be included in Taicang Jianjin's accounts for the year ended 31 December 2017 under the accountants' report of Taicang Jianjin in Appendix IIb to the Circular.

The reconciliation of the valuation of the Jianjin Land is set out below:

	<i>RMB'000</i>	<i>RMB'000</i>
Valuation of the Jianjin Land as at 28 February 2018		1,686,000
Unaudited net book value of the Jianjin Land as at 28 February 2018	1,643,066	
Net revaluation surplus		<u>42,934</u>

2.3 Overview of Nanning Dingchi

Nanning Dingchi is a company established in the PRC with limited liability on 27 July 2011 and is principally engaged in the business of property development and management. As at the Latest Practicable Date, Nanning Dingchi had a registered capital of RMB10 million, which was contributed

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as to RMB5.1 million, RMB4.3 million and RMB0.6 million by C&D Nanning, Guangxi Dingxinsheng and Guangxi Shangyuan, respectively, representing 51%, 43% and 6% of equity interests in Nanning Dingchi, respectively. Guangxi Dingxinsheng is a company established in the PRC with limited liability, the principal businesses of which are food wholesale and retail, property leasing, logistics and convention, exhibition services, etc, where, Guangxi Shangyuan is a company established in the PRC with limited liability, the principal businesses of which are investment holding, consultancy services, etc. To the best of our knowledge, information and belief after having made all reasonable enquires and further confirmed by the Company, Guangxi Dingxinsheng and Guangxi Shangyuan are third parties independent of the Company and its connected persons. The major asset of Nanning Dingchi is the Dingchi Land.

Nanning Dingchi entered into an investment agreement with the People's Government of Jiangnan District, Nanning City (南寧市江南區人民政府) (the "**Jiangnan Government**") on 18 January 2017, whereby Nanning Dingchi shall provide fund to the Jiangnan Government to settle the compensation and costs of demolition for Urban Redevelopment Project A located in Area No.9 (九號片區), Wuyi West Road (五一西路), Jiangnan District (江南區) of Nanning City. Under the said agreement, since Nanning Dingchi provides fund for the Urban Redevelopment Project A, Nanning Dingchi is entitled to participate and intends to participate in the auctions or listing-for-sale for not more than three out of five parcels of urban redevelopment land. Should Nanning Dingchi fail to win the auction for the land under the Urban Redevelopment Project A, the Jiangnan Government shall return the sum paid by Nanning Dingchi for the Urban Redevelopment Project A with interests to Nanning Dingchi. Should Nanning Dingchi win the auction for the land under the Urban Redevelopment Project A, the Jiangnan Government will only return the sum paid by Nanning Dingchi in relation to the Urban Redevelopment Project A and no longer pay any interests. The consideration of the land will be paid separately.

On 6 February 2018, Nanning Dingchi entered into an agreement with the Nanning Municipal Bureau of Land Resources (南寧市國土資源局), an independent third party of the Company and C&D Real Estate, pursuant to which Nanning Dingchi has successfully won the bid for the auction for, and acquired the land use rights of the Dingchi Land which is located at the south of Jinfu Road (錦富路) and the east of Xuande Road (宣德路), Jiangnan District (江南區), Nanning City (南寧市), Guangxi Zhuang Autonomous Region (廣西壯族自治區), the PRC for a consideration of RMB231,228,513. Based on the information provided by the Nanning Dingchi, the Dingchi Land has a site area of approximately 22,276.35 sq.m. and an estimated plot ratio floor area of not exceeding approximately 77,968 sq.m. for urban residential and commercial retail use and the Dingchi Land is to be developed into a residential project. The development of the Dingchi Land is under planning and the actual schedule of development may vary in accordance with the actual market conditions. The Dingchi Land has not commenced construction as at the Latest Practicable Date. As stated in the Letter from the Board, as at the Latest Practicable Date, Nanning Dingchi has paid RMB115,614,257 to the Nanning Municipal Bureau of Land Resources for the settlement of the consideration of the Dingchi Land. Based on the information provided by Nanning Dingchi, Nanning Dingchi intended to settle the payment for the abovementioned land acquisition by way of loan advanced by C&D Nanning and/or the Group. The valuation report of the Dingchi Land is set out in Appendix IV to the Circular.

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Set out below is a summary of the profit and loss of Nanning Dingchi for the two years ended 31 December 2017 and financial position of Nanning Dingchi as at 31 December 2016 and 31 December 2017, respectively:

Income statement

	For the year ended 31 December 2016 (audited) (in RMB'000)	For the year ended 31 December 2017 (audited) (in RMB'000)
Revenue	—	—
Loss before income tax	899	11,546
Loss and total comprehensive loss for the year	674	8,669

Balance sheet

	As at 31 December 2016 (audited) (in RMB'000)	As at 31 December 2017 (audited) (in RMB'000)
Total assets	8,384	379,452
Total liabilities	300	380,037
Net assets	8,084	(585)

As advised by the management of the Company, Nanning Dingchi has not recognised any revenue for the year ended 31 December 2017. The loss before income tax and loss and total comprehensive loss for the year ended 2017 of approximately RMB11,546,000 and RMB8,669,000, respectively, were mainly attributable to the administrative expenses and finance costs incurred during the relevant period. As at 31 December 2017, total assets of Nanning Dingchi amounted to approximately RMB379.4 million which mainly comprised the deposits for land acquisition of approximately RMB375 million. Total liabilities of Nanning Dingchi amounted to approximately RMB380.0 million as at 31 December 2017, mainly representing the loan from the immediate holding company and non-controlling shareholder of Nanning Dingchi of approximately RMB188.1 million and RMB180.8 million, respectively.

2.4 Overview of Nanning Qinghe

Nanning Qinghe is a company established in the PRC with limited liability on 26 February 2004 and is principally engaged in the business of property development. C&D Nanning acquired 51% equity interests in Nanning Qinghe on 6 July 2017 at the consideration of RMB30,600,000. As at the Latest Practicable Date, Nanning Dingchi had a registered capital of RMB60 million, which was contributed as to RMB30.6 million and RMB29.4 million by C&D Nanning and Guangxi Dinghua, respectively, representing 51% and 49% of equity interests in Nanning Qinghe, respectively. Guangxi

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Dinghua is a company established in the PRC with limited liability, the principal businesses of which are food wholesale and retail, real estate development, property leasing, etc. To the best of our knowledge, information and belief after having made all reasonable enquires and further confirmed by the Company, Guangxi Dinghua is a third party independent of the Company and its connected.

Nanning Qinghe entered into an investment agreement with the People's Government of Xixiangtang District, Nanning City (南寧市西鄉塘區人民政府) (the "**Xixiangtang Government**") and Nanning Commission of Rural and Urban Construction (南寧城鄉建設委員會) on 28 March 2014, whereby Nanning Qinghe shall provide fund to the Xixiangtang Government to settle the compensation and costs of demolition for the Urban Redevelopment Project B in Sanhua Area (三華片區), Zhonghua Road (中華路), Xixiangtang District (西鄉塘區) of Nanning City. Under the said agreement, since Nanning Qinghe provides fund for the Urban Redevelopment Project B, Nanning Qinghe is entitled to participate in the auctions or listing-for-sale for three parcels of urban redevelopment land, in which Nanning Qinghe intends to participate. Should Nanning Qinghe fail to win the auction for the land under the Urban Redevelopment Project B, the Xixiangtang Government shall return the sum paid by Nanning Qinghe for the Urban Redevelopment Project B with interests to Nanning Qinghe. Should Nanning Qinghe win the auction for the land under the Urban Redevelopment Project B, the Xixiangtang Government will only return the sum paid by Nanning Qinghe in relation to the Urban Redevelopment Project B and no longer pay any interests. The consideration of the land will be paid separately.

Set out below is a summary of the profit and loss of Nanning Qinghe for the two years ended 31 December 2017 and the financial position of Nanning Qinghe as at 31 December 2016 and 31 December 2017, respectively:

Income statement

	For the year ended 31 December 2016 (audited) (in RMB'000)	For the year ended 31 December 2017 (audited) (in RMB'000)
Revenue	—	708
Loss before income tax	377	726
(Loss)/profit and total comprehensive (loss)/income for the year	2,651	(726)

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Balance sheet

	As at 31 December 2016 (audited) (in RMB'000)	As at 31 December 2017 (audited) (in RMB'000)
Total assets	71,658	67,884
Total liabilities	8,972	5,924
Net assets	62,686	61,960

As advised by the management of the Company, Nanning Qinghe has recognised revenue of approximately RMB708,000 for the year ended 31 December 2017. The loss before income tax and loss and total comprehensive loss for the year ended 31 December 2017 of approximately RMB726,000 and RMB726,000, respectively, were mainly attributable to the increased in cost of sales and the administrative expenses incurred during the relevant period. As at 31 December 2017, total assets of Nanning Dingchi amounted to approximately RMB67.8 million which mainly comprised the deposits for land acquisition of approximately RMB44.8 million. Total liabilities of Nanning Qinghe amounted to approximately RMB5.9 million as at 31 December 2017 which were the amount due to non-controlling shareholder of Nanning Qinghe.

3. Principal terms of the Equity Transfer Agreements

3.1 Changsha Zhaoxi Equity Transfer Agreement

Date

16 January 2018

Parties

Vendor: Xiamen Jianhui

Purchaser: Yi Yue

Assets to be acquired

100% equity interests in Changsha Zhaoxi

Consideration

The cash consideration under the Changsha Zhaoxi Equity Transfer Agreement shall be RMB51,131,603.05. Yi Yue shall pay the consideration in full to Xiamen Jianhui after satisfaction of the condition precedent under the Changsha Zhaoxi Equity Transfer Agreement. Yi Yue shall also repay the shareholder's loan in the amount of RMB3,161,614,963.22 previously advanced by Xiamen

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Jianhui (or its shareholder) to Changsha Zhaoxi (subject to adjustment for any actual amount realized during the period from 30 September 2017 to the date of the completion of the transaction contemplated under the Changsha Zhaoxi Equity Transfer Agreement) for the acquisition and development of the Zhaoxi Land.

Yi Yue will finance the cash consideration by loans provided by the controlling shareholder of the Group, and the Group will repay the shareholder's loan by the cash inflows from the contract sales of the existing and future properties.

Condition precedent

The completion of the Changsha Zhaoxi Acquisition will be conditional upon the granting of all the necessary approval(s) required under the Listing Rules, including the approval by the Independent Shareholders in respect of the Changsha Zhaoxi Acquisition.

The transactions contemplated under each of the Changsha Zhaoxi Equity Transfer Agreement, the Taicang Jianjin Equity Transfer Agreement, the Nanning Dingchi Equity Transfer Agreement and the Nanning Qinghe Equity Transfer Agreement are not inter-conditional to each other.

Completion

With effect from the completion of the Changsha Zhaoxi Acquisition, Yi Yue will hold 100% equity interests in Changsha Zhaoxi. Therefore, Changsha Zhaoxi will become an indirect subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Company.

Please refer to the Letter from the Board for further details of the terms of the Changsha Zhaoxi Equity Transfer Agreement.

3.2 Taicang Jianjin Equity Transfer Agreement

Date

16 January 2018

Parties

Vendor: C&D Real Estate

Purchaser: Yi Yue

Assets to be acquired

100% equity interests in Taicang Jianjin

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Consideration

The cash consideration under the Taicang Jianjin Equity Transfer Agreement shall be RMB54,343,700.84. Yi Yue shall pay the consideration in full to C&D Real Estate after satisfaction of the condition precedent under the Taicang Jianjin Equity Transfer Agreement. Yi Yue shall also repay the shareholder's loan in the amount of RMB1,497,285,232.54 previously advanced by C&D Real Estate to Taicang Jianjin (subject to adjustment for any actual amount realized during the period from 30 September 2017 to the date of the completion of the transaction contemplated under the Taicang Jianhui Equity Transfer Agreement) for the acquisition and development of the Jianjin Land.

Yi Yue will finance the cash consideration by loans provided by the controlling shareholder of the Group, and the Group will repay the shareholder's loan by the cash inflows from the contract sales of the existing and future properties.

Condition precedent

The completion of the Taicang Jianjin Acquisition will be conditional upon the granting of all the necessary approval(s) required under the Listing Rules, including the approval by the Independent Shareholders in respect of the Taicang Jianjin Acquisition.

The transactions contemplated under each of the Changsha Zhaoxi Equity Transfer Agreement, the Taicang Jianjin Equity Transfer Agreement, the Nanning Dingchi Equity Transfer Agreement and the Nanning Qinghe Equity Transfer Agreement are not inter-conditional to each other.

Completion

With effect from the completion of the Taicang Jianjin Acquisition, Yi Yue will hold 100% equity interests in Taicang Jianjin. Taicang Jianjin will become an indirect subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Company.

Please refer to the Letter from the Board for further details of the terms of the Taicang Jianjin Equity Transfer Agreement.

3.3 Nanning Dingchi Equity Transfer Agreement

Date

16 January 2018

Parties

Vendor: C&D Nanning

Purchaser: Yi Yue

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Assets to be acquired

51% equity interests in Nanning Dingchi

Consideration

The cash consideration under the Nanning Dingchi Equity Transfer Agreement shall be RMB3,561,599.42. Yi Yue shall pay the consideration in full to C&D Nanning after satisfaction of the condition precedent under the Nanning Dingchi Equity Transfer Agreement. Yi Yue shall also repay the shareholder's loan in the amount of RMB189,507,330 previously advanced by C&D Nanning to Nanning Dingchi (subject to adjustment for any actual amount realized during the period from 30 September 2017 to the date of completion of the transactions contemplated under the Nanning Dingchi Equity Transfer Agreement) for providing fund to the Jiangnan Government to settle the compensation and costs of demolition for the Urban Redevelopment Project A.

Yi Yue will finance the cash consideration by loans provided by the controlling shareholder of the Group, and the Group will repay the shareholder's loan by the cash inflows from the contract sales of the existing and future properties.

Condition precedent

The completion of the Nanning Dingchi Acquisition will be conditional upon the granting of all the necessary approval(s) required under the Listing Rules, including the approval by the Independent Shareholders in respect of the Nanning Dingchi Acquisition.

The transactions contemplated under each of the Changsha Zhaoxi Equity Transfer Agreement, the Taicang Jianjin Equity Transfer Agreement, the Nanning Dingchi Equity Transfer Agreement and the Nanning Qinghe Equity Transfer Agreement are not inter-conditional to each other.

Completion

With effect from the completion of the Nanning Dingchi Acquisition, Yi Yue will hold 51% equity interests in Nanning Dingchi. Nanning Dingchi will become an indirect subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Company.

Please refer to the Letter from the Board for further details of the terms of the Nanning Dingchi Equity Transfer Agreement.

3.4 Nanning Qinghe Equity Transfer Agreement

Date

16 January 2018

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Parties

Vendor: C&D Nanning

Purchaser: Yi Yue

Assets to be acquired

51% equity interests in Nanning Qinghe

Consideration

The cash consideration under the Nanning Qinghe Equity Transfer Agreement shall be RMB30,632,143.28. Yi Yue shall pay the consideration in full to C&D Real Estate after satisfaction of the condition precedent under the Nanning Qinghe Equity Transfer Agreement.

Yi Yue will finance the cash consideration by loans provided by the controlling shareholder of the Group.

Condition precedent

The completion of the Nanning Qinghe Acquisition will be conditional upon the granting of all the necessary approval(s) required under the Listing Rules, including the approval by the Independent Shareholders in respect of the Nanning Qinghe Acquisition.

The transactions contemplated under each of the Changsha Zhaoxi Equity Transfer Agreement, the Taicang Jianjin Equity Transfer Agreement, the Nanning Dingchi Equity Transfer Agreement and the Nanning Qinghe Equity Transfer Agreement are not inter-conditional to each other.

Completion

With effect from the completion of the Nanning Qinghe Acquisition, Yi Yue will hold 51% equity interests in Nanning Qinghe. Nanning Qinghe will become an indirect subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Company.

Please refer to the Letter from the Board for further details of the terms of the Nanning Qinghe Equity Transfer Agreement.

4. Analysis on the fairness and reasonableness of the consideration under the Equity Transfer Agreements

4.1 Consideration under the Changsha Zhaoxi Equity Transfer Agreement

As stated in the Letter from the Board, the cash consideration of RMB51,131,603.05 was determined based on arm's length negotiations between Yi Yue and Xiamen Jianhui with reference to the valuation of the total assets and liabilities of Changsha Zhaoxi conducted by Fujian Puhe and

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Xiamen Qianyuan Asset Valuation and Property Valuation Company Limited* (廈門乾元資產評估與房地產估價有限責任公司) (“XQAV”), third parties independent of the Group, the connected persons of the Group and C&D Real Estate. On the other hand, the shareholder’s loan of RMB3,161,614,963.22 to be paid by Yi Yue is based on the total amount of shareholder’s loan (principal and interests) previously advanced by Xiamen Jianhui (or its shareholder) to Changsha Zhaoxi according to the audited accounts of Changsha Zhaoxi as at 30 September 2017.

According to the valuation report prepared by XQAV (the “**Zhaoxi XQAV Valuation Report**”), as at 30 September 2017, the total assets of Changsha Zhaoxi was valued at approximately RMB3,266.6 million, consisting of (i) net assets of approximately RMB51.1 million and (ii) total liabilities of approximately RMB3,215.5 million. The cash consideration for the Changsha Zhaoxi Acquisition represents 100% of the appraised value of 100% equity interest in Changsha Zhaoxi as at 30 September 2017 (the “**Zhaoxi XQAV Appraised Value**”), which is determined by the appraised value of the total assets less the appraised value of the total liabilities as at 30 September 2017.

In assessing the fairness and reasonableness of the cash consideration for the Changsha Zhaoxi Acquisition, we have reviewed the XQAV Valuation Report and discussed with XQAV regarding the methodology and the principal basis and assumptions adopted in arriving at the Zhaoxi XQAV Appraised Value. We noted that XQAV has adopted the asset-based approach in arriving at the Zhaoxi XQAV Appraised Value. Based on our enquiries with XQAV, we understand that the asset-based approach is one of the commonly adopted approaches for valuing companies of similar nature and is also in line with normal market practice. During the course of our discussion with XQAV, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the valuation methodology and the principal basis and assumptions adopted in arriving at the Zhaoxi XQAV Appraised Value.

For our due diligence purpose, we have reviewed and enquired into the qualifications and experience of XQAV in relation to the preparation of the Zhaoxi XQAV Valuation Report. We noted that XQAV is certified by Fujian Provincial Department of Finance of the PRC (福建省財政廳) for asset appraisal and the key personnels of XQAV responsible for signing the Zhaoxi XQAV Valuation Report have obtained the professional qualification certificates of asset appraiser issued by China Appraisal Society* (中國資產評估協會), which is an officially recognized professional organization in the asset appraisal industry in the PRC. We are advised that XQAV has approximately 13 years of experience in the asset appraisal industry and over the past three years XQAV has carried out 98 asset appraisal projects similar to the Zhaoxi XQAV Valuation Report. We have also reviewed the terms of the engagement of XQAV by the Company and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Zhaoxi XQAV Valuation Report. XQAV has also confirmed that it is independent from the Group, C&D Real Estate, and their respective associates.

The Company has also engaged C&W as an independent valuer to perform independent valuation on the Zhaoxi Land. According to the valuation report prepared by C&W (the “**Zhaoxi C&W Valuation Report**”) as set out in Appendix IV to the Circular, the appraised value of the Zhaoxi Land as at 28 February 2018 was approximately RMB3,372 million (the “**Zhaoxi C&W Appraised Value**”).

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Based on our review of the Zhaoxi C&W Valuation Report and our discussion with C&W on the methodology and the principal basis and assumptions adopted in arriving at the Zhaoxi C&W Appraised Value, we noted that C&W adopted the direct comparison approach by making reference to comparable sales transactions as available in the relevant market. Appropriate adjustments and analysis are considered given differences in location, size and other characters between the comparable properties and the subject properties. We understand from C&W that the direct comparison approach is one of the commonly adopted approaches for valuation of properties and is also consistent with normal market practice. We also noted that the Zhaoxi C&W Valuation Report has been prepared in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Listing Rules and HKIS Valuation Standards 2017 published by the Hong Kong Institute of Surveyors. During the course of our discussion with C&W, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the valuation methodology and the principal basis and assumptions adopted in arriving at the Zhaoxi C&W Appraised Value.

According to the management account of Changsha Zhaoxi, as at 28 February 2018, the net asset value of Changsha Zhaoxi was approximately RMB4,738,000 and we are advised by the Company that the shareholder's loan as at 28 February 2018 was approximately RMB2,675,000,000. We noted that there is difference between the net asset value of Changsha Zhaoxi as at 28 February 2018 of approximately RMB4,738,000 and the net asset value of Changsha Zhaoxi as at 30 September 2017 appraised by XQAV of approximately RMB51,131,603.05 (which the cash consideration was based upon). However, having considered that (i) the said difference would be offset by the revaluation surplus of the Zhaoxi Land as at 28 February 2018 of approximately RMB79,508,000 which we are of the view that the Company and Shareholders could be benefited from the increase in fair value of the Zhaoxi Land, being the major asset of Changsha Zhaoxi; and (ii) the shareholder's loan under the Changsha Zhaoxi Equity Transfer Agreement is subject to adjustment for any actual amount realized during the period from 30 September 2017 to the date of the completion pursuant to the terms under the Changsha Zhaoxi Equity Transfer Agreement, we concur with the Directors' view that the aggregate consideration under the Changsha Zhaoxi Equity Transfer Agreement is fair and reasonable and in the interest of the Company and Shareholders as a whole.

4.2 Consideration under the Taicang Jianjin Equity Transfer Agreement

As stated in the Letter from the Board, the cash consideration of RMB54,343,700.84 was determined based on arm's length negotiations between Yi Yue and C&D Real Estate with reference to the valuation of the total assets and liabilities of Taicang Jianjin conducted by Fujian Puhe and Xiamen Dachang Fanghua Assets Appraisal Land Real Estate Appraisal Company Limited (廈門大成方華資產評估土地房地產估價有限公司) ("XDFA"), third parties independent of the Group, the connected persons of the Group and C&D Real Estate. On the other hand, the shareholder's loan of RMB1,497,285,232.54 to be paid by Yi Yue is based on the total amount of shareholder's loan (principal and interests) previously advanced by C&D Real Estate to Taicang Jianjin according to the audited accounts of Taicang Jianjin as at 30 September 2017.

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According to the valuation report prepared by XDFA (the “**Jianjin XDFA Valuation Report**”), as at 30 September 2017, the total assets of Taicang Jianjin was valued at approximately RMB1,553.5 million consisting of (i) net assets of approximately RMB54.3 million and (ii) total liabilities of approximately RMB1,499.2 million. The cash consideration for the Taicang Jianjin Acquisition represents 100% of the appraised value of 100% equity interest in Taicang Jianjin as at 30 September 2017 (the “**Jianjin XDFA Appraised Value**”), which is determined by the appraised value of the total assets less the appraised value of the total liabilities as at 30 September 2017.

In assessing the fairness and reasonableness of the cash consideration for the Taicang Jianjin Acquisition, we have reviewed the XDFA Valuation Report and discussed with XDFA regarding the methodology and the principal basis and assumptions adopted in arriving at the Jianjin XDFA Appraised Value. We noted that XDFA has adopted the asset-based approach in arriving at the Jianjin XDFA Appraised Value. Based on our enquiries with XDFA, we understand that the asset-based approach is one of the commonly adopted approaches for valuing companies of similar nature and is also in line with normal market practice. During the course of our discussion with XDFA, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the valuation methodology and the principal basis and assumptions adopted in arriving at the Jianjin XDFA Appraised Value.

For our due diligence purpose, we have reviewed and enquired into the qualifications and experience of XDFA in relation to the preparation of the Jianjin XDFA Valuation Report. We noted that XDFA is certified by Fujian Provincial Department of Finance of the PRC for asset appraisal and the key personnels of XDFA responsible for signing the Jianjin XDFA Valuation Report have obtained the professional qualification certificates for asset appraisal issued by China Appraisal Society. We are advised that XDFA has approximately 18 years of experience in the asset appraisal industry and over the past three years XDFA has carried out 19 asset appraisal projects similar to the Jianjin XDFA Valuation Report. We have also reviewed the terms of the engagement of XDFA by the Company and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Jianjin XDFA Valuation Report. XDFA has also confirmed that it is independent from the Group, C&D Real Estate, and their respective associates.

The Company has also engaged C&W as an independent valuer to perform independent valuation on the Jianjin Land. According to the valuation report prepared by C&W (the “**Jianjin C&W Valuation Report**”) as set out in Appendix IV to the Circular, the appraised value of the Jianjin Land A and the Jianjin Land B as at 1 December 2017 were approximately RMB680 million and RMB1,006 million, respectively (the “**Jianjin C&W Appraised Value**”).

Based on our review of the Jianjin C&W Valuation Report and our discussion with C&W on the methodology and the principal basis and assumptions adopted in arriving at the Jianjin C&W Appraised Value, we noted that C&W adopted the direct comparison approach by making reference to comparable sales transactions as available in the relevant market. Appropriate adjustments and analysis are considered given differences in location, size and other characters between the comparable properties and the subject properties. We understand from C&W that the direct comparison

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approach is one of the commonly adopted approaches for valuation of properties and is also consistent with normal market practice. We also noted that the Jianjin C&W Valuation Report has been prepared in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Listing Rules and HKIS Valuation Standards 2017 published by the Hong Kong Institute of Surveyors. During the course of our discussion with C&W, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the valuation methodology and the principal basis and assumptions adopted in arriving at the Jianjin C&W Appraised Value.

According to the management account of Taicang Jianjin, as at 28 February 2018, the net asset value of Taicang Jianjin was approximately RMB21,828,000 and we are advised by the Company that the shareholder's loan as at 28 February 2018 was approximately RMB1,547,590,000. We noted that there is difference between the net asset value of Taicang Jianjin as at 28 February 2018 of approximately RMB21,828,000 and the net asset value of Taicang Jianjin as at 30 September 2017 appraised by XDFA of approximately RMB54,343,700.84 (which the cash consideration was based upon). However, having considered that (i) the said difference would be offset by the revaluation surplus of the Jianjin Land as at 28 February 2018 of approximately RMB42,934,000 which we are of the view that the Company and Shareholders could be benefited from the increase in fair value of the Jianjin Land, being the major asset of Taicang Jianjin; and (ii) the shareholder's loan under the Taicang Jianjin Equity Transfer Agreement is subject to adjustment for any actual amount realized during the period from 30 September 2017 to the date of the completion pursuant to the terms under the Taicang Jianjin Equity Transfer Agreement, we concur with the Directors' view that the aggregate consideration under the Taicang Jianjin Equity Transfer Agreement is fair and reasonable and in the interest of the Company and Shareholders as a whole.

4.3 Consideration under the Nanning Dingchi Equity Transfer Agreement

As stated in the Letter from the Board, the cash consideration of RMB3,561,599.42 was determined based on arm's length negotiations between Yi Yue and C&D Nanning with reference to the valuation of the total assets and liabilities of Nanning Dingchi conducted by Fujian Puhe and Xiamen University Assets Appraisal Land Real Estate Appraisal Company Limited* (廈門市大學資產評估土地房地產估價有限責任公司) ("XUAA"), third parties independent of the Group, the connected persons of the Group and C&D Real Estate. On the other hand, the shareholder's loan of RMB189,507,330 to be paid by Yi Yue is based on the total amount of shareholder's loan (principal and interests) previously advanced by C&D Nanning to Nanning Dingchi according to the audited accounts of Nanning Dingchi as at 30 September 2017.

According to the valuation report prepared by XUAA (the "**Dingchi XUAA Valuation Report**"), as at 30 September 2017, the total assets of Nanning Dingchi was valued at approximately RMB379.9 million, consisting of (i) net assets of approximately RMB6.9 million and (ii) total liabilities of approximately RMB372.9 million. The cash consideration for the Nanning Dingchi Acquisition represents 51% of the appraised value of 100% equity interest in Nanning Dingchi as at 30 September 2017 (the "**Dingchi XUAA Appraised Value**"), which is determined by the appraised value of the total assets less the appraised value of the total liabilities as at 30 September 2017.

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In assessing the fairness and reasonableness of the cash consideration for the Nanning Dingchi Acquisition, we have reviewed the Dingchi XUAA Valuation Report and discussed with XUAA regarding the methodology and the principal basis and assumptions adopted in arriving at the Dingchi XUAA Appraised Value. We noted that XUAA has adopted the asset-based approach in arriving at the Dingchi XUAA Appraised Value. Based on our enquiries with XUAA, we understand that the asset-based approach is one of the commonly adopted approaches for valuing companies of similar nature and is also in line with normal market practice. During the course of our discussion with XUAA, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the valuation methodology and the principal basis and assumptions adopted in arriving at the Dingchi XUAA Appraised Value.

For our due diligence purpose, we have reviewed and enquired into the qualifications and experience of XUAA in relation to the preparation of the Dingchi XUAA Valuation Report. We noted that XUAA is certified by Fujian Provincial Department of Finance of the PRC for asset appraisal and jointly certified by the Ministry of Finance of the PRC (中華人民共和國財政部) and China Securities Regulatory Commission (中國證券監督管理委員會) for appraisal securities and futures related businesses and the key personnels of XUAA responsible for signing the Dingchi XUAA Valuation Report have obtained the professional qualification certificates for asset appraisal issued by China Appraisal Society. We are advised that XUAA has approximately 26 years of experience in the asset appraisal industry and over the past three years XUAA has carried out 60 asset appraisal projects similar to the Dingchi XUAA Valuation Report and Qinghe XUAA Valuation Report. We have also reviewed the terms of the engagement of XUAA by the Company and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Dingchi XUAA Valuation Report. XUAA has also confirmed that it is independent from the Group, C&D Real Estate, and their respective associates.

The Company has also engaged C&W as an independent valuer to perform independent valuation on the Dingchi Land. According to the valuation report prepared by C&W (the “**Dingchi C&W Valuation Report**”) as set out in Appendix IV to the Circular, the appraised value of the Dingchi Project as at 31 December 2017 was approximately RMB249 million (the “**Dingchi C&W Appraised Value**”).

Based on our review of the Dingchi C&W Valuation Report and our discussion with C&W on the methodology and the principal basis and assumptions adopted in arriving at the Dingchi C&W Appraised Value, we noted that C&W adopted the direct comparison approach by making reference to comparable sales transactions as available in the relevant market. Appropriate adjustments and analysis are considered given differences in location, site and other characters between the comparable properties and the subject properties. We understand from C&W that the direct comparison approach is one of the commonly adopted approaches for valuation of properties and is also consistent with normal market practice. We also noted that the Dingchi C&W Valuation Report has been prepared in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Listing Rules and

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HKIS Valuation Standards 2017 published by the Hong Kong Institute of Surveyors. During the course of our discussion with C&W, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the valuation methodology and the principal basis and assumptions adopted in arriving at the Dingchi C&W Appraised Value.

According to the management account of Nanning Dingchi, as at 28 February 2018, the net liabilities of Nanning Dingchi was approximately RMB593,000 and we are advised by the Company that the shareholder's loan owned to C&D Nanning as at 28 February 2018 was approximately RMB188,190,000. We noted that there is difference between the net liabilities of Nanning Dingchi as at 28 February 2018 of approximately RMB593,000 and the net asset value of Nanning Dingchi as at 30 September 2017 appraised by XUAA of approximately RMB6,983,528.28 (which the cash consideration of RMB3,561,599.42 was based upon 51% of the net asset value of Nanning Dingchi). However, having considered that (i) the said difference would be offset by the revaluation surplus of the Dingchi Land as at 28 February 2018 (being the difference between the market value of the Dingchi Land of approximately RMB249,000,000 and the land premium of the Dingchi Land of approximately RMB231,228,513 as at 28 February 2018) of approximately RMB17,771,487 (and is adjusted to approximately RMB9,063,458 for 51% interest in the Dingchi Land) which we are of the view that the Company and Shareholders could be benefited from the transaction assuming the acquisition of the Dingchi Land would be completed before April 2018 as advised by the Company; and (ii) the shareholder's loan under the Nanning Dingchi Equity Transfer Agreement is subject to adjustment for any actual amount realized during the period from 30 September 2017 to the date of the completion pursuant to the terms under the Nanning Dingchi Equity Transfer Agreement, we concur with the Directors' view that the aggregate consideration under the Nanning Dingchi Equity Transfer Agreement is fair and reasonable and in the interest of the Company and Shareholders as a whole.

4.4 Consideration under the Nanning Qinghe Equity Transfer Agreement

As stated in the Letter from the Board, the cash consideration of RMB30,632,143.28 was determined based on arm's length negotiations between Yi Yue and C&D Nanning with reference to the valuation of the total assets and liabilities of Nanning Qinghe conducted by Fujian Puhe and XUAA.

According to the valuation report prepared by XUAA (the "**Qinghe XUAA Valuation Report**"), as at 30 September 2017, the total assets of Nanning Qinghe was valued at approximately RMB66.0 million, consisting of (i) net assets of RMB60.0 million and (ii) total liabilities of RMB6.0 million. The cash consideration for the Nanning Dingchi Acquisition represents 51% of the appraised value of 100% equity interest in Nanning Qinghe as at 30 September 2017 (the "**Qinghe XUAA Appraised Value**"), which is determined by the appraised value of the total assets less the appraised value of the total liabilities as at 30 September 2017.

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In assessing the fairness and reasonableness of the cash consideration for the Nanning Qinghe Acquisition, we have reviewed the Qinghe XUAA Valuation Report and discussed with XUAA regarding the methodology and the principal basis and assumptions adopted in arriving at the Qinghe XUAA Appraised Value. We noted that XUAA has adopted the asset-based approach in arriving at the Qinghe XUAA Appraised Value. Based on our enquiries with XUAA, we understand that the asset-based approach is one of the commonly adopted approaches for valuing companies of similar nature and is also in line with normal market practice. During the course of our discussion with XUAA, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the valuation methodology and the principal basis and assumptions adopted in arriving at the Qinghe XUAA Appraised Value.

For our due diligence purpose, as aforementioned, we have reviewed and enquired into the qualifications and experience of XUAA in relation to the preparation of the Qinghe XUAA Valuation Report. We noted that the key personnels of XUAA responsible for signing the Qinghe XUAA Valuation Report have obtained the professional qualification certificates for asset appraisal issued by China Appraisal Society. We have also reviewed the terms of the engagement of XUAA by the Company and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Qinghe XUAA Valuation Report. As aforementioned, XUAA has confirmed that it is independent from the Group, C&D Real Estate, and their respective associates.

According to the management account of Nanning Qinghe, as at 28 February 2018, the net asset value of Nanning Qinghe was approximately RMB60,003,000. We noted that there is difference between the net asset value of Nanning Qinghe as at 28 February 2018 of approximately RMB60,003,000 (which is equivalent to approximately RMB30,601,530 for 51% of the net asset value of Nanning Qinghe) and the net asset value of Nanning Qinghe as at 30 September 2017 appraised by XUAA of approximately RMB60,063,026.04 (which the cash consideration of RMB30,632,143.28 was based upon 51% of the net asset value of Nanning Qinghe). However, having considered that the Company would incur extra administrative costs for further delaying the commencement of the EGM to adjust the cash consideration by the immaterial sum of approximately RMB31,000 will not be in the interest of the Company and Shareholders as a whole, we concur with the Directors' view that the cash consideration under the Nanning Qinghe Equity Transfer Agreement is fair and reasonable and in the interest of the Company and Shareholders as a whole.

4.5 Credentials of C&W and its key signing personnel

For our due diligence purpose, we have reviewed and enquired into the qualifications and experience of C&W in relation to the preparation of the C&W Valuation Reports. We noted that Mr. Philip CY Tsang, the personnel of C&W responsible for signing the C&W Valuation Reports, is a registered professional surveyor who has over 24 years of experience in the valuation of properties in the PRC. We have also reviewed the terms of the engagement of C&W by the Company and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the C&W Valuation Reports. C&W has also confirmed that it is independent from the Group, C&D Real Estate, and their respective associates.

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Having considered the above, particularly that:

- (i) For the Changsha Zhaoxi Acquisition, the cash consideration of RMB51,131,603.05 equals to 100% of the Zhaoxi XQAV Appraised Value and the difference between the net asset value of Changsha Zhaoxi as at 30 September 2017 appraised by XQAV and the net asset value of Changsha Zhaoxi as at 28 February 2018, of approximately RMB46,393,000 would be offset by the revaluation surplus of the Zhaoxi Land as at 28 February 2018 of approximately RMB79,805,000 which the Company and Shareholders could be benefited from the increase in fair value of the Zhaoxi Land. In addition, the shareholder's loan under the Changsha Zhaoxi Equity Transfer Agreement is subject to adjustment for any actual amount realized during the period from 30 September 2017 to the date of the completion is fair and reasonable;
- (ii) For the Taicang Jianjin Acquisition, the cash consideration of RMB54,343,700.84 equals to 100% of the Jianjin XDFA Appraised Value and the difference between the net asset value of Taicang Jianjin as at 30 September 2017 appraised by XDFA and the net asset value of Taicang Jianjin as at 28 February 2018, of approximately RMB32,515,000 would be offset by the revaluation surplus of the Jianjin Land as at 28 February 2018 of approximately RMB42,934,000 which the Company and Shareholders could be benefited from the increase in fair value of the Jianjin Land. In addition, the shareholder's loan under the Taicang Jianjin Equity Transfer Agreement is subject to adjustment for any actual amount realized during the period from 30 September 2017 to the date of the completion is fair and reasonable;
- (iii) For the Nanning Dingchi Acquisition, the cash consideration of RMB3,561,599.42 equals to 51% of the Dingchi XUAA Appraised Value and the difference between 51% of the net asset value of Nanning Dingchi as at 30 September 2017 appraised by XUAA and 51% of the net asset value of Nanning Dingchi as at 28 February 2018, of approximately RMB3,864,000 would be offset by the revaluation surplus of the 51% interest in Dingchi Land as at 28 February 2018 of approximately RMB9,063,458 which the Company and Shareholders could be benefited from the transaction assuming the acquisition of the Dingchi Land would be completed before April 2018. In addition, the shareholder's loan under the Nanning Dingchi Equity Transfer Agreement is subject to adjustment for any actual amount realized during the period from 30 September 2017 to the date of the completion is fair and reasonable;
- (iv) For the Nanning Qinghe Acquisition, the cash consideration of RMB30,632,143.28 equals to 51% of the Qinghe XUAA Appraised Value and the difference between 51% of the net asset value of Nanning Qinghe as at 30 September 2017 appraised by XUAA and 51% of the net asset value of Nanning Qinghe as at 28 February 2018, of approximately RMB31,000 is considered to be immaterial sum after taking into the account the extra administrative costs to be incurred for further delaying the commencement of the EGM which is not in the interest of the Company and Shareholders as a whole; and

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- (v) the valuation reports, on which the respective aggregate considerations are based for each of the Equity Transfer agreements are conducted by qualified valuers and personnels of recognised professional qualifications and relevant experience and the methodology, the principle basis and assumptions in arriving the valuers on those valuation reports are in line with the market practice.

We concur with the Directors' view that the respective aggregate consideration under each of the Equity Transfer Agreements is fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and Shareholders as a whole.

5. Payment terms and future capital commitment

As stated in the Letter from the Board, Yi Yue will finance the consideration under the Equity Transfer Agreements by loans provided by the controlling shareholder of the Group. The Group expected that it will finance the payment for the consideration under the Equity Transfer Agreements by the shareholder's borrowing available to the Group. The Company entered into shareholder's loan framework agreements with C&D Real Estate in January 2018 and March 2018, respectively (please refer to the announcement of the Company dated 3 January 2018 and 29 March 2018 for details). We have obtained and reviewed the said shareholder's loan framework agreements, pursuant to which and we are of the view that the borrowings from controlling shareholder (i) will be conducted on normal commercial terms or better and (ii) will not be secured by the assets of the Group. As such, we concur with the Company that the borrowings from controlling shareholder, being a financial assistance received by the Group from a connected person, constitute a connected transactions under Chapter 14A of the Listing, will be fully exempted from shareholder's approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules. The Company has confirmed with us that the shareholder's loan available to the Group with the inclusion of the Group's internal financial resources, the Company is capable to settle the aggregate consideration (including the repayment of the relevant shareholders' loan) under the Equity Transfer Agreements.

We are advised by the Company which we concur with the Company that, having considered (i) the Group's high gearing ratio of approximately 374% as at 31 December 2017 and the Group's current financial condition, it is difficult for the Group to obtain borrowings from independent third parties at low interest rate and without placing any of the Group's assets as collateral; (ii) the borrowing rate offered by the Controlling Shareholder of approximately 5.9% per annum without placing any of the Group's assets as collateral would be the Group's most preferable financing channel and (iii) borrowing from Controlling Shareholder offers greater flexibility unlike external financial institutions which can immediate recall the loan with interests upon demand with other stringent and extensive loan provisions, borrowing from the Controlling Shareholder is fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of Shareholders and the Company as a whole.

The Group will repay the shareholders' loan by the cash inflows from the contract sales of the existing and future properties. As stated in the Letter from the Board that since several properties of the Group has begun pre-sales which is expected to be well received by the customers, the Group is of the opinion that the shareholders' loan can be repaid in time. The future capital commitment for

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developing the Zhaoxi Land, the Jianjin Land and the Dingchi Land will be financed primarily by proceeds from the pre-sale of the properties and bank borrowings for property development (房地產開發貸款). We have obtained and reviewed the business plans and cashflow forecasts and enquired and discussed the basis and assumptions underlying the said forecasts with the management of the Company, we concur with the Company that the shareholders' loan could be repaid in time with the cash proceeds from the contract sales of the existing and future properties. The future capital requirement of Nanning Dingchi and Nanning Qinghe (if any) will be financed by the internal resources of the Company and the loans provided by the controlling shareholders of the Group.

6. Financial effects of the Acquisitions

With effect from the completion of the Acquisitions, Yi Yue will hold 100% equity interests in each of Changsha Zhaoxi and Taicang Jianjin, and 51% equity interests in each of Nanning Dingchi and Nanning Qinghe. As such, Changsha Zhaoxi, Taicang Jianjin, Nanning Dingchi and Nanning Qinghe will each become an indirect subsidiary of the Company and each of its respective financial results will be consolidated into the consolidated financial statements of the Company.

Financial effects of entering into of the Changsha Zhaoxi Equity Transfer Agreement

Set out in Appendix III to the Circular is the pro forma financial information, with the bases of preparation, of the Enlarged Group which illustrates the financial impact of the Changsha Zhaoxi Equity Transfer Agreement on the assets and liabilities of the Group.

(i) Earning

As at the Latest Practicable Date, the construction project has commenced on the Zhaoxi Land. As it generally takes more than one year to develop the property project before the completion, revenue can only be recognised upon the completion of the construction project and the titles of the properties are passed to the customers in stages. Therefore, the earnings of Changsha Zhaoxi would fluctuate from year to year.

(ii) Cash flow

The Group had cash at bank and in hand of approximately RMB1,626.9 million as at 31 December 2017. Pursuant to the Changsha Zhaoxi Equity Transfer Agreement, the cash consideration of RMB51,131,603.05 will be paid in full by Yi Yue to Xiamen Jianhui upon the fulfilment of conditions precedent under the Changsha Zhaoxi Equity Transfer Agreement. The Directors consider that the cash at bank and in hand of the Group and the borrowings from controlling shareholder can offset the cash outflow as a result of the capital commitment.

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(iii) *Net asset value*

The consolidated net asset of the Group as at 31 December 2017 was approximately RMB3,012.7 million. Upon the completion of the transaction contemplated under the Changsha Zhaoxi Equity Transfer Agreement, in view that the inventories of properties of the Group will increase after recognising the Zhaoxi Land into the Group, and such increase will be larger than the increase in the borrowings from controlling shareholders of the Group which is to be used to settle the consideration, the net asset value of the Group will increase.

(iv) *Gearing*

The gearing ratio of the Group as at 31 December 2017 was approximately 373.95%, as derived by dividing the total borrowings of the Group as at 31 December 2017 by the total equity of the Group as at 31 December 2017. Upon the completion of the transaction contemplated under the Changsha Zhaoxi Equity Transfer Agreement, the liabilities of the Group will increase by the borrowings from the controlling shareholders and therefore the gearing ratio will consequently increase.

Financial effects of entering into of the Taicang Jianjin Equity Transfer Agreement

Set out in Appendix III to the Circular is the pro forma financial information, with the bases of preparation, of the Enlarged Group which illustrates the financial impact of the Taicang Jianjin Equity Transfer Agreement on the assets and liabilities of the Group.

(i) *Earning*

As at the Latest Practicable Date, the construction project has commenced on the Jianjin Land. As it generally takes more than one year to develop the property project before the completion, revenue can only be recognised upon the completion of the construction project and the titles of the properties are passed to the customers in stages. Therefore, the earnings of Taicang Jianjin would fluctuate from year to year.

(ii) *Cash flow*

The Group had cash at bank and in hand of approximately RMB1,626.9 million as at 31 December 2017. Pursuant to the Equity Transfer Agreements, the cash consideration of RMB54,343,700.84 will be paid in full by Yi Yue to C&D Real Estate upon the fulfilment of conditions precedent under the Taicang Jianjin Equity Transfer Agreement. The Directors consider that the cash at bank and in hand of the Group and the borrowings from controlling shareholder can offset the cash outflow as a result of the capital commitment.

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(iii) *Net asset value*

The consolidated net asset of the Group as at 31 December 2017 was approximately RMB3,012.7 million. Upon the completion of the transaction contemplated under the Taicang Jianjin Equity Transfer Agreement, in view that the inventories of properties of the Group will increase after recognising the Jianjin Land into the Group, and such increase will be larger than the increase in the borrowings from controlling shareholders of the Group which is to be used to settle the consideration, the net asset value of the Group will increase.

(iv) *Gearing*

The gearing ratio of the Group as at 31 December 2017 was approximately 373.95%, as derived by dividing the total borrowings of the Group as at 31 December 2017 by the total equity of the Group as at 31 December 2017. Upon the completion of the transaction contemplated under the Taicang Jianjin Equity Transfer Agreement, the liabilities of the Group will increase by the borrowings from the controlling shareholders and therefore the gearing ratio will consequently increase.

Financial effects of entering into of the Nanning Dingchi Equity Transfer Agreement

Set out in Appendix III to the Circular is the pro forma financial information, with the bases of preparation, of the Enlarged Group which illustrates the financial impact of the Nanning Dingchi Equity Transfer Agreement on the assets and liabilities of the Group.

(i) *Earning*

As at the Latest Practicable Date, no construction project commenced on the Dingchi Land. As it generally takes more than one year to develop the property project before the completion, revenue can only be recognised upon the completion of the construction project and the titles of the properties are passed to the customers in stages. Therefore, the earnings of Nanning Dingchi and in turn the share of results would fluctuate from year to year.

(ii) *Cash flow*

The Group had cash at bank and in hand of approximately RMB1,626.9 million as at 31 December 2017. Pursuant to the Taicang Jianjin Equity Transfer Agreement, the cash consideration of RMB3,561,599.42 will be paid in full by Yi Yue to C&D Nanning upon the fulfilment of conditions precedent under the Nanning Dingchi Equity Transfer Agreement. The Directors consider that the cash at bank and in hand of the Group and the borrowings from controlling shareholders can offset the cash outflow as a result of the capital commitment.

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(iii) *Net asset value*

The consolidated net asset of the Group as at 31 December 2017 was approximately RMB3,012.7 million. Upon the completion of the transaction contemplated under the Nanning Dingchi Equity Transfer Agreement and the acquisition of the Dingchi Land, in view that the inventories of properties of the Group will increase after recognising the Dingchi Land into the Group, and such increase will be larger than the increase in the borrowings from controlling shareholders of the Group which is to be used to settle the consideration, the net asset value of the Group will increase.

(iv) *Gearing*

The gearing ratio of the Group as at 31 December 2017 was approximately 373.95%, as derived by dividing the total borrowings of the Group as at 31 December 2017 by the total equity of the Group as at 31 December 2017. Upon the completion of the transaction contemplated under the Nanning Dingchi Equity Transfer Agreement, the liabilities of the Group will increase by the borrowings from the controlling shareholders and therefore the gearing ratio will consequently increase.

Financial effects of entering into of the Nanning Qinghe Equity Transfer Agreement

Set out in Appendix III to the Circular is the pro forma financial information, with the bases of preparation, of the Enlarged Group which illustrates the financial impact of the Nanning Qinghe Equity Transfer Agreement on the assets and liabilities of the Group.

(i) *Earning*

As at the Latest Practicable Date, Nanning Qinghe has not acquired any land but intends to participate in future land auctions, acquisitions as well as development (if acquired any land). Since revenue can only be recognized upon the completion of construction project and the title of the properties are passed to customers, the earnings of Nanning Qinghe and in turn the share of results would fluctuate from year to year.

(ii) *Cash flow*

The Group had cash at bank and in hand of approximately RMB1,626.9 million as at 31 December 2017. Pursuant to the Nanning Dingchi Equity Transfer Agreement, the cash consideration of RMB30,632,143.28 will be paid in full by Yi Yue to C&D Real Estate upon the fulfilment of conditions precedent under the Nanning Qinghe Equity Transfer Agreement. The Directors consider that the cash at bank and in hand of the Group and the borrowings from controlling shareholders can offset the cash outflow as a result of the capital commitment.

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(iii) *Net asset value*

The consolidated net asset of the Group as at 31 December 2017 was approximately RMB3,012.7 million. Upon the completion of the transaction contemplated under the Nanning Qinghe Equity Transfer Agreement, the net asset of Nanning Qinghe will be consolidated into the account of the Group resulting an increase in the net asset of the Group and that such increase will be larger than the increase in the borrowings from the controlling shareholder of the Group which is to be used to settle the consideration, the net asset value of the Group will increase.

(iv) *Gearing*

The gearing ratio of the Group as at 31 December 2017 was approximately 373.95%, as derived by dividing the total borrowings of the Group as at 31 December 2017 by the total equity of the Group as at 31 December 2017. Upon the completion of the transaction contemplated under the Nanning Qinghe Equity Transfer Agreement, the liabilities of the Group will increase by the borrowings from the controlling shareholders and therefore the gearing ratio will consequently increase.

7. Information about the parties to the Equity Transfer Agreements

7.1 *Xiamen Jianhui*

Xiamen Jianhui is a company established with limited liability in the PRC and is a wholly-owned subsidiary of C&D Real Estate. It is principally engaged in real estate development and property management.

7.2 *C&D Real Estate*

According to the Letter from the Board, C&D Real Estate is a company established with limited liability in the PRC, and is a controlling shareholder of the Company which held 446,336,745 issued Shares, representing approximately 60.74% of the issued share capital of the Company as at the Latest Practicable Date. It is principally engaged in the businesses of property development, commercial operation, property management and investment, etc. According to the 2016 Annual Report, C&D Real Estate is a subsidiary of Xiamen C&D Inc. (廈門建發股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600153). Xiamen C&D Inc. 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. According to the website of Xiamen C&D Corporation Limited, it is a large-scale industrial and investment enterprise group with major businesses covering fields such as supply chain operations, real estate development, tourism and hospitality, conference and exhibition, and investment in the PRC.

7.3 *C&D Nanning*

C&D Nanning is a company established with limited liability in the PRC and is a wholly-owned subsidiary of C&D Real Estate. It is principally engaged in real estate development and operation, property management services and investments in the real estate industry.

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7.4 *Yi Yue*

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

8. **Reasons for and benefits of the Acquisitions**

The Group is principally engaged in the businesses of property development, real estate industry chain investment services and investment in emerging industries in the PRC.

Given that (i) each of the Zhaoxi Land, the Jianjin Land and the Dingchi Land is featured with complete surrounding facilities and prime location with considerable development potential; (ii) the acquisition of the Zhaoxi Land, the Jianjin Land and the Dingchi Land will allow the Group to further expand its land reserve; and (iii) the cooperation with local enterprises through the acquisition of Nanning Dingchi and Nanning Qinghe will facilitate the joint development of local potential land resources and enable the Group to gain further access to the local land resources at controllable costs in the future, the Directors are of the view that the entering into of the Equity Transfer Agreements will allow the Company to expand its primary businesses, and the terms of the Equity Transfer Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Regarding the development potential of the Zhaoxi Land, the Jianjin Land and Dingchi Land we have obtained and reviewed the site map and the Company's development plans of the Zhaoxi Land and the Jianjin Land and the Company's research on the Dingchi Land. We understand that from the Company that the Zhaoxi Land is located at the center of a newly developed area which is surrounded by facilities of various functions including educational, health care, business, commercial, residential, and recreational. In addition, the Zhaoxi Land possesses a convenient transportation network, in particular, within 100 meters from Changsha Metro Line 2 West Meixi Lake Station. According to the information provided by the Company, we noted that the Jianjin Land is located at the core area of Taicang City of Jiangsu Province and surrounded by various residential estates, hotels, commercial buildings and shopping malls. Furthermore, the Taicang Land has a prime location with only 1-2 km from an entrance of an expressway and takes only 20 minutes to reach Shanghai. As for the Dingchi Land, it is located in the Jiangnan District of Nanning City and east of China South City Nanning (one of the largest integrated logistics and trade centres in Nanning with a total planned GFA of approximately 4.88 million sq.m.) and with great access to the Nanning railway station and the Nanning Wuxu International Airport. In respect of the Urban Redevelopment Project B which Nanning Qinghe is entitled to participate in the auctions or listing-for-sale for three parcels of urban redevelopment land, the three land parcels are located in the Sanhua Area, Xixiangtang District of Nanning City with approximately 1.3 million population, being the highest populated district in Nanning City and the core area of the old quarter of Nanning City. As such, we concur with the Company that the Zhaoxi Land, the Jianjin Land and the Dingchi Land are featured with complete surrounding facilities and prime location with considerable development potential. In addition, by acquiring Changsha Zhaoxi, Taicang Jianjin and Nanning Dingchi, the Zhaoxi Land, the Jianjin Land and the Dingchi Land with a combined site area of approximately 189,000 sq.m. can enable the Group

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to further expand its land revenue and generate revenue once the developments are completed. Furthermore, the cooperation with local enterprises through the acquisition of Nanning Dingchi and Nanning Qinghe allows the Group to have access to local resources. Combining with the Group's expertise in property development, we concur with the Directors that it could facilitate the development of the Dingchi Land and future property development projects whilst mitigating the Group's financial risk.

According to the 2017 Interim Report and 2017 Annual Results Announcement, leveraging on the strong background of C&D Real Estate, the Group's businesses have been on a rapid and stable track for growth. We noted that the Group has been actively acquiring interests in property development projects and land reserves in the PRC expanding its business during the past two years.

We also noted that, from 1 July 2017 to the Latest Practicable Date, the Company announced, among others, (i) six transactions in relation to acquisition of interests in property development projects located in Changsha, Zhangjiagang, Shanghai, two property development projects in Longyan and a property development project in Nanjing with a total GFA of approximately 124,000 sq.m., 547,800 sq.m., 17,415 sq.m., an estimated plot ratio GFA of approximately 117,155 sq.m., an estimated plot ratio GFA of approximately 201,141 sq.m., and an estimated total plot ratio floor area of not exceeding approximately 146,554 sq.m., respectively; (ii) nine transactions in relation to acquisition of land use rights through public land auctions in Zhangzhou, Xiamen, Wuxi, Guangzhou Lianjiang, Zhuhai, Nanping, Zhangjiagang and Suzhou in the PRC with an estimated total GFA of approximately 37,000 sq.m., 56,500 sq.m., 314,262 sq.m. and 134,286 sq.m., an estimated total plot ratio floor area of not exceeding approximately 167,690 sq.m., 95,536 sq.m., 126,000 sq.m., 125,744 sq.m. and an estimated GFA of not exceeding approximately 44,512 sq.m., respectively; (iii) six cooperation agreements in respect of two property development projects located in Hangzhou, one property development project located in Nanjing, one property development project located in Taicang, one property development project located in Wuhan and one property development project located in Fuzhou in the PRC, with an estimated total GFA of approximately 46,600 sq.m., 33,352 sq.m., 68,185 sq.m., an estimated plot ratio floor area not exceeding approximately 111,158 sq.m., an estimated plot ratio floor area of approximately 95,634.6 sq.m. and a planned plot ratio floor area of not exceeding approximately 334,331.34 sq.m respectively. As such, we concur with the Directors that the Acquisitions are in line with the Group's strategy in expanding its property development business and further expand its land reserve scale which is in the ordinary and usual course of business of the Group.

RECOMMENDATIONS

Having considered the principal factors and reasons aforementioned, particularly, (i) the reasons for and benefits of the Acquisitions; (ii) the principal terms of the Equity Transfer Agreements; (iii) the analysis on the fairness and reasonableness of the consideration under the Equity Transfer Agreements; and (iv) the financial effects of the Acquisitions, we are of the opinion that the Acquisitions and the transactions contemplated under the Equity Transfer Agreements are on normal commercial terms and conducted in the ordinary and usual course of business of the Group, and the terms of each of the Equity Transfer Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole.

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Accordingly, we advise the Independent Board Committee to recommend and we recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to approve the Acquisitions and the transactions contemplated under the Equity Transfer Agreements at the EGM.

Yours faithfully,
For and on behalf of
RHB Capital Hong Kong Limited

Loke Wai Ming	Kevin Choi
<i>Chief Executive Officer</i>	<i>Responsible Officer</i>
	<i>Vice President</i>
	<i>Corporate Finance</i>

Note: Mr. Loke Wai Ming (i) is a licensed person registered with the Securities and Futures Commission and as a responsible officer of RHB Capital Hong Kong Limited to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and (ii) has over 16 years of experience in corporate finance industry.

Mr. Kevin Choi (i) is a licensed person registered with the Securities and Futures Commission and as a responsible officer of RHB Capital Hong Kong Limited to carry on Type 6 (advising on corporate finance) regulated activities under the SFO and (ii) has over 7 years of experience in corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP**Financial Information of the Group**

Financial information of the Group for each of the three financial years ended 31 December 2015, 2016 and 2017 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 2015 published on 11 April 2016 (pages 52 to 123);
- annual report of the Company for the year ended 31 December 2016 published on 7 April 2017 (pages 67 to 143); and
- annual report of the Company for the year ended 31 December 2017 published on 20 April 2018 (pages 84 to 179).

2. STATEMENT OF INDEBTEDNESS**Borrowings — Secured**

At the close of business on 28 February 2018, 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 RMB3,778,236,000. Among the secured interest-bearing bank borrowings of the Enlarged Group, RMB2,000,000 was secured by certain property, plant and equipment and RMB3,776,236,000 was secured by property under development for sale.

Borrowings — Unsecured

At the close of business on 28 February 2018, the Enlarged Group had unsecured and guaranteed interest-bearing bank borrowings of RMB2,445,725,000, unsecured and unguaranteed amounts due to non-controlling shareholders of the Group amounting to RMB2,152,544,000, unsecured and unguaranteed amounts due to non-controlling shareholders of Nanning Dingchi and Nanning Qinghe amounting to RMB180,870,000, and RMB6,000,000, respectively, and unsecured and unguaranteed interest-bearing loan from the intermediate holding company and a fellow subsidiary of RMB11,612,675,000 and RMB188,190,000 respectively.

Financial Guarantee Contracts

At the close of business on 28 February 2018, 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 RMB3,538,627,000. Such guarantees are provided to secure obligations of those purchasers for repayments, the guarantee 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 28 February 2018, the Enlarged Group had capital commitments, which were contracted but not provided for, in respect of property, plant and equipment and properties under development and proposed development projects of RMB1,292,000, RMB3,053,587,000 and RMB216,800,000 respectively.

Pledged Assets

As at 28 February 2018, 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 RMB9,711,000 and properties under development for sale with a carrying amount of RMB7,051,659,000.

Contingent Liabilities

As at the close of business on 28 February 2018, 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 payables in the ordinary course of business, as at the close of business on 28 February 2018, the Enlarged Group did not have any other debt securities issued and outstanding, or authorized 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.

3. 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.

4. FINANCIAL INFORMATION OF CHANGSHA ZHAOXI

The financial information of Changsha Zhaoxi is presented in RMB, the currency of its primary economic environment in which Changsha Zhaoxi operates (i.e. its functional currency). The accountants' report on Changsha Zhaoxi as prepared by the Auditors has been set out in Appendix IIa in this circular.

Industry Analysis

During 2017, the PRC government continued to regulate the real estate market, aiming for deleveraging, destocking, and stabilising prices. While the People's Bank of China tightened monetary policies, a number of cities also initiated purchase limitation policies designed for such cities. However, governmental regulation policies intend to suppress speculative demand other than reasonable demands for consumption or improvement. The period witnessed a new equilibrium of supply and demand in the market where the real estate price remained strong but gradually trended to stabilise. As the urbanisation process in the PRC will continue to ascend in the future, there will be sizable rigid demands in the Chinese real estate market with a promising prospect for long-term fundamentals.

Business Review

Changsha Zhaoxi was established in the PRC with limited liability on 13 December 2016, the Zhaoxi Land is the major asset held by Changsha Zhaoxi.

On 23 November 2016, Changsha Zhaoxi entered into the land use rights grant contract with the Administration Committee of Xiangjiang New District, Hunan* (湖南湘江新區管理委員會), pursuant to which Changsha Zhaoxi acquired the land use rights of the Zhaoxi Land in the total consideration of RMB2,899,870,000. The Zhaoxi Land is located at the east of Yingri Road (映日路) and the north of Xuesong Road (雪松路), Meixi Lake (梅溪湖), Yuelu District (嶽麓區), Changsha City (長沙市), Hunan Province, the PRC, with Changsha Metro Line 2 West Meixi Lake Station to the 100 meters northeast, Yali Middle School (雅禮中學), Changjun Meixihu Experimental Middle School (長郡梅溪湖實驗中學), and Yuelu Experimental Primary School (嶽麓區實驗小學) to the west, close to the Longwanggang River (龍王港河) and Xiao River (肖河) landscape belt, fully furnished and in good condition, with a site area of approximately 80,463.65 sq.m. and an estimated plot ratio floor area of approximately 313,808.24 sq.m. for residential use. The term of the land use rights of the Zhaoxi Land is 70 years for residential use.

The Zhaoxi Land would be developed in three phases. For the first phase, the construction has begun in April 2017 and the pre-sale is expected to commence before February 2018. The completion is expected to be before August 2019. For the second phase, the construction and the pre-sale are expected to commence in February 2018 and December 2018 respectively and the completion is expected to be before February 2020. For the third phase, the construction and the pre-sale are expected to commence in February 2019 and December 2019 respectively and the completion is expected to be before February 2021. The actual schedule of construction, pre-sale and completion of each phase may vary in accordance with the actual market conditions.

From 13 December 2016 (date of establishment) to 31 December 2016, Changsha Zhaoxi was still in the construction preparatory stage. As a result, it only incurred an administrative expense of RMB2,000.

Administrative Expenses

The administrative expenses of Changsha Zhaoxi for the year ended 31 December 2017 were approximately RMB7,972,000. The administrative expenses mainly consisted of the stamp duty fees and advertising fees before the sale of the realty.

Finance Costs

The finance costs for the year ended 31 December 2017 was approximately RMB44,907,000, mainly consisting of interest expenses. Changsha Zhaoxi's loans mainly consist of interest-bearing loans from the intermediate holding company.

Income Tax Credit

The income tax credit for the year ended 31 December 2017 were approximately RMB1,319,000 as a result of the recognition of deferred income tax assets.

Capital Structure

As at 31 December 2017, the registered and paid-up capital of Changsha Zhaoxi was RMB50,000,000.

Financial Resources

As at 31 December 2017, Changsha Zhaoxi's financing mainly relied on interest-bearing loans from C&D Real Estate. For the financing of the project (other than the additional registered capital and the initial funding of infrastructure will be advanced by the contractor), Agricultural Bank of China will offer bank facilities amounting to RMB500,000,000 for project construction to Changsha Zhaoxi with guarantee from C&D Real Estate and the Zhaoxi Land as mortgage.

No particular trend of seasonality was observed from Changsha Zhaoxi's borrowing requirements for the twelve months ended 31 December 2017.

Net Gearing Ratio

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

As at 31 December 2017, Changsha Zhaoxi had loan from intermediate holding company of approximately RMB2,947,545,000.

As at 31 December 2017, Changsha Zhaoxi's net gearing ratio was 29,860%.

Currently, Changsha Zhaoxi's financing mainly relies on loan from C&D Real Estate.

Employees and Remuneration Policies

Changsha Zhaoxi had no staff member and 6 staff members as at 31 December 2016 and 31 December 2017 respectively. Staff costs for the period from 13 December 2016 (date of establishment) to 31 December 2016 and the year ended 31 December 2017 were RMB0 and RMB936,000 respectively.

Changsha Zhaoxi's remuneration policy is in line with the prevailing market practice on performance of individual staff and Changsha Zhaoxi operates a bonus plan to reward the staff on a performance related basis.

Foreign Exchange Risk

Changsha Zhaoxi'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. Changsha Zhaoxi does not have any foreign exchange hedging arrangements.

Contingent Liabilities

Changsha Zhaoxi had no significant contingent liabilities as at 31 December 2016 and 2017.

Capital Commitments

As at 31 December 2016 and 2017, capital commitments of Changsha Zhaoxi amounted to RMB0 and RMB223,578,000 respectively.

5. FINANCIAL INFORMATION OF TAICANG JIANJIN

The financial information of Taicang Jianjin is presented in RMB, the currency of its primary economic environment in which Taicang Jianjin operates (i.e. its functional currency). The accountants' report on Taicang Jianjin as prepared by the Auditors has been set out in Appendix IIB in this circular.

Industry Analysis

During 2017, the PRC government continued to regulate the real estate market, aiming for deleveraging, destocking, and stabilising prices. While the People's Bank of China tightened monetary policies, a number of cities also initiated purchase limitation policies designed for such cities. However, governmental regulation policies intend to suppress speculative demand other than reasonable demands for consumption or improvement. The period witnessed a new equilibrium of supply and demand in the market where the real estate price remained strong but gradually trended to stabilise. As the urbanisation process in the PRC will continue to ascend in the future, there will be sizable rigid demands in the Chinese real estate market with a promising prospect for long-term fundamentals.

Business Review

Taicang Jianjin was established in the PRC with limited liability on 24 July 2017, the Jianjin Land is the major asset held by Taicang Jianjin which includes the Jianjin Land A and the Jianjin Land B.

The original acquisition cost of the Jianjin Land is RMB1,530,980,000, of which the original acquisition costs of the Jianjin Land A and the Jianjin Land B are RMB618,590,000 and RMB912,390,000 respectively. The Jianjin Land is located at the Taicang City High-Tech Zone (太倉市高新區), Jiangsu Province, the PRC, of which: (i) the Jianjin Land A locates at the west of Xingye Road (興業路), the north of Xuangong Road (宣公路), the south of Suzhou Road (蘇州路), with a site area of approximately 37,953.19 sq.m. and an estimated plot ratio floor area of approximately 68,315.74 sq.m. for residential and commercial use and the terms of the land use rights of the Jianjin Land A are 70 years for residential use and 40 years for commercial use, respectively; and (ii) the Jianjin Land B locates at the north of Luoyang East Road (洛陽東路) and the west of Changsheng Road (常勝路) with a site area of approximately 47,983.54 sq.m. and an estimated plot ratio floor area of approximately 100,765.43 sq.m. for residential and commercial use and the terms of the land use rights of the Jianjin Land B are 70 years for residential use and 40 years for commercial use, respectively. The Jianjin Land belongs to the urban area of Taicang. Wanda Plaza* (萬達廣場), Dongsheng Commercial Plaza* (東盛商業廣場) and other commercial facilities are within three kilometers of the Jianjin Land. The Jianjin Land has good development potential, with a total site area of approximately 85,936.73 sq.m. and an estimated total plot ratio floor area of approximately 169,081.17 sq.m. for residential and commercial use. The Jianjin Land is currently under construction and the completion of the construction is expected to be before June 2020. The sale and delivery will be commenced after the completion. The actual schedule of completion and sale may vary in accordance with the actual market conditions.

Administrative Expenses

The administrative expenses of Taicang Jianjin for the period from 24 July 2017 (date of establishment) to 31 December 2017 were approximately RMB1,397,000. The administrative expenses mainly consisted of the stamp duty fees.

Finance Costs

The finance costs for the period from 24 July 2017 (date of establishment) to 31 December 2017 was approximately RMB35,777,000, mainly consisting of interest expenses. Taicang Jianjin's loans mainly consist of interest-bearing loans from the immediate holding company.

Income Tax Credit

The income tax credit for the period from 24 July 2017 (date of establishment) to 31 December 2017 were approximately RMB9,243,000 as a result of the recognition of deferred income tax assets.

Capital Structure

As at 31 December 2017, the registered and paid-up capital of Taicang Jianjin was RMB500,000,000 and RMB50,000,000 respectively.

Financial Resources

As at 31 December 2017, Taicang Jianjin's financing mainly relied on loan from C&D Real Estate.

No particular trend of seasonality was observed from Taicang Jianjin's borrowing requirements for the year ended 31 December 2017.

Net Gearing Ratio

The net gearing ratio is calculated by dividing the net debt with equity attributable to owners of the parent. The net debt is defined as the difference between (i) loan from immediate holding company and (ii) the sum of cash and cash equivalents and pledged deposits.

As at 31 December 2017, Taicang Jianjin had loan from immediate holding company of approximately RMB1,547,849,000.

As at 31 December 2017, Taicang Jianjin's net gearing ratio was 6,988%.

Currently, Taicang Jianjin's financing mainly relies on loan from C&D Real Estate.

Employees and Remuneration Policies

Taicang Jianjin had 7 staff members as at 31 December 2017. Staff costs for the period from 24 July 2017 (date of establishment) to 31 December 2017 were RMB1,319,000.

Taicang Jianjin's remuneration policy is in line with the prevailing market practice on performance of individual staff and Taicang Jianjin operates a bonus plan to reward the staff on a performance related basis.

Foreign Exchange Risk

Taicang Jianjin'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. Taicang Jianjin does not have any foreign exchange hedging arrangements.

Contingent Liabilities

Taicang Jianjin had no significant contingent liabilities as at 31 December 2017.

Capital Commitments

As at 31 December 2017, capital commitments of Taicang Jianjin amounted to RMB302,171,000.

6. FINANCIAL INFORMATION OF NANNING DINGCHI

The financial information of Nanning Dingchi is presented in RMB, the currency of its primary economic environment in which Nanning Dingchi operates (i.e. its functional currency). The accountants' report on Nanning Dingchi as prepared by the Auditors has been set out in Appendix IIc in this circular.

Industry Analysis

During 2017, the PRC government continued to regulate the real estate market, aiming for deleveraging, destocking, and stabilising prices. While the People's Bank of China tightened monetary policies, a number of cities also initiated purchase limitation policies designed for such cities. However, governmental regulation policies intend to suppress speculative demand other than reasonable demands for consumption or improvement. The period witnessed a new equilibrium of supply and demand in the market where the real estate price remained strong but gradually trended to stabilise. As the urbanisation process in the PRC will continue to ascend in the future, there will be sizable rigid demands in the Chinese real estate market with a promising prospect for long-term fundamentals.

Business Review

Nanning Dingchi is a company established in the PRC with limited liability on 27 July 2011 which is principally engaged in the business of property development.

Nanning Dingchi is principally engaged in property development business. Nanning Dingchi entered into an investment agreement with the People's Government of Jiangnan District, Nanning City (南寧市江南區人民政府) (the "**Jiangnan Government**") on 18 January 2017, whereby Nanning Dingchi shall provide fund to the Jiangnan Government to settle the compensation and costs of demolition for urban redevelopment project (the "**Urban Redevelopment Project A**") in Area No.9 (九號片區), Wuyi West Road (五一西路), Jiangnan District (江南區), Nanning City. Under the said agreement, since Nanning Dingchi provides fund for the Urban Redevelopment Project A, Nanning Dingchi is entitled to participate and intends to participate in the auctions or listing-for-sale for not more than three out of five parcels of urban redevelopment land. Should Nanning Dingchi fail to win the auction for the land under the Urban Redevelopment Project A, the Jiangnan Government shall return the sum paid by Nanning Dingchi for the Urban Redevelopment Project A with interests to Nanning Dingchi. Should Nanning Dingchi win the auction for the land under the Urban Redevelopment Project A, the Jiangnan Government will only return the sum paid by Nanning Dingchi in relation to the Urban Redevelopment Project A and no longer pay any interests. The consideration of the land will be paid separately.

Other Income

The other income of Nanning Dingchi for the year ended on 31 December 2015, 2016 and 2017 were approximately RMB3,134,000, RMB2,020,000 and RMB33,000, which mainly consisted of service fee income and interest income.

Administrative Expenses

The administrative expenses of Nanning Dingchi for the year ended on 31 December 2015 were approximately RMB3,423,000. The administrative expenses mainly consisted of employee's remuneration.

The administrative expenses of Nanning Dingchi for the year ended on 31 December 2016 were approximately RMB2,919,000. The administrative expenses mainly consisted of employee's remuneration.

The administrative expenses of Nanning Dingchi for the year ended on 31 December 2017 were approximately RMB699,000. The administrative expenses mainly consisted of employee's remuneration.

Finance Costs

The finance costs for the year ended 31 December 2017 was approximately RMB10,880,000, mainly consisting of interest expenses. Nanning Dingchi's loans mainly consist of interest-bearing loans from the immediate holding company and non-controlling shareholder.

Income Tax Credit

The income tax credit for the year ended 31 December 2015, 2016 and 2017 were approximately RMB71,000, RMB225,000 and RMB2,877,000 respectively as a result of the recognition of deferred income tax assets.

Capital Structure

As at 31 December 2015, 2016 and 2017, the registered capital of Nanning Dingchi was RMB10,000,000.

Financial Resources

As at 31 December 2017, Nanning Dingchi's financing mainly relied on loan from Jianfa Nanning and Guangxi Dingxinsheng.

No particular trend of seasonality was observed from Nanning Dingchi's borrowing requirements for the year ended 31 December 2017.

Net Gearing Ratio

The net gearing ratio is calculated by dividing the net debt with equity attributable to owners of the parent. The net debt is defined as the difference between (i) loan from immediate holding company and (ii) loan from non-controlling shareholder and (iii) the sum of cash and cash equivalents and pledged deposits.

As at 31 December 2017, Nanning Dingchi had loan from immediate holding company and non-controlling shareholder of approximately RMB369,060,000.

As at 31 December 2017, Nanning Dingchi's net gearing ratio was 63,013%.

Currently, Nanning Dingchi's financing mainly relies on loan from immediate holding company and non-controlling shareholder.

Employees and Remuneration Policies

Nanning Dingchi had 36 staff, 26 staff and 0 staff members as at 31 December 2015, 2016 and 31 December 2017 respectively. Staff costs for the year ended on 31 December 2015, 2016 and 2017 was RMB3,152,000, RMB2,819,000 and RMB476,000 respectively.

Nanning Dingchi's remuneration policy is in line with the prevailing market practice on performance of individual staff and Nanning Dingchi operates a bonus plan to reward the staff on a performance related basis.

Foreign Exchange Risk

Nanning Dingchi'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. Nanning Dingchi does not have any foreign exchange hedging arrangements.

Contingent Liabilities

Nanning Dingchi had no significant contingent liabilities as at 31 December 2015, 2016 and 2017.

Capital Commitments

As at 31 December 2015, 2016 and 2017, Nanning Dingchi had no capital commitment.

7. FINANCIAL INFORMATION OF NANNING QINGHE

The financial information of Nanning Qinghe is presented in RMB, the currency of its primary economic environment in which Nanning Qinghe operates (i.e. its functional currency). The accountants' report on Nanning Qinghe as prepared by the Auditors has been set out in Appendix II d in this circular.

Industry Analysis

During 2017, the PRC government continued to regulate the real estate market, aiming for deleveraging, destocking, and stabilising prices. While the People’s Bank of China tightened monetary policies, a number of cities also initiated purchase limitation policies designed for such cities. However, governmental regulation policies intend to suppress speculative demand other than reasonable demands for consumption or improvement. The period witnessed a new equilibrium of supply and demand in the market where the real estate price remained strong but gradually trended to stabilise. As the urbanisation process in the PRC will continue to ascend in the future, there will be sizable rigid demands in the Chinese real estate market with a promising prospect for long-term fundamentals.

Business Review

Nanning Qinghe is a company established in the PRC with limited liability on 26 February 2014 which is principally engaged in the business of property development.

Nanning Qinghe is principally engaged in property development business. Nanning Qinghe entered into an investment agreement with the People’s Government of Xixiangtang District, Nanning City (南寧市西鄉塘區人民政府) (the “**Xixiangtang Government**”) and Nanning Commission of Rural and Urban Construction (南寧城鄉建設委員會) on 28 March 2014, whereby Nanning Qinghe shall provide fund to the Xixiangtang Government to settle the compensation and costs of demolition for urban redevelopment project (the “Urban Redevelopment Project B”) in Sanhua Area (三華片區), Zhonghua Road (中華路), Xixiangtang District (西鄉塘區), Nanning City. Under the said agreement, since Nanning Qinghe provides fund for the Urban Redevelopment Project B, Nanning Qinghe is entitled to participate in the auctions or listing-for-sale for three parcels of urban redevelopment land, in which Nanning Qinghe intends to participate. Should Nanning Qinghe fail to win the auction for the land under the Urban Redevelopment Project B, the Xixiangtang Government shall return the sum paid by Nanning Qinghe for the Urban Redevelopment Project B with interests to Nanning Qinghe. Should Nanning Qinghe win the auction for the land under the Urban Redevelopment Project B, the Xixiangtang Government will only return the sum paid by Nanning Qinghe in relation to the Urban Redevelopment Project B and no longer pay any interests. The consideration of the land will be paid separately.

Revenue

The breakdown of the revenue for Qinghe for the years ended 31 December 2015, 2016 and 2017 is set out below:

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Sales of properties	—	—	708

Administrative Expenses

The administrative expenses of Nanning Qinghe for the year ended on 31 December 2015 were approximately RMB3,792,000. The administrative expenses mainly consisted of bad debt.

The administrative expenses of Nanning Qinghe for the year ended on 31 December 2016 were approximately RMB1,470,000. The administrative expenses mainly consisted of the advisory fees.

The administrative expenses of Nanning Qinghe for the year ended on 31 December 2017 were approximately RMB705,000. The administrative expenses mainly consisted of the advisory fees.

Income Tax Credit

The income tax credit for the year ended 31 December 2016 was approximately RMB3,028,000 as a result of the PRC land appreciation tax of over-provision in prior years.

Capital Structure

As at 31 December 2015, 2016 and 2017, the registered capital of Nanning Qinghe was RMB60,000,000.

Financial Resources

As at 31 December 2015, 2016 and 2017, Nanning Qinghe's financing mainly relied on amount due to immediate holding company and non-controlling shareholder.

No particular trend of seasonality was observed from Nanning Qinghe's borrowing requirements for the year ended 31 December 2015, 2016 and 2017.

Net Gearing Ratio

The net gearing ratio is calculated by dividing the net debt with equity attributable to owners of the parent. The net debt is defined as the difference between (i) amount due to the non-controlling shareholder and immediate holding company and (ii) the sum of cash and cash equivalents and pledged deposits.

As at 31 December 2015, 2016 and 2017, Nanning Qinghe had amount due to the non-controlling shareholder and immediate holding company of approximately RMB11,075,000, RMB8,452,000 and RMB5,924,000 respectively.

As at 31 December 2015, 2016 and 2017, Nanning Qinghe's net gearing ratio was 14%, 5% and 8% respectively.

Currently, Nanning Qinghe's financing mainly relies on amounts due to non-controlling shareholder and immediate holding company.

Employees and Remuneration Policies

Nanning Qinghe had 3 staff, 2 staff and 0 staff members as at 31 December 2015, 2016 and 2017 respectively. Staff costs for the year ended on 31 December 2015, 2016 and 2017 were RMB221,000, RMB85,000 and RMB0 respectively.

Nanning Qinghe's remuneration policy is in line with the prevailing market practice on performance of individual staff and Nanning Qinghe operates a bonus plan to reward the staff on a performance related basis.

Foreign Exchange Risk

Nanning Qinghe'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. Nanning Qinghe does not have any foreign exchange hedging arrangements.

Contingent Liabilities

Nanning Qinghe had no significant contingent liabilities as at 31 December 2015, 2016 and 2017.

Capital Commitments

As at 31 December 2015, 2016 and 2017, Nanning Qinghe had no capital commitment.

8. 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 lands 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. The transactions contemplated under the Equity Transfer Agreements will help expand the Group's primary business as well as build up the Enlarged Group's competitive positions in the respective local real estate markets. With these new lands adding to the land reserves, the Enlarged Group's profitability and sustainability in the future will be further improved. 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 and strive to make progress in (i) diversified business layout; (ii) construction and enhancement of profitability; and (iii) exploration for sustainable development path.

The Company, while developing and marketing its properties, enjoys the branding strength of C&D Real Estate, which has been highly recognised over the past 30 years for its many projects developed in the PRC in the industry, so as to gain some advantages over its competitors.

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.

As a Hong Kong listed company leveraging on the strong background of C&D Real Estate, the Company will continuously improve its profitability for shareholder value creation, so as to achieve win-win solutions for the Enlarged Group, the society and Shareholders.

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.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHANGSHA ZHAOXI REAL ESTATE DEVELOPMENT COMPANY LIMITED

Introduction

We report on the historical financial information of Changsha Zhaoxi Real Estate Development Company Limited ("Changsha Zhaoxi") set out on page Iia-3 to Iia-28, which comprises the statements of financial position of Changsha Zhaoxi as at 31 December 2016 and 2017, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the period from 13 December 2016 (date of establishment) to 31 December 2016 and for the year ended 31 December 2017 (the "Relevant Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on page Iia-3 to Iia-28 forms an integral part of this report, which has been prepared for inclusion in the circular of C&D International Investment Group Limited (the "Company") dated 23 April 2018 (the "Circular") in connection with the proposed acquisition of 100% equity interest in Changsha Zhaoxi by the Company.

Directors' Responsibility for the Historical Financial Information

The directors of Changsha Zhaoxi are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information and for such internal control as the directors of Changsha Zhaoxi determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the financial position of Changsha Zhaoxi as at 31 December 2016 and 2017 and of its financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IIa-3 have been made.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

23 April 2018

Lin Ching Yee Daniel

Practising Certificate Number: P02771

I. HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of Changsha Zhaoxi for the Relevant Period, on which the Historical Financial Information is based, were audited by Grant Thornton Hong Kong Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

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

	<i>Notes</i>	Period from 13 December 2016 (date of establishment) to 31 December 2016 RMB'000	For the year ended 31 December 2017 RMB'000
Revenue	4	—	—
Other income	5	—	55
Administrative expenses		(2)	(7,972)
Finance costs	6	—	(44,907)
Loss before income tax	7	(2)	(52,824)
Income tax credit	8	—	13,190
Loss and total comprehensive loss for the period/year		<u>(2)</u>	<u>(39,634)</u>

(B) STATEMENTS OF FINANCIAL POSITION

		As at 31 December	
	<i>Notes</i>	2016	2017
		<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment	11	—	155
Deferred tax assets	12	—	13,190
		<u>—</u>	<u>13,345</u>
Current assets			
Properties under development for sale	13	—	3,273,446
Other receivables	14	1,452,233	12,033
Cash and cash equivalents		215	102,871
		<u>1,452,448</u>	<u>3,388,350</u>
Current liabilities			
Trade and other payables	15	—	193,300
Loan from intermediate holding company	16	1,402,450	2,947,545
Amount due to a fellow subsidiary	16	—	486
Interest-bearing borrowings	17	—	10,000
		<u>1,402,450</u>	<u>3,151,331</u>
Net current assets		<u>49,998</u>	<u>237,019</u>
Total assets less current liabilities		<u>49,998</u>	<u>250,364</u>
Non-current liabilities			
Interest-bearing borrowings	17	—	240,000
Net assets		<u>49,998</u>	<u>10,364</u>
EQUITY			
Paid-up capital	18	50,000	50,000
Accumulated losses		(2)	(39,636)
Total equity		<u>49,998</u>	<u>10,364</u>

(C) STATEMENTS OF CHANGES IN EQUITY

	Paid-up Capital <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total equity <i>RMB'000</i>
At 13 December 2016 (date of establishment)	—	—	—
Capital contribution from shareholders (note 18)	50,000	—	50,000
Loss and total comprehensive loss for the period	<u>—</u>	<u>(2)</u>	<u>(2)</u>
At 31 December 2016 and 1 January 2017	50,000	(2)	49,998
Loss and total comprehensive loss for the year	<u>—</u>	<u>(39,634)</u>	<u>(39,634)</u>
At 31 December 2017	<u>50,000</u>	<u>(39,636)</u>	<u>10,364</u>

(D) STATEMENTS OF CASH FLOWS

	Period from 13 December 2016 (date of establishment) to 31 December 2016 <i>RMB'000</i>	Year ended 31 December 2017 <i>RMB'000</i>
Cash flows from operating activities		
Loss before income tax	(2)	(52,824)
Adjustments for:		
Depreciation of property, plant and equipment	—	5
Finance costs	—	44,907
Interest income	—	(18)
Operating loss before working capital changes	(2)	(7,930)
Increase in properties under development for sale	—	(1,688,069)
(Increase)/decrease in other receivables	(1,452,233)	(12,033)
Increase in trade and other payables	—	16,634
Increase in amount due to a fellow subsidiary	—	486
<i>Net cash used in operating activities</i>	<u>(1,452,235)</u>	<u>(1,690,912)</u>
Cash flows from investing activities		
Interest received	—	18
Purchase of property, plant and equipment	—	(160)
<i>Net cash used in investing activities</i>	<u>—</u>	<u>(142)</u>
Cash flows from financing activities		
Capital contribution from shareholders	50,000	—
Proceeds from new borrowings	—	250,000
Interest paid	—	(1,385)
Advances from intermediate holding company	1,402,450	1,545,095
<i>Cash from financing activities</i>	<u>1,452,450</u>	<u>1,793,710</u>
Net increase in cash and cash equivalents	215	102,656
Cash and cash equivalents at date of establishment/ the beginning of the year	<u>—</u>	<u>215</u>
Cash and cash equivalents at the end of the period/year, represented by bank balances	<u>215</u>	<u>102,871</u>

(II) NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF CHANGSHA ZHAOXI**1. GENERAL INFORMATION**

Changsha Zhaoxi was established in the PRC with limited liability on 13 December 2016. The address of its registered office is Room 217, Jiashun Yuan Commercial Building 1, Meixihu Street, Yulu District, Changsha City, Hunan Province, the PRC. Changsha Zhaoxi is principally engaged in properties development in the PRC.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1 Basis of preparation and presentation**

The Historical 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 Historical Financial Information for the Relevant Period, Changsha Zhaoxi has consistently applied all HKFRSs which are effective for the financial period beginning on 13 December 2016 (date of establishment) to 31 December 2016 and the year ended 31 December 2017. The significant accounting policies that have been used in the preparation of the Historical Financial Information have been consistently applied throughout the Relevant Period. The adoption of new or amended HKFRSs that are issued but not yet effective and their impact on Changsha Zhaoxi’s Historical Financial Information, if any, are disclosed in note 2.2.

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

As at 31 December 2017, Changsha Zhaoxi 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 Historical Financial Information have been prepared on a going concern basis as the intermediate holding company of Changsha Zhaoxi, has undertaken to provide the necessary financial support to Changsha Zhaoxi when its debts fall due. The directors believe that Changsha Zhaoxi will be able to meet its financial obligations for the foreseeable future. Consequently, the Historical Financial Information has been prepared on a going concern basis.

The preparation of the Historical 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 Historical Financial Information are disclosed in Note 3 below.

The Historical Financial Information is presented in Renminbi (“RMB”), rounded to the nearest thousand (RMB'000), which is the functional currency of Changsha Zhaoxi.

2.2 Issued but not yet effective HKFRSs

Changsha Zhaoxi has not early adopted the following new or amended HKFRSs which have been issued but are not yet effective for the Relevant Period:

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle ¹
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments ²

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

² Effective for annual periods beginning on or after 1 January 2019

³ Effective date not yet determined

The directors of Changsha Zhaoxi anticipate that all of the pronouncements will be adopted in Changsha Zhaoxi'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 Changsha Zhaoxi's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Historical Financial Information.

HKFRS 9 “Financial Instruments”

HKFRS 9 replaces HKAS 39 “Financial Instruments: Recognition and Measurement”. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an “expected credit loss” model for the impairment of financial assets.

The directors have identified the following areas that are expected to be most impacted by the application of HKFRS 9:

- the classification and measurement of Changsha Zhaoxi's financial assets. Changsha Zhaoxi holds most financial assets to hold and collect the associated cash flows and is currently assessing the underlying types of cash flows to classify financial assets correctly. Based on the preliminary assessment, Changsha Zhaoxi expects that its financial assets currently measured at amortised cost will continue with their classification and measurements upon the adoption of HKFRS 9.
- the impairment of financial assets applying the expected credit loss model. This will apply to Changsha Zhaoxi's receivables. Based on a preliminary assessment, Changsha Zhaoxi expects that the application of expected credit loss model will not have a significant impact on Changsha Zhaoxi's results and financial position.

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%
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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 Changsha Zhaoxi 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

Changsha Zhaoxi'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, Changsha Zhaoxi becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. 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 Changsha Zhaoxi 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; and
- The disappearance of an active market for that financial assets because of financial difficulties.

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

Changsha Zhaoxi's financial liabilities included trade and other payables, loan from intermediate holding company, amount due to a fellow subsidiary and interest-bearing borrowings.

Financial liabilities are recognised when Changsha Zhaoxi becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with Changsha Zhaoxi's accounting policy for borrowing costs (see note 2.11).

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.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless Changsha Zhaoxi has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Trade and other payables, amount due to intermediate holding company and amount due to a fellow subsidiary 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 Interest income

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

2.9 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 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.

2.10 Employee benefits

Retirement benefits

Changsha Zhaoxi 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. Changsha Zhaoxi 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.

2.11 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.

2.12 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 Historical 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) Changsha Zhaoxi has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Changsha Zhaoxi 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.

2.13 Related parties

For the purposes of these Historical Financial Information, a party is considered to be related to Changsha Zhaoxi 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 Changsha Zhaoxi;
 - (ii) has significant influence over Changsha Zhaoxi ; or
 - (iii) is a member of the key management personnel of Changsha Zhaoxi or Changsha Zhaoxi's parent.

- (b) the party is an entity and if any of the following conditions applies:
 - (i) the entity and Changsha Zhaoxi 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 Changsha Zhaoxi 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 Changsha Zhaoxi or an entity related to Changsha Zhaoxi.
 - (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 Changsha Zhaoxi or to the parent of Changsha Zhaoxi.

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.

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 31 December 2017, the carrying amount of properties under development for sale were nil and RMB3,273,446,000 respectively (note 13).

4. REVENUE

Changsha Zhaoxi did not generate any revenue during the Relevant Period.

5. OTHER INCOME

	Period from 13 December 2016 (date of establishment) to 31 December 2016 RMB'000	Year ended 31 December 2017 RMB'000
Bank interest income	—	18
Sundry income	—	37
	<u>—</u>	<u>55</u>

6. FINANCE COSTS

	Period from 13 December 2016 (date of establishment) to 31 December 2016 <i>RMB'000</i>	Year ended 31 December 2017 <i>RMB'000</i>
Interest on bank loans	—	1,385
Interest on loan from intermediate holding company	—	176,666
Less: interest capitalised in properties under development for sale*	—	(133,144)
	<u>—</u>	<u>44,907</u>

* The borrowing costs have been capitalised at a rate of 4.72% per annum for the year ended 31 December 2017.

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Period from 13 December 2016 (date of establishment) to 31 December 2016 <i>RMB'000</i>	Year ended 31 December 2017 <i>RMB'000</i>
Depreciation of property, plant and equipment	<u>—</u>	<u>5</u>

8. INCOME TAX CREDIT

	Period from 13 December 2016 (date of establishment) to 31 December 2016 <i>RMB'000</i>	Year ended 31 December 2017 <i>RMB'000</i>
Deferred income tax	12	13,190

No provision for PRC Enterprise Income Tax has been made in the Historical Financial Information as Changsha Zhaoxi had no assessable profit for the period.

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

	Period from 13 December 2016 (date of establishment) to 31 December 2016 RMB'000	Year ended 31 December 2017 RMB'000
Loss before income tax	2	52,824
Tax at the applicable tax rate of 25%	1	13,206
Tax effect of non-deductible expenses	(1)	(16)
Income tax credit	<u>—</u>	<u>13,190</u>

9. EMPLOYEE BENEFIT EXPENSES

	Period from 13 December 2016 (date of establishment) to 31 December 2016 RMB'000	Year ended 31 December 2017 RMB'000
Salaries, wages and other benefits	—	711
Contributions to defined contribution retirement plans	—	225
Less: employee benefit expenses capitalised in properties under development for sales	—	(564)
Employee benefit expenses recognised as an expense	<u>—</u>	<u>372</u>

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

No emolument was paid or payable to the directors of Changsha Zhaoxi during the Relevant Period.

During the Relevant Period, there were no amounts paid or payable by Changsha Zhaoxi 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 Changsha Zhaoxi 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 Period.

(b) **Five highest paid individuals**

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

	Period from 13 December 2016 (date of establishment) to 31 December 2016 RMB'000	Year ended 31 December 2017 RMB'000
Salaries, wages and other benefits	—	606
Contributions to defined contribution retirement plans	—	106
	<u>—</u>	<u>712</u>

Their emoluments were within the band of Nil to RMB1,000,000.

11. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures <i>RMB'000</i>
At 13 December 2016 (date of establishment), 31 December 2016 and 1 January 2017	
Costs	—
Accumulated depreciation	—
Net book amount	—
Year ended 31 December 2017	
Opening net book amount	—
Additions	160
Depreciation	(5)
Closing net book amount	155
At 31 December 2017	
Costs	160
Accumulated depreciation	(5)
Net book amount	155

12. DEFERRED TAXATION

The movement of deferred tax assets are as follows:

	Others <i>RMB'000</i>
At 13 December 2016 (date of establishment), 31 December 2016 and 1 January 2017	—
Credited to profit or loss	13,190
At 31 December 2017	13,190

13. PROPERTIES UNDER DEVELOPMENT FOR SALE

	As at 31 December 2016	As at 31 December 2017
	<i>RMB'000</i>	<i>RMB'000</i>
Properties under development for sale include:		
- cost of leasehold land	—	3,018,535
- construction costs and capitalised expenditure	—	121,767
- interests capitalised (note 6)	—	133,144
	<u>—</u>	<u>3,273,446</u>
	<u>—</u>	<u>3,273,446</u>

The properties under development for sale are all located in the PRC. The relevant land use rights are on leases of 70 years. As at 31 December 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 period.

14. OTHER RECEIVABLES

	As at 31 December 2016	As at 31 December 2017
	<i>RMB'000</i>	<i>RMB'000</i>
Deposits for land acquisition	1,452,233	—
Deposits	—	340
Prepayment	—	1,428
Other receivables	—	10,265
	<u>1,452,233</u>	<u>12,033</u>
	<u>1,452,233</u>	<u>12,033</u>

The directors of Changsha Zhaoxi 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 <i>RMB'000</i>	As at 31 December 2017 <i>RMB'000</i>
Trade payables		
To third parties	—	12,590
Other payables		
Accruals and other payables	—	992
Deposits received	—	3,052
Interest payable on loan from intermediate holding company	—	176,666
	—	180,710
	—	193,300

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

Changsha Zhaoxi was granted by its suppliers average credit period of 0 to 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 31 December 2017 <i>RMB'000</i>
0-30 days	—	12,292
31-60 days	—	16
Over 90 days	—	282
	—	12,590

16. AMOUNT DUE TO A FELLOW SUBSIDIARY / LOAN FROM INTERMEDIATE HOLDING COMPANY

The amount due to a fellow subsidiary are unsecured, interest-free and repayable on demand.

The loan from intermediate holding company is unsecured, interest-free during the period from 13 December 2016 (date of establishment) to 31 December 2016 and carrying an interest rate of 6.30% per annum for the year ended 31 December 2017. The amount is repayable on demand.

The carrying amounts of the balance approximates its fair value.

17. INTEREST-BEARING BORROWINGS

At 31 December 2016 and 31 December 2017, Changsha Zhaoxi's bank borrowings was repayable as follows:

	As at 31 December 2016 <i>RMB'000</i>	As at 31 December 2017 <i>RMB'000</i>
Bank loans, secured	—	250,000

The analysis of the carrying amount of the bank loans is as follows:

	As at 31 December 2016 <i>RMB'000</i>	As at 31 December 2017 <i>RMB'000</i>
Current		
Portion of bank loans due for repayment within one year	—	10,000
Non-current		
Portion of bank loans due for repayment after one year	—	240,000
	—	250,000

The Company's bank loans are repayable as follows:

	As at 31 December 2016 <i>RMB'000</i>	As at 31 December 2017 <i>RMB'000</i>
Within one year	—	10,000
In the second year	—	20,000
In the third to fifth years	—	220,000
	—	250,000

At 31 December 2017, the bank loan is secured by the Company's properties under development with carrying value of RMB3,273,446,000 (note 13) and guaranteed by its intermediate holding company, C&D Real Estate Corporation Limited.

At 31 December 2017, the bank loan is denominated in RMB which bore a floating interest rate of 5% per annum.

18. PAID-UP CAPITAL

During the period from 13 December 2016 (date of establishment) to 31 December 2016, Changsha Zhaoxi received RMB50,000,000 from its immediate holding company as its paid-up capital.

As at 31 December 2016 and 31 December 2017, the registered and paid-up capital of Changsha Zhaoxi was RMB50,000,000.

19. COMMITMENTS*Capital commitments*

As at 31 December 2016 and 31 December 2017, Changsha Zhaoxi had the following capital commitments:

	As at 31 December 2016 RMB'000	As at 31 December 2017 RMB'000
Contracted but not provided for		
- Properties under development for sale	—	<u>223,578</u>

20. RELATED PARTY TRANSACTION

Save as disclosed elsewhere in these Historical Financial Information, Changsha Zhaoxi entered into the following related party transactions during the Relevant Period:

Name of related party	Nature	Period from 13 December 2016 (date of establishment) to 31 December 2016 RMB'000	Year ended 31 December 2017 RMB'000
Fellow subsidiary 長沙怡盛物業管理有限公司	Management fee paid	—	486
Intermediate holding company C&D Real Estate (note a)	Interest expenses	<u>—</u>	<u>176,666</u>

Note

- a) During the year ended 31 December 2017, Changsha Zhaoxi incurred loan interest of RMB176,666,000 to C&D Real Estate for its operation at 6.30% per annum.

Key management personnel remuneration

The directors of Changsha Zhaoxi are considered to be the key management personnel of Changsha Zhaoxi and no remuneration was paid or payable to the directors during the Relevant Period.

21. NON-CASH TRANSACTION

During the year ended 31 December 2017, borrowing costs of RMB133,144,000 were capitalised as properties under development for sale.

22. FINANCIAL RISK MANAGEMENT

Changsha Zhaoxi 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 Changsha Zhaoxi's headquarters, in close co-operation with the board of directors. The overall objectives in managing financial risks focus on securing Changsha Zhaoxi's short to medium term cash flows by minimising its exposure to financial markets.

22.1 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 RMB'000	As at 31 December 2017 RMB'000
Financial assets		
Loan and receivables		
- Other receivables	—	10,605
- Cash and cash equivalents	215	102,871
	<u>215</u>	<u>113,476</u>

	As at 31 December 2016 <i>RMB'000</i>	As at 31 December 2017 <i>RMB'000</i>
Financial liabilities		
At amortised cost:		
- Trade and other payables	—	190,248
- Loan from intermediate holding company	1,402,450	2,947,545
- Amount due to a fellow subsidiary	—	486
- Interest-bearing borrowings	—	250,000
	<u>1,402,450</u>	<u>3,388,279</u>

22.2 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. Changsha Zhaoxi's interest rate risk arises primarily from borrowings. Borrowings bearing variable rates expose Changsha Zhaoxi to cash flow interest rate risk. Changsha Zhaoxi'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.

At 31 December 2016, Changsha Zhaoxi has no significant exposure to the cash flow interest rate risks as Changsha Zhaoxi has no material financial assets and financial liabilities with floating interest rates.

At 31 December 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 Changsha Zhaoxi's loss after income tax and accumulated losses by approximately RMB193,000.

The 50 basis point increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next reporting date.

22.3 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 Changsha Zhaoxi.

As at 31 December 2016 and 31 December 2017, Changsha Zhaoxi'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.

22.4 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Changsha Zhaoxi aims to maintain flexibility in funding by maintaining adequate cash and cash equivalents and adequate funding from bank borrowings and the related companies.

Analysis below is Changsha Zhaoxi's remaining contractual maturities for its non-derivative and derivative financial liabilities as at 31 December 2016 and 31 December 2017. 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 Changsha Zhaoxi can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which Changsha Zhaoxi is committed to pay.

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

	On demand or within one year	Between one and two years	Between two and five years	Total undiscounted cash flow	Carrying amount
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2016					
At amortised cost:					
- Amount due to intermediate holding company	<u>1,402,450</u>	<u>—</u>	<u>—</u>	<u>1,402,450</u>	<u>1,402,450</u>
	On demand or within one year	Between one and two years	Between two and five years	Total undiscounted cash flow	Carrying amount
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2017					
At amortised cost:					
- Trade and other payables	193,300	—	—	193,300	193,300
- Loan from intermediate holding company	2,947,545	—	—	2,947,545	2,947,545
- Amount due to a fellow subsidiary	486	—	—	486	486
- Interest-bearing borrowings	<u>12,469</u>	<u>12,469</u>	<u>285,674</u>	<u>310,612</u>	<u>250,000</u>
	<u>3,153,800</u>	<u>12,469</u>	<u>285,674</u>	<u>3,451,943</u>	<u>3,391,331</u>

22.5 Fair value

The directors of Changsha Zhaoxi 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.

23. CAPITAL MANAGEMENT

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

The capital structure of Changsha Zhaoxi consists of the loan from intermediate holding company, amount due to a fellow subsidiary, interest-bearing borrowings and equity of Changsha Zhaoxi. The directors of Changsha Zhaoxi review the capital structure on a regular basis. As part of this review, the directors of Changsha Zhaoxi 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 Changsha Zhaoxi in respect of any period subsequent to 31 December 2017 up to the date of this report.

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.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF TAICANG JIANJIN REAL ESTATE DEVELOPMENT COMPANY LIMITED

Introduction

We report on the historical financial information of Taicang Jianjin Real Estate Development Company Limited ("Taicang Jianjin") set out on page I**b**-3 to I**b**-25, which comprises the statement of financial position of Taicang Jianjin as at 31 December 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 24 July 2017 (date of establishment) to 31 December 2017 (the "Relevant Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on page I**b**-3 to I**b**-25 forms an integral part of this report, which has been prepared for inclusion in the circular of C&D International Investment Group Limited (the "Company") dated 23 April 2018 (the "Circular") in connection with the proposed acquisition of 100% equity interest in Taicang Jianjin by the Company.

Directors' Responsibility for the Historical Financial Information

The directors of Taicang Jianjin are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information and for such internal control as the directors of Taicang Jianjin determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants'

judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the financial position of Taicang Jianjin as at 31 December 2017 and of its financial performance and cash flows for the Relevant Period in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page Ib-3 have been made.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

23 April 2018

Lin Ching Yee Daniel

Practising Certificate Number: P02771

I. HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of Taicang Jianjin for the Relevant Period, on which the Historical Financial Information is based, were audited by Grant Thornton Hong Kong Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

(A) STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Period from 24 July 2017 (date of establishment) to 31 December 2017 RMB'000
Revenue	4	—
Other income	5	17
Administrative expenses		(1,397)
Finance Costs	6	<u>(35,777)</u>
Loss before income tax	7	(37,157)
Income tax credit	8	<u>9,243</u>
Loss and total comprehensive loss for the period		<u><u>(27,914)</u></u>

(B) STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December 2017 RMB'000
Non-current assets		
Property, plant and equipment	11	1,169
Deferred tax assets	12	<u>9,243</u>
		<u>10,412</u>
Current assets		
Properties under development for sale	13	1,604,440
Other receivables	14	1,394
Cash and cash equivalents		<u>4,568</u>
		<u>1,610,402</u>
Current liabilities		
Trade and other payables	15	50,879
Loan from immediate holding company	16	<u>1,547,849</u>
		<u>1,598,728</u>
Net current assets		<u>11,674</u>
Net assets		<u><u>22,086</u></u>
EQUITY		
Paid-up capital	17	50,000
Accumulated losses		<u>(27,914)</u>
Total equity		<u><u>22,086</u></u>

(C) STATEMENT OF CHANGES IN EQUITY

	Paid-up capital RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 24 July 2017 (date of establishment)	—	—	—
Capital contribution from shareholders (note 17)	50,000	—	50,000
Loss and total comprehensive loss for the period	—	(27,914)	(27,914)
At 31 December 2017	<u>50,000</u>	<u>(27,914)</u>	<u>22,086</u>

(D) STATEMENT OF CASH FLOWS

Period from
24 July 2017
(date of establishment)
to 31 December 2017
RMB'000

Cash flows from operating activities	
Loss before income tax	(37,157)
Adjustments for:	
Depreciation of property, plant and equipment	84
Finance costs	35,777
Interest income	(5)
Operating loss before working capital changes	(1,301)
Increase in properties under development for sale	(1,601,429)
Increase in other receivables	(1,394)
Increase in trade and other payables	12,091
<i>Net cash used in operating activities</i>	<u>(1,592,033)</u>
Cash flows from investing activities	
Interest received	5
Purchase of property, plant and equipment	(1,253)
<i>Net cash used in investing activities</i>	<u>(1,248)</u>
Cash flows from financing activities	
Capital contribution from shareholders	50,000
Advances from immediate holding company	1,547,849
<i>Cash from financing activities</i>	<u>1,597,849</u>
Net increase in cash and cash equivalents	4,568
Cash and cash equivalents at date of establishment	—
Cash and cash equivalents at the end of the period, represented by bank balances	<u><u>4,568</u></u>

(II) NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF TAICANG JIANJIN**1. GENERAL INFORMATION**

Taicang Jianjin was established in the PRC with limited liability on 24 July 2017. The address of its registered office is Room 710A, 711 and 711A, Lande Dongting Plaza, Zhenghezong Road, Taicang City, Jiangsu Province, the PRC. Taicang Jianjin is principally engaged in properties development in the PRC.

In the opinion of the directors of Taicang Jianjin, the immediate holding company and ultimate holding company of Taicang Jianjin are C&D Real Estate Corporation Limited (“C&D Real Estate”) and Xiamen C&D Corporation Limited, companies incorporated in the PRC, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1 Basis of preparation and presentation**

The Historical 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 Historical Financial Information for the Relevant Period, Taicang Jianjin has consistently applied all HKFRSs which are effective for the financial period beginning on 24 July 2017 (date of establishment) to 31 December 2017. The significant accounting policies that have been used in the preparation of the Historical Financial Information have been consistently applied throughout the Relevant Period. The adoption of new or amended HKFRSs that are issued but not yet effective and their impact on Taicang Jianjin’s Historical Financial Information, if any, are disclosed in note 2.2.

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

As at 31 December 2017, Taicang Jianjin had not yet generated any revenue and was dependent on financial support from its immediate holding company C&D Real Estate, for further property development and working capital. The Historical Financial Information have been prepared on a going concern basis as the immediate holding company of Taicang Jianjin, has undertaken to provide the necessary financial support to Taicang Jianjin when its debts fall due. The directors believe that Taicang Jianjin will be able to meet its financial obligations for the foreseeable future. Consequently, the Historical Financial Information has been prepared on a going concern basis.

The preparation of the Historical 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 Historical Financial Information are disclosed in Note 3 below.

The Historical Financial Information is presented in Renminbi (“RMB”), rounded to the nearest thousand (RMB'000), which is the functional currency of Taicang Jianjin.

2.2 Issued but not yet effective HKFRSs

Taicang Jianjin has not early adopted the following new or amended HKFRSs which have been issued but are not yet effective for the Relevant Period:

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle ¹
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments ²

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

² Effective for annual periods beginning on or after 1 January 2019

³ Effective date not yet determined

The directors of Taicang Jianjin anticipate that all of the pronouncements will be adopted in Taicang Jianjin'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 Taicang Jianjin's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Historical Financial Information.

HKFRS 9 “Financial Instruments”

HKFRS 9 replaces HKAS 39 “Financial Instruments: Recognition and Measurement”. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an “expected credit loss” model for the impairment of financial assets.

The directors have identified the following areas that are expected to be most impacted by the application of HKFRS 9:

- the classification and measurement of Taicang Jianjin’s financial assets. Taicang Jianjin holds most financial assets to hold and collect the associated cash flows and is currently assessing the underlying types of cash flows to classify financial assets correctly. Based on the preliminary assessment, Taicang Jianjin expects that its financial assets currently measured at amortised cost will continue with their classification and measurements upon the adoption of HKFRS 9.
- the impairment of financial assets applying the expected credit loss model. This will apply to Taicang Jianjin’s receivables. Based on a preliminary assessment, Taicang Jianjin expects that the application of expected credit loss model will not have a significant impact on Taicang Jianjin’s results and financial position.

HKFRS 16 “Leases”

HKFRS 16 “Leases” will replace HKAS 17 and three related Interpretations.

Currently Taicang Jianjin classifies leases into operating leases. Once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding “right-of-use” asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect Taicang Jianjin’s accounting as a lessee of leases for premises which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss and other comprehensive income over the period of the lease. Taicang Jianjin will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, Taicang Jianjin will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, Taicang Jianjin will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether Taicang Jianjin elects to adopt HKFRS 16 retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, Taicang Jianjin may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

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	3 years or over the lease terms, whichever is shorter	
Motor vehicles		13%

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 Taicang Jianjin 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

Taicang Jianjin'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, Taicang Jianjin becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. 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 Taicang Jianjin 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; and
- The disappearance of an active market for that financial assets because of financial difficulties.

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

Taicang Jianjin's financial liabilities included trade and other payable and loan from immediate holding company.

Financial liabilities are recognised when Taicang Jianjin becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with Taicang Jianjin'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 and amount due to immediate 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 Taicang Jianjin 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.

Leases which do not transfer substantially all the risks and rewards of ownership to Taicang Jianjin are classified as operating leases.

Operating lease charges as the lessee

Where Taicang Jianjin 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

Taicang Jianjin 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. Taicang Jianjin 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 Historical 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) Taicang Jianjin has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Taicang Jianjin 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 Historical Financial Information, a party is considered to be related to Taicang Jianjin 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 Taicang Jianjin;
 - (ii) has significant influence over Taicang Jianjin; or
 - (iii) is a member of the key management personnel of Taicang Jianjin or Taicang Jianjin's parent.
- (b) the party is an entity and if any of the following conditions applies:
 - (i) the entity and Taicang Jianjin 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 Taicang Jianjin 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 Taicang Jianjin or an entity related to Taicang Jianjin.
 - (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 Taicang Jianjin or to the parent of Taicang Jianjin.

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.

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 2017, the carrying amount of properties under development for sale was RMB1,604,440,000 (note 13).

4. REVENUE

Taicang Jianjin did not generate any revenue during the Relevant Period.

5. OTHER INCOME

**Period from
24 July 2017
(date of establishment)
to 31 December 2017
RMB'000**

Bank interest income	5
Sundry income	12
	17
	17

6. FINANCE COSTS

	Period from 24 July 2017 (date of establishment) to 31 December 2017 RMB'000
Interest on loan from immediate holding company	38,788
Less: interest capitalised in properties under development for sale*	<u>(3,011)</u>
	<u><u>35,777</u></u>

* The borrowing costs have been capitalised at a rate of 6.30% per annum for the year ended 31 December 2017.

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Period from 24 July 2017 (date of establishment) to 31 December 2017 RMB'000
Depreciation of property, plant and equipment	<u>84</u>

8. INCOME TAX CREDIT

	Period from 24 July 2017 (date of establishment) to 31 December 2017 RMB'000
Deferred income tax	12
	<u>9,243</u>

No provision for PRC Enterprise Income Tax has been made in the Historical Financial Information as Taicang Jianjin had no assessable profit for the period.

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

	Period from 24 July 2017 (date of establishment) to 31 December 2017 RMB'000
Loss before income tax	<u>37,157</u>
Tax at the applicable tax rate of 25%	9,289
Tax effect of non-deductible expenses	<u>(46)</u>
Income tax credit	<u><u>9,243</u></u>

9. EMPLOYEE BENEFIT EXPENSES

	Period from 24 July 2017 (date of establishment) to 31 December 2017 RMB'000
Salaries, wages and other benefits	1,190
Contributions to defined contribution retirement plans	129
Less: employee benefit expenses capitalised in properties under development for sales	<u>(1,116)</u>
Employee benefit expenses recognised as an expense	<u><u>203</u></u>

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

No emolument was paid or payable to the directors of Taicang Jianjin during the Relevant Period.

During the Relevant Period, there were no amounts paid or payable by Taicang Jianjin 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 Taicang Jianjin 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 Period.

(b) Five highest paid individuals

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

	Period from 24 July 2017 (date of establishment) to 31 December 2017 RMB'000
Salaries, wages and other benefits	1,066
Contributions to defined contribution retirement plans	<u>88</u>
	<u><u>1,154</u></u>

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

11. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures RMB'000	Leasehold improvement RMB'000	Motor vehicles RMB'000	Total RMB'000
At 24 July 2017 (date of establishment)	—	—	—	—
Addition	455	700	98	1,253
Depreciation	<u>(19)</u>	<u>(60)</u>	<u>(5)</u>	<u>(84)</u>
Closing net book amount	<u><u>436</u></u>	<u><u>640</u></u>	<u><u>93</u></u>	<u><u>1,169</u></u>
At 31 December 2017				
Costs	455	700	98	1,253
Accumulated depreciation	<u>(19)</u>	<u>(60)</u>	<u>(5)</u>	<u>(84)</u>
Net book amount	<u><u>436</u></u>	<u><u>640</u></u>	<u><u>93</u></u>	<u><u>1,169</u></u>

12. DEFERRED TAXATION

The movement of deferred tax assets are as follows:

	Others <i>RMB'000</i>
At 24 July 2017 (date of establishment)	—
Credited to profit or loss	9,243
At 31 December 2017	<u>9,243</u>

13. PROPERTIES UNDER DEVELOPMENT FOR SALE

	As at 31 December 2017 <i>RMB'000</i>
Properties under development for sale include:	
- cost of leasehold land	1,596,207
- construction costs and capitalised expenditure	5,222
- Interests capitalised (note 6)	3,011
	<u>1,604,440</u>

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 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 period.

14. OTHER RECEIVABLES

	As at 31 December 2017 <i>RMB'000</i>
Deposits	1,041
Other receivables	353
	<u>1,394</u>

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 2017 <i>RMB'000</i>
Trade payables	
To third parties	698
Other payables	
Accruals and other payables	983
Deposits received	10,410
Interest payable on loan from immediate holding company	38,788
	<u>50,181</u>
	<u>50,879</u>

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.

Taicang Jianjin was granted by its suppliers average credit period of 0 to 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 2017 <i>RMB'000</i>
0-30 days	<u>698</u>

16. LOAN FROM IMMEDIATE HOLDING COMPANY

The loan from immediate holding company is unsecured, carrying an interest rate of 6.30% per annum and repayable on demand.

The carrying amounts of the balances approximate their fair values.

17. PAID-UP CAPITAL

During the period from 24 July 2017 (date of establishment) to 31 December 2017, Taicang Jianjin received a total of RMB50,000,000 from its immediate holding company as its paid-up capital.

As at 31 December 2017, the registered and paid-up capital of Taicang Jianjin was RMB500,000,000 and RMB50,000,000 respectively.

18. COMMITMENTS**(a) Capital commitments**

As at 31 December 2017, Taicang Jianjin had the following capital commitments:

	As at 31 December 2017 RMB'000
Contracted but not provided for	
- Properties under development for sale	<u>302,171</u>

(b) Operating lease commitments

Taicang Jianjin leases its office under a non-cancellable operating lease agreement for 3 years. As at 31 December 2017, the total future minimum lease payments under non-cancellable operating leases in respect of office were as follows:

	As at 31 December 2017
Within one year	490
In the second to fifth years	<u>735</u>
	<u>1,225</u>

19. RELATED PARTY TRANSACTION

Save as disclosed elsewhere in these Historical Financial Information, Taicang Jianjin entered into the following related party transactions during the Relevant Period:

Name of related party	Nature	Period from 24 July 2017 (date of establishment) to 31 December 2017 RMB'000
Immediate holding company C&D Real Estate (note a)	Interest expenses	<u>38,788</u>

Note

- a) During the year ended 31 December 2017, Taicang Jianjin incurred loan interest of RMB38,788,000 to C&D Real Estate for its operation at 6.30% per annum.

Key management personnel remuneration

The directors of Taicang Jianjin are considered to be the key management personnel of Taicang Jianjin and no remuneration was paid or payable to the directors during the Relevant Period.

20. NON-CASH TRANSACTION

During the period ended 31 December 2017, borrowing costs of RMB3,011,000 were capitalised as properties under development for sale.

21. FINANCIAL RISK MANAGEMENT

Taicang Jianjin 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 Taicang Jianjin's headquarters, in close co-operation with the board of directors. The overall objectives in managing financial risks focus on securing Taicang Jianjin'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 statement of financial position relate to the following categories of financial assets and financial liabilities:

	As at
	31 December
	2017
	<i>RMB'000</i>
Financial assets	
Loan and receivables	
- Other receivables	1,339
- Cash and cash equivalents	4,568
	<u>5,907</u>
Financial liabilities	
At amortised cost:	
- Trade and other payables	50,879
- Loan from to immediate holding company	1,547,849
	<u>1,598,728</u>

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 and loan from

immediate holding company, Taicang Jianjin has no significant interest-bearing assets or liabilities. Taicang Jianjin has no significant exposure to the cash flow interest rate risks as Taicang Jianjin has no material financial assets and financial liabilities with floating interest rates.

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 Taicang Jianjin.

As at 31 December 2017, Taicang Jianjin'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

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Taicang Jianjin aims to maintain flexibility in funding by maintaining adequate cash and cash equivalents and adequate funding from the related companies.

At the end of the reporting dates, all of Taicang Jianjin's non-derivative financial liabilities analysed into relevant maturity groupings based on the remaining year at the reporting dates to the contractual maturity dates were due within one year. The contractual undiscounted cash flows equal to their carrying balances as the impact of discounting is not significant.

21.5 Fair value

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

22. CAPITAL MANAGEMENT

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

The capital structure of Taicang Jianjin consists of the loan from immediate holding company and equity of Taicang Jianjin. The directors of Taicang Jianjin review the capital structure on a regular basis. As part of this review, the directors of Taicang Jianjin 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 Taicang Jianjin in respect of any period subsequent to 31 December 2017 up to the date of this report.

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.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF NANNING DINGCHI REAL ESTATE DEVELOPMENT COMPANY LIMITED

Introduction

We report on the historical financial information of Nanning Dingchi Real Estate Development Company Limited ("Nanning Dingchi") set out on page IIC-3 to IIC-23, which comprises the statements of financial position of Nanning Dingchi as at 31 December 2015, 2016 and 2017, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the years ended 31 December 2015, 2016 and 2017 (the "Relevant Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on page IIC-3 to IIC-23 forms an integral part of this report, which has been prepared for inclusion in the circular of C&D International Investment Group Limited (the "Company") dated 23 April 2018 (the "Circular") in connection with the proposed acquisition of 51% equity interest in Nanning Dingchi by the Company.

Directors' Responsibility for the Historical Financial Information

The directors of Nanning Dingchi are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information and for such internal control as the directors of Nanning Dingchi determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the financial position of Nanning Dingchi as at 31 December 2015, 2016 and 2017, and of its financial performance and cash flows for the Relevant Period in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IIc-3 have been made.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

23 April 2018

Lin Ching Yee Daniel

Practising Certificate Number: P02771

I. HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of Nanning Dingchi for the Relevant Period, on which the Historical Financial Information is based, were audited by Grant Thornton Hong Kong Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

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

	<i>Notes</i>	Year ended 31 December		
		2015	2016	2017
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	—	—	—
Other income	5	3,134	2,020	33
Administrative expenses		(3,423)	(2,919)	(699)
Finance costs	6	—	—	(10,880)
Loss before income tax	7	(289)	(899)	(11,546)
Income tax credit	8	71	225	2,877
Loss and total comprehensive loss for the year		<u>(218)</u>	<u>(674)</u>	<u>(8,669)</u>

(B) STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	At 31 December		
		2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Non-current assets				
Property, plant and equipment	11	7	3	6
Deferred tax assets	12	284	509	3,386
		<u>291</u>	<u>512</u>	<u>3,392</u>
Current assets				
Deposits for land acquisition		—	—	375,000
Other receivables	13	12	—	627
Amount due from immediate holding company	15	—	2,059	—
Amount due from non-controlling shareholder	15	548	—	—
Cash and cash equivalents		8,213	5,813	433
		<u>8,773</u>	<u>7,872</u>	<u>376,060</u>
Current liabilities				
Other payables	14	306	300	10,977
Loan from immediate holding company	15	—	—	188,190
Loan from non-controlling shareholder	15	—	—	180,870
		<u>306</u>	<u>300</u>	<u>380,037</u>
Net current assets/(liabilities)		<u>8,467</u>	<u>7,572</u>	<u>(3,977)</u>
Net assets/(liabilities)		<u>8,758</u>	<u>8,084</u>	<u>(585)</u>
EQUITY				
Paid-up capital	16	10,000	10,000	10,000
Accumulated losses		(1,242)	(1,916)	(10,585)
Total equity		<u>8,758</u>	<u>8,084</u>	<u>(585)</u>

(C) STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital	Accumulated losses	Total equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2015	10,000	(1,024)	8,976
Loss and total comprehensive loss for the year	—	(218)	(218)
At 31 December 2015 and 1 January 2016	10,000	(1,242)	8,758
Loss and total comprehensive loss for the year	—	(674)	(674)
At 31 December 2016 and 1 January 2017	10,000	(1,916)	8,084
Loss and total comprehensive loss for the year	—	(8,669)	(8,669)
At 31 December 2017	<u>10,000</u>	<u>(10,585)</u>	<u>(585)</u>

(D) STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Cash flows from operating activities			
Loss before income tax	(289)	(899)	(11,546)
Adjustments for:			
Depreciation of property, plant and equipment	9	4	2
Interest income	(552)	(21)	(33)
Finance costs	—	—	10,880
Operating loss before working capital changes	(832)	(916)	(697)
Increase in deposits for land acquisition	—	—	(375,000)
Decrease/(increase) in other receivables	28	12	(627)
Increase/(decrease) in other payables	70	(6)	(203)
Net cash used in operating activities	<u>(734)</u>	<u>(910)</u>	<u>(376,527)</u>
Cash flows from investing activities			
Interest received	552	21	33
Purchase of property, plant and equipment	—	—	(6)
Proceeds from disposal of property, plant and equipment	—	—	1
(Advances to)/repayments from immediate holding company	—	(2,059)	2,059
Repayments from non-controlling shareholder	7,468	548	—
Net cash from/(used in) investing activities	<u>8,020</u>	<u>(1,490)</u>	<u>2,087</u>
Cash flows from financing activities			
Advances from immediate holding company	—	—	188,190
Advances from non-controlling shareholder	—	—	180,870
Cash from financing activities	<u>—</u>	<u>—</u>	<u>369,060</u>
Net increase/(decrease) in cash and cash equivalents	7,286	(2,400)	(5,380)
Cash and cash equivalents at the beginning of the year	<u>927</u>	<u>8,213</u>	<u>5,813</u>
Cash and cash equivalents at the end of the year, represented by bank balances and cash in hand	<u>8,213</u>	<u>5,813</u>	<u>433</u>

(II) NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF NANNING DINGCHI**1. GENERAL INFORMATION**

Nanning Dingchi was established in the PRC with limited liability on 27 July 2011. The address of its registered office is Office Building 41, Wuyi West Road, Jiangnan District, Nanning City, Guangxi Zhuang Autonomous Region, the PRC. Nanning Dingchi is principally engaged in properties development in the PRC.

During the year ended 31 December 2017, C&D Real Estate Corporation Nanning Limited (“C&D Nanning”) acquired 51% of the equity interest of the Company from the then controlling shareholders of the Company, 廣西鼎華商業股份有限公司.

In the opinion of the directors of Nanning Dingchi, the immediate holding company and ultimate holding company of Nanning Dingchi are C&D Real Estate Corporation Nanning Limited (“C&D Nanning”) and Xiamen C&D Corporation Limited, companies incorporated in the PRC, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1 Basis of preparation and presentation**

The Historical 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 Historical Financial Information for the Relevant Period, Nanning Dingchi has consistently applied all HKFRSs which are effective for the financial year beginning on 1 January 2015. The significant accounting policies that have been used in the preparation of the Historical Financial Information have been consistently applied throughout the Relevant Period. The adoption of new or amended HKFRSs that are issued but not yet effective and their impact on Nanning Dingchi’s Historical Financial Information, if any, are disclosed in note 2.2.

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

As at 31 December 2017, Nanning Dingchi had not yet generated any revenue and was dependent on financial support from its immediate holding company C&D Real Estate Corporation Nanning Limited (“C&D Nanning”), for further working capital. The Historical Financial Information have been prepared on a going concern basis as the immediate holding company of Nanning Dingchi, has undertaken to provide the necessary financial support to Nanning Dingchi when its debts fall due. The directors believe that Nanning Dingchi will be able to meet its financial obligations for the foreseeable future. Consequently, the Historical Financial Information has been prepared on a going concern basis.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of Nanning Dingchi. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 3 below.

The Historical Financial Information is presented in Renminbi (“RMB”), rounded to the nearest thousand (RMB'000), which is the functional currency of Nanning Dingchi.

2.2 Issued but not yet effective HKFRSs

Nanning Dingchi has not early adopted the following new or amended HKFRSs which have been issued but are not yet effective for the Relevant Period:

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle ¹
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments ²

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

² Effective for annual periods beginning on or after 1 January 2019

³ Effective date not yet determined

The directors of Nanning Dingchi anticipate that all of the pronouncements will be adopted in Nanning Dingchi'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 Nanning Dingchi's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Historical Financial Information.

HKFRS 9 “Financial Instruments”

HKFRS 9 replaces HKAS 39 “Financial Instruments: Recognition and Measurement”. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an “expected credit loss” model for the impairment of financial assets.

The directors have identified the following areas that are expected to be most impacted by the application of HKFRS 9:

- the classification and measurement of Nanning Dingchi’s financial assets. Nanning Dingchi holds most financial assets to hold and collect the associated cash flows and is currently assessing the underlying types of cash flows to classify financial assets correctly. Based on the preliminary assessment, Nanning Dingchi expects that its financial assets currently measured at amortised cost will continue with their classification and measurements upon the adoption of HKFRS 9.
- the impairment of financial assets applying the expected credit loss model. This will apply to Nanning Dingchi’s receivables. Based on a preliminary assessment, Nanning Dingchi expects that the application of expected credit loss model will not have a significant impact on Nanning Dingchi’s results and financial position.

2.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated 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%
------------------------	-----

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 Nanning Dingchi 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

Nanning Dingchi'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, Nanning Dingchi becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. 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 Nanning Dingchi 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; and

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

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 Cash and cash equivalents

Cash and cash equivalents represent bank balances and cash in hand.

2.6 Financial liabilities

Nanning Dingchi's financial liabilities included other payables, loans from immediate holding company and non-controlling shareholder.

Financial liabilities are recognised when Nanning Dingchi becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with Nanning Dingchi's accounting policy for borrowing costs (see note 2.10).

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

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

Other payables, loans from immediate holding company and non-controlling shareholder 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.

2.7 Revenue recognition

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

Service fee income is recognised upon the services were rendered.

2.8 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.

2.9 Employee benefits

Retirement benefits

Nanning Dingchi 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. Nanning Dingchi 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.

2.10 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.

2.11 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 Historical 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) Nanning Dingchi has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Nanning Dingchi 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.

2.12 Related parties

For the purposes of these Historical Financial Information, a party is considered to be related to Nanning Dingchi 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 Nanning Dingchi;
 - (ii) has significant influence over Nanning Dingchi; or

- (iii) is a member of the key management personnel of Nanning Dingchi or Nanning Dingchi's parent.
- (b) the party is an entity and if any of the following conditions applies:
 - (i) the entity and Nanning Dingchi 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 Nanning Dingchi 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 Nanning Dingchi or an entity related to Nanning Dingchi.
 - (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 Nanning Dingchi or to the parent of Nanning Dingchi.

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 JUDGEMENTS

Estimates and judgments 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.

Critical accounting estimates and assumptions

Nanning Dingchi makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. However, there are no estimates or assumptions used on these financial statements that the directors expect will have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

4. REVENUE

Nanning Dingchi did not generate any revenue during the Relevant Period.

5. OTHER INCOME

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Interest income	552	21	33
Service fee income	2,582	1,999	—
	<u>3,134</u>	<u>2,020</u>	<u>33</u>

6. FINANCE COSTS

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Interest on loan from immediate holding company	—	—	4,347
Interest on loan from non-controlling shareholder	—	—	6,533
	<u>—</u>	<u>—</u>	<u>10,880</u>

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Depreciation of property, plant and equipment	<u>9</u>	<u>4</u>	<u>2</u>

8. INCOME TAX CREDIT

	Note	Year ended 31 December		
		2015	2016	2017
		RMB'000	RMB'000	RMB'000
Deferred income tax	12	<u>71</u>	<u>225</u>	<u>2,877</u>

No provision for PRC Enterprise Income Tax has been made in the Historical Financial Information as Nanning Dingchi had no assessable profit for the period.

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

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Loss before income tax	<u>289</u>	<u>899</u>	<u>11,546</u>
Tax at the applicable tax rate of 25%	72	225	2,886
Tax effect of non-deductible expenses	<u>(1)</u>	<u>—</u>	<u>(9)</u>
Income tax credit	<u>71</u>	<u>225</u>	<u>2,877</u>

9. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Salaries, wages and other benefits	2,673	2,348	384
Contributions to defined contribution retirement plans	<u>479</u>	<u>471</u>	<u>92</u>
Total employee benefit expenses	<u>3,152</u>	<u>2,819</u>	<u>476</u>

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

No emolument was paid or payable to the directors of Nanning Dingchi during the Relevant Period.

During the Relevant Period, there were no amounts paid or payable by Nanning Dingchi 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 Nanning Dingchi 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 Period.

(b) **Five highest paid individuals**

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

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits	439	393	215
Contributions to defined contribution retirement plans	<u>32</u>	<u>44</u>	<u>22</u>
	<u><u>471</u></u>	<u><u>437</u></u>	<u><u>237</u></u>

Their emoluments were within the band of Nil to RMB1,000,000.

11. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures
	<i>RMB'000</i>
At 1 January 2015	
Cost	28
Accumulated depreciation	<u>(12)</u>
Net book amount	<u><u>16</u></u>
Year ended 31 December 2015	
Opening net book amount	16
Depreciation	<u>(9)</u>
Closing net book amount	<u><u>7</u></u>
At 31 December 2015 and 1 January 2016	
Cost	28
Accumulated depreciation	<u>(21)</u>
Net book amount	<u><u>7</u></u>
Year ended 31 December 2016	
Opening net book amount	7
Depreciation	<u>(4)</u>
Closing net book amount	<u><u>3</u></u>

Furniture and fixtures

RMB'000

At 31 December 2016 and 1 January 2017

Cost	28
Accumulated depreciation	<u>(25)</u>
Net book amount	<u><u>3</u></u>

Year ended 31 December 2017

Opening net book amount	3
Additions	6
Depreciation	(2)
Disposals	<u>(1)</u>
Closing net book amount	<u><u>6</u></u>

At 31 December 2017

Cost	15
Accumulated depreciation	<u>(9)</u>
Net book amount	<u><u>6</u></u>

12. DEFERRED TAXATION

The movement of deferred tax assets are as follows:

	Others
	<i>RMB'000</i>
At 1 January 2015	213
Credited to profit or loss	<u>71</u>
At 31 December 2015 and 1 January 2016	284
Credited to profit or loss	<u>225</u>
At 31 December 2016 and 1 January 2017	509
Credited to profit or loss	<u>2,877</u>
At 31 December 2017	<u><u>3,386</u></u>

13. OTHER RECEIVABLES

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other receivables	12	—	127
Deposits	—	—	500
	<u>12</u>	<u>—</u>	<u>627</u>

The directors of Nanning Dingchi 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.

14. OTHER PAYABLES

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accruals and other payables	306	300	97
Interest payable on loan from immediate holding company	—	—	4,347
Interest payable on loan from non-controlling shareholder	—	—	6,533
	<u>306</u>	<u>300</u>	<u>10,977</u>

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

15. AMOUNT DUE FROM IMMEDIATE HOLDING COMPANY/NON-CONTROLLING SHAREHOLDER/LOAN FROM IMMEDIATE HOLDING COMPANY/NON-CONTROLLING SHAREHOLDER

As at 31 December 2015 and 2016, the amount due from immediate holding company is unsecured, interest-free and repayable on demand. The amount is fully repaid during the year ended 31 December 2017.

As at 31 December 2015, the amount due from non-controlling shareholder are unsecured, interest-free and repayable on demand. The amount is fully repaid during the year ended 31 December 2016.

As at 31 December 2017, the loan from immediate holding company/non-controlling shareholder are unsecured, carrying an interest rate at 6.30% per annum. The amounts are repayable on demand.

The carrying amounts of the balances approximate their fair values.

16. PAID-UP CAPITAL

As at 31 December 2015, 2016 and 2017, the registered and paid-up capital of Nanning Dingchi was RMB10,000,000.

17. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these Historical Financial Information, Nanning Dingchi entered into the following related party transactions during the Relevant Period:

Name of related party	Nature	For the year ended 31 December		
		2015 RMB'000	2016 RMB'000	2017 RMB'000
Immediate holding company 廣西鼎華商業股份有限公司 (“廣西鼎華”) (note a)	Service fee income	2,582	1,999	—
Immediate holding company C&D Nanning (note c)	Interest expenses	—	—	4,347
Non-controlling shareholder 廣西鼎欣盛商貿股份有限公司 (“廣西鼎欣 盛”) (notes b and c)	Interest income on loans to non-controlling shareholder	548	—	—
	Interest expense	—	—	6,533

Note:

- 廣西鼎華 was one of the then shareholder of Nanning Dingchi until July 2017.
- During the year ended 31 December 2015, Nanning Dingchi earned interest income of RMB548,000 from 廣西鼎欣盛 by granting loans for its operation at 9% per annum.
- During the year ended 31 December 2017, Nanning Dingchi incurred loan interest of RMB4,347,000 and RMB6,533,000 to C&D Nanning and 廣西鼎欣盛 respectively for its operation at 6.30% per annum.

Key management personnel remuneration

The directors of Nanning Dingchi are considered to be the key management personnel of Nanning Dingchi and no remuneration was paid or payable to the directors during the Relevant Period.

18. FINANCIAL RISK MANAGEMENT

Nanning Dingchi 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 Nanning Dingchi's headquarters, in close co-operation with the board of directors. The overall objectives in managing financial risks focus on securing Nanning Dingchi's short to medium term cash flows by minimising its exposure to financial markets.

18.1 Categories of financial assets and financial liabilities

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

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets			
Loan and receivables			
- Other receivables	12	—	627
- Amount due from immediate holding company	—	2,059	—
- Amount due from non-controlling shareholder	548	—	—
- Cash and cash equivalents	8,213	5,813	433
	<u>8,773</u>	<u>7,872</u>	<u>1,060</u>
Financial liabilities			
At amortised cost:			
- Other payables	306	300	10,977
- Loan from immediate holding company	—	—	188,190
- Loan from non-controlling shareholder	—	—	180,870
	<u>306</u>	<u>300</u>	<u>380,037</u>

18.2 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. Except for bank balances, loans from immediate holding company and non-controlling shareholder, Nanning Dingchi has no significant interest-bearing assets or liabilities.

At 31 December 2015, 2016 and 2017, Nanning Dingchi has no significant exposure to the cash flow interest rate risks as Nanning Dingchi has no material financial assets and financial liabilities with floating interest rates.

18.3 Credit risk

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

As at 31 December 2015, 2016 and 2017, Nanning Dingchi's exposure to credit risk mainly arises from bank balances. The directors considered the credit risk on bank balances is limited because the counterparty is a bank with high credit-ratings assigned by international credit-rating agencies.

18.4 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Nanning Dingchi aims to maintain flexibility in funding by maintaining adequate cash and cash equivalents and adequate funding from the related companies.

At the end of the reporting dates, all of Nanning Dingchi's non-derivative financial liabilities analysed into relevant maturity groupings based on the remaining year at the reporting dates to the contractual maturity dates were due within one year. The contractual undiscounted cash flows equal to their carrying balances as the impact of discounting is not significant.

18.5 Fair value

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

19. CAPITAL MANAGEMENT

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

The capital structure of Nanning Dingchi consists of the loans from immediate holding company, non-controlling shareholder and equity of Nanning Dingchi. The directors of Nanning Dingchi review the capital structure on a regular basis. As part of this review, the directors of Nanning Dingchi 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 Nanning Dingchi in respect of any period subsequent to 31 December 2017 up to the date of this report.

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.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF NANNING QINGHE REAL ESTATE DEVELOPMENT COMPANY LIMITED

Introduction

We report on the historical financial information of Nanning Qinghe Real Estate Development Company Limited ("Nanning Qinghe") set out on page IId-3 to IId-27, which comprises the statements of financial position of Nanning Qinghe as at 31 December 2015, 2016 and 2017, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the years ended 31 December 2015, 2016 and 2017 (the "Relevant Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on page IId-3 to IId-27 forms an integral part of this report, which has been prepared for inclusion in the circular of C&D International Investment Group Limited (the "Company") dated 23 April 2018 (the "Circular") in connection with the proposed acquisition of 51% equity interest in Nanning Qinghe by the Company.

Directors' Responsibility for the Historical Financial Information

The directors of Nanning Qinghe are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information and for such internal control as the directors of Nanning Qinghe determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants'

judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the financial position of Nanning Qinghe as at 31 December 2015, 2016 and 2017, and of its financial performance and cash flows for the Relevant Period in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IId-3 have been made.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

23 April 2018

Lin Ching Yee Daniel

Practising Certificate Number: P02771

I. HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of Nanning Qinghe for the Relevant Period, on which the Historical Financial Information is based, were audited by Grant Thornton Hong Kong Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

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

	<i>Notes</i>	Year ended 31 December		
		2015	2016	2017
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	—	—	708
Cost of sales		—	—	(749)
Gross loss		—	—	(41)
Other income	5	258	1,093	20
Administrative expenses		(3,792)	(1,470)	(705)
Loss before income tax	6	(3,534)	(377)	(726)
Income tax credit	7	—	3,028	—
(Loss)/profit and total comprehensive (loss)/income for the year		<u>(3,534)</u>	<u>2,651</u>	<u>(726)</u>

(B) STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	At 31 December		
		2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Non-current assets				
Property, plant and equipment	11	34	—	—
Current assets				
Properties held for sales	12	743	743	—
Deposits for land acquisition		44,800	44,800	44,800
Trade and other receivables	13	20,701	20,395	21,956
Amounts due from related companies	15	11,000	200	—
Amount due from a fellow subsidiary	15	4,600	—	—
Cash and cash equivalents		2,828	5,520	1,128
		<u>84,672</u>	<u>71,658</u>	<u>67,884</u>
Current liabilities				
Trade and other payables	14	13,596	520	—
Amount due to immediate holding company	15	8,211	2,528	—
Amount due to non-controlling shareholder	15	2,864	5,924	5,924
		<u>24,671</u>	<u>8,972</u>	<u>5,924</u>
Net current assets		<u>60,001</u>	<u>62,686</u>	<u>61,960</u>
Net assets		<u>60,035</u>	<u>62,686</u>	<u>61,960</u>
EQUITY				
Paid-up capital	16	60,000	60,000	60,000
Reserves	17	35	2,686	1,960
Total equity		<u>60,035</u>	<u>62,686</u>	<u>61,960</u>

(C) STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital	Statutory Reserves*	Retained earnings /(Accumulated loss)*	Total equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2015	60,000	3,526	11,443	74,969
Loss and total comprehensive loss for the year	—	—	(3,534)	(3,534)
Transactions with owners:				
Interim dividend (note 10)	—	—	(11,400)	(11,400)
At 31 December 2015 and 1 January 2016	60,000	3,526	(3,491)	60,035
Profit and total comprehensive income for the year	—	—	2,651	2,651
At 31 December 2016 and 1 January 2017	60,000	3,526	(840)	62,686
Loss and total comprehensive loss for the year	—	—	(726)	(726)
At 31 December 2017	<u>60,000</u>	<u>3,526</u>	<u>(1,566)</u>	<u>61,960</u>

* These reserve accounts comprise Nanning Qinghe's reserves of RMB35,000, RMB2,686,000 and RMB1,960,000 as at 31 December 2015, 2016 and 2017, respectively, in the statements of financial position.

(D) STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Cash flows from operating activities			
Loss before income tax	(3,534)	(377)	(726)
Adjustments for:			
Loss on disposal of property, plant and equipment	7	34	—
Interest income	(11)	(11)	(7)
Operating loss before working capital changes	(3,538)	(354)	(733)
Decrease in properties held for sale	—	—	743
Decrease/(increase) in trade and other receivables	3,994	306	(1,561)
Decrease in trade and other payables	(46)	(1,676)	(520)
Cash generated from/(used in) operations	410	(1,724)	(2,071)
Land appreciation tax refunded	—	3,028	—
Net cash generated from/(used in) operating activities	<u>410</u>	<u>1,304</u>	<u>(2,071)</u>
Cash flows from investing activities			
Interest received	11	11	7
(Advances to)/repayments from related companies	(10,800)	10,800	200
Repayments from a fellow subsidiary	10,800	4,600	—
Net cash from investing activities	<u>11</u>	<u>15,411</u>	<u>207</u>
Cash flows from financing activities			
Dividends paid	—	(11,400)	—
Advance from/(repayments to) immediate holding company	5,000	(5,683)	(2,528)
(Repayments to)/advances from non-controlling shareholder	(6,076)	3,060	—
Cash used in financing activities	<u>(1,076)</u>	<u>(14,023)</u>	<u>(2,528)</u>
Net (decrease)/increase in cash and cash equivalents	(655)	2,692	(4,392)
Cash and cash equivalents at the beginning of the year	<u>3,483</u>	<u>2,828</u>	<u>5,520</u>
Cash and cash equivalents at the end of the period, represented by bank balances	<u><u>2,828</u></u>	<u><u>5,520</u></u>	<u><u>1,128</u></u>

(II) NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF NANNING QINGHE**1. GENERAL INFORMATION**

Nanning Qinghe was established in the PRC with limited liability on 26 February 2004. The address of its registered office is Room 317, 3/F, Building 1, 9 You'ai North Road, Nanning City, Guangxi Zhuang Autonomous Region, the PRC. Nanning Qinghe is principally engaged in properties development in the PRC.

In the opinion of the directors of Nanning Qinghe, the immediate holding company and ultimate holding company of Nanning Qinghe are C&D Real Estate Corporation Nanning Limited and Xiamen C&D Corporation Limited, companies incorporated in the PRC, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1 Basis of preparation and presentation**

The Historical 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 Historical Financial Information for the Relevant Period, Nanning Qinghe has consistently applied all HKFRSs which are effective for the financial year beginning on 1 January 2015. The significant accounting policies that have been used in the preparation of the Historical Financial Information have been consistently applied throughout the Relevant Period. The adoption of new or amended HKFRSs that are issued but not yet effective and their impact on Nanning Qinghe's Historical Financial Information, if any, are disclosed in note 2.2.

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

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of Nanning Qinghe. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 3 below.

The Historical Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand (RMB'000), which is the functional currency of Nanning Qinghe.

2.2 Issued but not yet effective HKFRSs

Nanning Qinghe has not early adopted the following new or amended HKFRSs which have been issued but are not yet effective for the Relevant Period:

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle ¹
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments ²

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

² Effective for annual periods beginning on or after 1 January 2019

³ Effective date not yet determined

The directors of Nanning Qinghe anticipate that all of the pronouncements will be adopted in Nanning Qinghe'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 Nanning Qinghe's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Historical Financial Information.

HKFRS 9 “Financial Instruments”

HKFRS 9 “Financial Instruments” introduces extensive changes to HKAS 39 “Financial Instruments: Recognition and Measurement”, guidance on the classification and measurement of financial assets and financial liabilities, impairment requirements for financial assets and general hedge accounting.

The main areas of expected impact are as follows:

- the classification and measurement of Nanning Qinghe'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 recognized on the Nanning Qinghe's trade receivables (see note 13) to reflect changes in credit risk since initial recognition.

HKFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018. The directors do not consider that the application of HKFRS 9 will have material financial impact on Nanning Qinghe's financial performance and financial position.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 and the related clarification to HKFRS 15 (hereinafter referred to as "HKFRS 15") presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations. HKFRS 15 establishes a single comprehensive model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

Timing of revenue recognition

Nanning Qinghe's revenue recognition policies are disclosed in note 2.9. Currently, revenue arising from sale of properties held for sale is recognised upon the properties have been delivered to the purchasers and collectability of related receivable is reasonably assured.

Under HKFRS 15, revenue is recognised when customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

- (i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- (ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- (iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when transfer of control occurs.

Nanning Qinghe has assessed that the sales of properties is expected to be affected as follows:

Currently, Nanning Qinghe's property development activities are carried out in PRC. Taking into account the contract terms, Nanning Qinghe's business practice and the legal and regulatory environment of PRC, Nanning Qinghe has assessed that its property sales contracts will not meet the criteria for recognising revenue over time and therefore revenue from property sales will continue to be recognised at a point in time. Currently, Nanning Qinghe recognises revenue from property sales upon the later of the signing of the sale and purchase agreement and the completion of the property development, which is taken to be the point in time when the risks and rewards of ownership of the property have been transferred to the customer. Nanning Qinghe has assessed that under the transfer-of-control approach in HKFRS 15 revenue from property sales will generally be recognised when the legal assignment is completed, which is the point in time when the customer has the ability to direct the use of property and obtain substantially all of the remaining benefits of the property. This may result in revenue being recognised differently than at present.

2.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated 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	33 $\frac{1}{3}$ %
Motor vehicles	33 $\frac{1}{3}$ %

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 Nanning Qinghe 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

Nanning Qinghe'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, Nanning Qinghe becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. 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 Nanning Qinghe 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; and

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

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 held for sale

Properties held for sale are completed properties developed by Nanning Qinghe. The cost of properties held for sale is determined by apportionment of the total development costs for that development project attributable to the unsold properties.

2.6 Cash and cash equivalents

Cash and cash equivalents represent bank balances.

2.7 Financial liabilities

Nanning Qinghe's financial liabilities included trade and other payables, amount due to immediate holding company and amount due to non-controlling shareholder.

Financial liabilities are recognised when Nanning Qinghe becomes a party to the contractual provisions of the instrument.

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 and amount due to non-controlling shareholder 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 Nanning Qinghe 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.

Leases which do not transfer substantially all the risks and rewards of ownership to Nanning Qinghe are classified as operating leases.

Operating lease charges as the lessee

Where Nanning Qinghe 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 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of properties. Provided it is probable that the economic benefits will flow to the Nanning Qinghe and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Revenue arising from the sale of properties held for sale is recognised upon the properties have been delivered to the purchasers and collectability of related receivable is reasonably assured.

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

Nanning Qinghe 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. Nanning Qinghe 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 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 Historical 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) Nanning Qinghe has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Nanning Qinghe 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.

2.13 Related parties

For the purposes of these Historical Financial Information, a party is considered to be related to Nanning Qinghe 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 Nanning Qinghe;
 - (ii) has significant influence over Nanning Qinghe; or
 - (iii) is a member of the key management personnel of Nanning Qinghe or Nanning Qinghe's parent.
- (b) the party is an entity and if any of the following conditions applies:
 - (i) the entity and Nanning Qinghe 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 Nanning Qinghe 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 Nanning Qinghe or an entity related to Nanning Qinghe.
 - (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 Nanning Qinghe or to the parent of Nanning Qinghe.

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.

Key sources of estimation uncertainty

Estimated net realisable value of properties held for sale

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 held 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 held for sale is less than expected as a result of change in market condition, material provision for impairment loss may result. At 31 December 2015, 2016 and 2017, the carrying amount of properties held for sale was RMB743,000, RMB743,000 and nil respectively (note 12).

4. REVENUE

Revenue represent sales of properties during the Relevant Period.

5. OTHER INCOME

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Bank interest income	11	11	7
Sundry income	247	1,082	13
	<u>258</u>	<u>1,093</u>	<u>20</u>

6. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bad debts written off	3,526	—	—
Cost of properties sold	—	—	743
Loss on write-off of property, plant and equipment	<u>7</u>	<u>34</u>	<u>—</u>

7. INCOME TAX CREDIT

No provision for PRC Enterprise Income Tax has been made in the Historical Financial Information as Nanning Qinghe had no assessable profit for the period.

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures, which is included in the consolidated statements of profit or loss as income tax.

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Over-provision in prior years			
- PRC land appreciation tax	<u>—</u>	<u>3,028</u>	<u>—</u>
Income tax credit	<u>—</u>	<u>3,028</u>	<u>—</u>

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

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss before income tax	(3,534)	(377)	(726)
Tax at the applicable tax rate of 25%	(883)	(94)	(182)
Tax effect of non-deductible expense	881	2	—
Tax effect of tax losses not recognised	2	92	182
Over-provision of PRC land appreciation tax in prior years	—	3,028	—
Income tax credit	—	3,028	—

As at 31 December 2015, 2016 and 2017, Nanning Qinghe has unused tax losses of RMB2,777,000, RMB367,000 and RMB1,093,000, respectively, available for offset against future profits that may be carried forward for five years since the year of the losses incurred. No deferred tax asset have been recognised in respect of the unrecognised tax losses due to the unpredictability of future profit streams.

8. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits	184	76	—
Contributions to defined contribution retirement plans	37	9	—
Employee benefit expenses recognised as an expense	221	85	—

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS**(a) Directors' emoluments**

No emolument was paid or payable to the directors of Nanning Qinghe during the Relevant Period.

During the Relevant Period, there were no amounts paid or payable by Nanning Qinghe to the directors or any of the highest paid individuals set out in note 9(b) below as an inducement to join or upon joining Nanning Qinghe 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 Period.

(b) Five highest paid individuals

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

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Salaries, wages and other benefits	184	76	—
Contributions to defined contribution retirement plans	<u>37</u>	<u>9</u>	<u>—</u>
	<u>221</u>	<u>85</u>	<u>—</u>

Their emoluments were within the band of Nil to RMB1,000,000.

10. DIVIDENDS

Nanning Qinghe had declared interim dividends of RMB11,400,000, nil and nil during the years ended 31 December 2015, 2016 and 2017, respectively.

11. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures	Motor vehicles	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2015			
Cost	144	673	817
Accumulated depreciation	(137)	(639)	(776)
Net book amount	<u>7</u>	<u>34</u>	<u>41</u>
Year ended 31 December 2015			
Opening net book amount	7	34	41
Write-off	(7)	—	(7)
Closing net book amount	<u>—</u>	<u>34</u>	<u>34</u>
At 31 December 2015 and 1 January 2016			
Cost	—	673	673
Accumulated depreciation	—	(639)	(639)
Net book amount	<u>—</u>	<u>34</u>	<u>34</u>
Year ended 31 December 2016			
Opening net book amount	—	34	34
Write-off	—	(34)	(34)
Closing net book amount	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2016, 1 January 2017 and 31 December 2017			
Cost	—	—	—
Accumulated depreciation	—	—	—
Net book amount	<u>—</u>	<u>—</u>	<u>—</u>

12. PROPERTIES HELD FOR SALE

The properties held for sale are all located in the PRC.

13. TRADE AND OTHER RECEIVABLES

	As at 31 December		
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Trade receivables			
From third parties	330	260	—
Other receivables			
Prepayment for proposed development project	20,000	20,000	20,000
Prepayment	28	7	—
Other receivables	343	128	1,956
	<u>20,371</u>	<u>20,135</u>	<u>21,956</u>
	<u>20,701</u>	<u>20,395</u>	<u>21,956</u>

The directors of Nanning Qinghe 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.

Trade receivables in respect of sales of properties are settled in accordance with terms stipulated in the sale and purchase agreements.

Based on the invoice dates, the ageing analysis of the trade receivables is as follows:

	As at 31 December		
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
181-365 days	—	260	—
Over 1 year	330	—	—
	<u>330</u>	<u>260</u>	<u>—</u>

The ageing of trade receivables that were past due but not impaired are as follows:

	As at 31 December		
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
181-365 days past due	—	260	—
Over 365 days past due	330	—	—
	<u>330</u>	<u>260</u>	<u>—</u>

Trade receivables that were neither past due nor impaired relate to two independent buyers for whom there was no recent history of default. Trade receivables that were past due but not impaired relate to a number of customers that had a good track record of credit with Nanning Qinghe. Based on past credit history, the directors of Nanning Qinghe believed that no impairment allowance is necessary in respect of these balance as there has not been any significant change in credit quality and the balance are still considered to be fully recoverable.

Nanning Qinghe did not hold any collateral as security or other credit enhancements over the trade receivables, whether determined on an individual or collective basis.

The other receivables were neither past due nor impaired. The other receivables were related to counterparties for which there was no recent history of default.

14. TRADE AND OTHER PAYABLES

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables			
To third parties	1,246	146	—
Other payables			
Accruals and other payables	950	374	—
Dividend payable	11,400	—	—
	<u>12,350</u>	<u>374</u>	<u>—</u>
	<u>13,596</u>	<u>520</u>	<u>—</u>

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.

Nanning Qinghe was granted by its suppliers average credit period of 0 to 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		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Over 90 days	<u>1,246</u>	<u>146</u>	<u>—</u>

15. AMOUNT(S) DUE FROM RELATED COMPANIES/A FELLOW SUBSIDIARY/TO IMMEDIATE HOLDING COMPANY AND NON-CONTROLLING SHAREHOLDER

As at 31 December 2015 and 2016, the amounts due from related companies / a fellow subsidiary are unsecured, interest-free and repayable on demand. Those balance was fully repaid during the year.

As at 31 December 2015 and 2016, the amount due to immediate holding company is unsecured, interest-free and repayable on demand. The amount is fully repaid during the year ended 31 December 2017.

As at 31 December 2015, 2016 and 2017, the amount due to non-controlling shareholder are unsecured, interest-free and repayable on demand.

The carrying amounts of the balances approximate their fair values.

16. PAID-UP CAPITAL

As at 31 December 2015, 2016 and 2017, the registered and paid-up capital of Nanning Qinghe was RMB60,000,000.

17. RESERVES

Details of the movements in the reserves of Nanning Qinghe during the Relevant Period are set out in the statements of changes in equity.

Statutory reserve

According to the relevant PRC laws, Nanning Qinghe is required to transfer at least 10% of its net profit after tax, as determined under the PRC accounting regulation, to a statutory reserve until the reserve balance reaches 50% of Nanning Qinghe's registered capital. The transfer of this reserve must be made before the distribution of dividend to Nanning Qinghe's equity owners. The statutory reserve is non-distributable other than upon the liquidation of the subsidiaries.

18. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these Historical Financial Information, Nanning Qinghe entered into the following related party transactions during the Relevant Period:

Name of related party	Nature	For the year ended 31 December		
		2015 RMB'000	2016 RMB'000	2017 RMB'000
Related company				
廣西泓福物業服務有限責任 公司 (“廣西泓福”) (note a)	Sales of properties	—	—	708
	Sundry income	—	1,067	—

Note:

- a) 廣西泓福 was wholly-owned by 廣西泓和投資有限公司. 廣西泓和投資有限公司 was controlled by Mr. 許兵, which was one of the then directors of Nanning Qinghe before May 2017.

Key management personnel remuneration

The directors of Nanning Qinghe are considered to be the key management personnel of Nanning Qinghe and no remuneration was paid or payable to the directors during the Relevant Period.

19. FINANCIAL RISK MANAGEMENT

Nanning Qinghe 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 Nanning Qinghe's headquarters, in close co-operation with the board of directors. The overall objectives in managing financial risks focus on securing Nanning Qinghe's short to medium term cash flows by minimising its exposure to financial markets.

19.1 Categories of financial assets and financial liabilities

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

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets			
Loan and receivables			
- Trade and other receivables	20,673	20,388	21,956
- Amounts due from related companies	11,000	200	—
- Amount due from a fellow subsidiary	4,600	—	—
- Cash and cash equivalents	2,828	5,520	1,128
	<u>39,101</u>	<u>26,108</u>	<u>23,084</u>
Financial liabilities			
At amortised cost:			
- Trade and other payables	13,596	520	—
- Amount due to immediate holding company	8,211	2,528	—
- Amount due to non-controlling shareholder	2,864	5,924	5,924
	<u>24,671</u>	<u>8,972</u>	<u>5,924</u>

19.2 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, Nanning Qinghe has no significant interest-bearing assets or liabilities.

Nanning Qinghe has no significant exposure to the cash flow interest rate risks as Nanning Qinghe has no material financial assets and financial liabilities with floating interest rates.

19.3 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 Nanning Qinghe.

As at 31 December 2015 and 2016, Nanning Qinghe's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations. Nanning Qinghe's trade and other receivables are actively monitored to avoid significant concentrations of credit risk. Credit risk is reviewed regularly and follow-up actions are carried out on any overdue amounts to minimise

exposure. In this regard, the directors considered Nanning Qinghe's credit risk is significantly reduced. There is no requirement for collaterals by Nanning Qinghe. Nanning Qinghe is also exposed to credit risk 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.

As at 31 December 2017, Nanning Qinghe'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.

19.4 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Nanning Qinghe aims to maintain flexibility in funding by maintaining adequate cash and cash equivalents and adequate funding from the related companies.

At the end of the reporting dates, all of Nanning Qinghe's non-derivative financial liabilities analysed into relevant maturity groupings based on the remaining year at the reporting dates to the contractual maturity dates were due within one year. The contractual undiscounted cash flows equal to their carrying balances as the impact of discounting is not significant.

19.5 Fair value

The directors of Nanning Qinghe 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.

20. CAPITAL MANAGEMENT

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

The capital structure of Nanning Qinghe consists of the amounts due to immediate holding company and non-controlling shareholder, and equity of Nanning Qinghe. The directors of Nanning Qinghe review the capital structure on a regular basis. As part of this review, the directors of Nanning Qinghe 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 Nanning Qinghe in respect of any period subsequent to 31 December 2017 up to the date of this report.

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 (the “Company”) and its subsidiaries (collectively referred to as the “Group”) together with its interests in Changsha Zhaoxi Real Estate Development Company Limited (長沙兆禧房地產有限公司, “Changsha Zhaoxi”), Taicang Jianjin Real Estate Development Company Limited (太倉建晉房地產開發有限公司, “Taicang Jianjin”), Nanning Dingchi Real Estate Development Company Limited (南寧市鼎馳置業投資有限責任公司, “Nanning Dingchi”) and Nanning Qinghe Real Estate Development Company Limited (南寧市慶和房地產開發有限責任公司, “Nanning Qinghe”), which has been prepared by the Directors of the Company to illustrate the financial effect of the acquisitions of 100% equity interest in Changsha Zhaoxi, 100% equity interest in Taicang Jianjin, 51% equity interest in Nanning Dingchi and 51% equity interest in Nanning Qinghe by way of equity transfer to the Group (the “Acquisitions”).

The unaudited pro forma financial information has been prepared by the Directors of the Company in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guidance 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars (“AG7”) issued by the Hong Kong Institute of Certified Public Accountants, for the purpose of illustrating the effect of the Acquisitions pursuant to the terms of the Changsha Zhaoxi Equity Transfer Agreement, Taicang Jianjin Equity Transfer Agreement, Nanning Dingchi Equity Transfer Agreement and Nanning Qinghe 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 2017 which has been extracted from the published annual report of the Company for the year ended 31 December 2017; and (ii) the audited statements of financial position of Changsha Zhaoxi, Taicang Jianjin, Nanning Dingchi and Nanning Qinghe as at 31 December 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 2017.

The preparation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and statement of cash flows of the Enlarged Group is based on (i) the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2017 which have been extracted from the published annual report of the Company for the year ended 31 December 2017; and (ii) the audited statement of profit or loss and other comprehensive income and the audited statement of cash flows of Changsha Zhaoxi for the year ended 31 December 2017, the audited statement of profit or loss and other comprehensive income and the audited statement of cash flows of Taicang Jianjin for the period from 24 July 2017 (date of establishment) to 31 December 2017, the audited statements of profit or loss and other comprehensive income and the audited statements of cash flows of Nanning

Dingchi and Nanning Qinghe for the year ended 31 December 2017 as set out in Appendix IIa, Appendix IIb, Appendix IIc and Appendix IId, respectively, 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 1 January 2017.

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 2017, the Historical Financial Information of Changsha Zhaoxi, Taicang Jianjin, Nanning Dingchi, and Nanning Qinghe as set out in Appendix II to this circular, and other financial information included elsewhere in this circular.

The Unaudited Pro Forma Information has been prepared under accounting policies consistent with those of the Group as set out in the published annual report of the Company for the year ended 31 December 2017.

APPENDIX III

PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(ii) Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2017

	The Group as at 31 December 2017 RMB'000	Changsha Zhaoxi as at 31 December 2017 RMB'000	Taichang Jianjin as at 31 December 2017 RMB'000	Nanning Dingchi as at 31 December 2017 RMB'000	Nanning Qinghe as at 31 December 2017 RMB'000	Subtotal RMB'000	Pro forma adjustments RMB'000	The Enlarged Group						
				Note 1	Note 2	Note 3	Note 3	Note 4	Note 5	Note 6	Note 7	Note 7	Note 8	Note 9
Non-current assets														
Property, plant and equipment	64,892	155	1,169	6	—	—	—	—	—	—	—	—	—	66,222
Interests in leasehold land	290	—	—	—	—	290	—	—	—	—	—	—	—	290
Investment properties	642,330	—	—	—	—	642,330	—	—	—	—	—	—	—	642,330
Interests in associates	211,003	—	—	—	—	211,003	—	—	—	—	—	—	—	211,003
Interest in a joint venture	46,747	—	—	—	—	46,747	—	—	—	—	—	—	—	46,747
Investment in subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Loan to subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Available-for-sale financial asset	63,000	—	—	—	—	63,000	—	—	—	—	—	—	—	63,000
Deposits for land acquisition	64,166	—	—	—	—	64,166	—	—	—	—	—	—	—	64,166
Deferred tax assets	255,327	13,190	9,243	3,386	—	281,146	—	—	—	—	—	—	—	281,146
	1,347,755	13,345	10,412	3,392	—	1,374,904								1,374,904
Current assets														
Inventories of properties	14,322,812	3,273,446	1,604,440	—	—	19,200,698	—	—	—	—	—	—	—	19,200,698
Trade and other receivables	190,339	12,033	1,394	627	21,956	226,349	—	—	—	—	—	—	—	226,349
Prepayments for proposed development projects	1,891,068	—	—	—	—	1,891,068	—	—	—	—	—	—	—	1,891,068
Deposits for land acquisition	3,301,680	—	—	375,000	44,800	3,721,480	—	—	—	—	—	—	—	3,721,480
Prepaid taxes	176,089	—	—	—	—	176,089	—	—	—	—	—	—	—	176,089
Cash and cash equivalents	1,626,866	102,871	4,568	433	1,128	1,735,866	3,175,343	(3,175,343)	1,640,981	(1,640,981)	30,632	(30,632)	(1,641)	1,734,225
	21,508,854	3,388,350	1,610,402	376,060	67,884	26,951,550								26,949,909

APPENDIX III

PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

	The Group as at 31 December 2017	Changsha Zhuoxi December 2017	Taichang Jianjin December 2017	Nanning Dingchi December 2017	Nanning Qinghe December 2017	Subtotal	Note 1	Note 2	Note 3	Note 3	Note 3	Note 4	Note 5	Note 5	Note 6	Note 7	Note 7	Note 8	Note 9	The Enlarged Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000														
Current liabilities																				
Trade and other payables	1,005,816	193,300	50,879	10,977	—	1,260,972		(176,666)				(38,788)		(4,347)						1,041,171
Advance received from presale of properties under development and properties for sale	5,618,545	—	—	—	—	5,618,545														5,618,545
Amount due to intermediate holding company	582,123	—	—	—	—	582,123														582,123
Amounts due to non-controlling shareholders	1,455,650	—	—	—	5,924	1,461,574														1,461,574
Amounts due to a fellow subsidiary	—	486	—	—	—	486														486
Loan from non-controlling shareholder	—	—	—	180,870	—	180,870														180,870
Loan from immediate holding company	—	—	1,547,849	188,190	—	1,736,039					(1,547,849)			(188,190)						—
Loan from intermediate holding company	—	2,947,545	—	—	—	2,947,545		(2,947,545)												—
Interest-bearing borrowings	248,240	10,000	—	—	—	258,240														258,240
Income tax liabilities	329,932	—	—	—	—	329,932														329,932
Net current assets/(liabilities)	9,240,306	3,151,331	1,598,728	380,037	5,924	14,376,326														9,472,941
Total assets less current liabilities	13,616,303	250,364	22,086	(585)	61,960	13,950,128														18,851,872
Non-current liabilities																				
Loan from intermediate holding company	4,981,163	—	—	—	—	4,981,163				1,640,981										10,024,218
Interest-bearing borrowings	5,451,273	240,000	—	—	—	5,691,273									30,632					5,691,273
Deferred tax liabilities	171,194	—	—	—	—	171,194														171,194
	10,603,630	240,000	—	—	—	10,843,630														15,886,685
Net assets	3,012,673	10,364	22,086	(585)	61,960	3,106,498														2,965,187
EQUITY																				
Issued capital	61,532	50,000	50,000	10,000	60,000	231,532		(50,000)												61,532
Reserves	2,338,859	(39,656)	(27,914)	(10,585)	1,960	2,262,684		(1,132)				(4,344)		6,725				(1,641)		2,261,300
Equity attributable to the equity holders of the Company	2,400,391	10,364	22,086	(585)	61,960	2,494,216														2,322,832
Non-controlling interests	612,282	—	—	—	—	612,282									30,360					642,355
Total equity	3,012,673	10,364	22,086	(585)	61,960	3,106,498														2,965,187

(iii) Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the year ended 31 December 2017

	The Group for the year ended 31 December 2017 RMB'000	Changsha Zhaoxi for the period ended 31 December 2017 RMB'000	Taichang Jianjin for the period ended 31 December 2017 RMB'000	Nanning Dingchi for the year ended 31 December 2017 RMB'000	Nanning Qinghe for the year ended 31 December 2017 RMB'000	Subtotal RMB'000	Pro forma adjustment RMB'000	The Enlarged Group RMB'000
Revenue	3,237,677	—	—	—	708	3,238,385		3,238,385
Cost of sales	(2,173,296)	—	—	—	(749)	(2,174,045)		(2,174,045)
Gross profit	1,064,381	—	—	—	(41)	1,064,340		1,064,340
Other income	43,556	55	17	33	20	43,681		43,681
Gain on changes in fair value of investment properties	9,330	—	—	—	—	9,330		9,330
Administrative expenses	(34,716)	(7,972)	(1,397)	(699)	(705)	(45,489)	(1,641)	(47,130)
Selling expenses	(207,787)	—	—	—	—	(207,787)		(207,787)
Finance costs	(97,726)	(44,907)	(35,777)	(10,880)	—	(189,290)		(189,290)
Share of loss of associates	(954)	—	—	—	—	(954)		(954)
Profit/(loss) before income tax	776,084	(52,824)	(37,157)	(11,546)	(726)	673,831		672,190
Income tax (expense)/credit	(316,624)	13,190	9,243	2,877	—	(291,314)		(291,314)
Profit/(loss) for the year	459,460	(39,634)	(27,914)	(8,669)	(726)	382,517		380,876
Other comprehensive income								
Items that may be reclassified subsequently to profit or loss:								
Currency translation differences	(14,244)	—	—	—	—	(14,244)		(14,244)
Total comprehensive income for the year	445,216	(39,634)	(27,914)	(8,669)	(726)	368,273		366,632
Profit for the year attributable to:								
Equity holders of the Company	329,416	(39,634)	(27,914)	(8,669)	(726)	252,473	(1,641)	250,832
Non-controlling interests	130,044	—	—	—	—	130,044		130,044
	459,460	(39,634)	(27,914)	(8,669)	(726)	382,517		380,876
Total comprehensive income for the year attributable to:								
Equity holders of the Company	315,025	(39,634)	(27,914)	(8,669)	(726)	238,082	(1,641)	236,441
Non-controlling interests	130,191	—	—	—	—	130,191		130,191
Total comprehensive income for the year	445,216	(39,634)	(27,914)	(8,669)	(726)	368,273		366,632

Note 9

(iv) Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2017

	The Group for the year ended 31 December 2017 RMB '000	Changsha Zhaoxi for the year ended 31 December 2017 RMB '000	Taicang Jianjin for the period ended 31 December 2017 RMB '000	Nanning Dingchi for the year ended 31 December 2017 RMB '000	Nanning Qinghe for the year ended 31 December 2017 RMB '000	Subtotal RMB '000	Pro forma adjustments RMB '000	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7	Note 9	The Enlarged Group RMB '000
Cash flows from operating activities																
Profit/(loss) before income tax	776,084	(52,824)	(37,157)	(11,546)	(726)	673,831									(1,641)	672,190
Adjustments for:																
Amortisation of interests in leasehold land	11	—	—	—	—	11										11
Depreciation of property, plant and equipment	14,893	5	84	2	—	14,984										14,984
Gain on changes in fair value of investment properties	(9,330)	—	—	—	—	(9,330)										(9,330)
Gain on disposal of investment properties	(2,150)	—	—	—	—	(2,150)										(2,150)
Loss on disposal of property, plant and equipment	63	—	—	—	—	63										63
Provision for impairment of trade receivables	57	—	—	—	—	57										57
Interest expense	97,726	44,907	35,777	10,880	—	189,290										189,290
Interest income	(16,079)	(18)	(5)	(33)	(7)	(16,142)										(16,142)
Share of loss of associates	954	—	—	—	—	954										954
Operating profit/(loss) before working capital changes	862,229	(7,930)	(1,301)	(697)	(733)	851,568										849,927
Increase in inventories of properties	(6,969,290)	(1,688,069)	(1,601,429)	—	743	(10,258,045)										(10,258,045)
Increase in trade and other receivables (Increase)/Decrease in deposit paid for acquisition of land use right	(170,865)	(12,033)	(1,394)	(627)	(1,561)	(186,480)										(186,480)
Increase in trade and other payables	(3,301,680)	—	—	(375,000)	—	(3,676,680)										(3,676,680)
Increase in prepayments for proposed development projects	(1,891,068)	—	—	—	—	(1,891,068)										(1,891,068)
Increase in trade and other payables	680,339	16,634	12,091	(203)	(520)	708,341										708,341
Increase in advances received from the pre-sale of properties under development and properties held for sale	4,434,763	—	—	—	—	4,434,763										4,434,763
Increase in amount due to a fellow subsidiary	—	486	—	—	—	486										486
Cash generated from/(used in) operations	(6,355,572)	(1,690,912)	(1,592,033)	(376,527)	(2,071)	(10,017,115)										(10,017,115)
Income tax paid	(373,459)	—	—	—	—	(373,459)										(373,459)
Net cash from/(used in) operating activities	(6,729,031)	(1,690,912)	(1,592,033)	(376,527)	(2,071)	(10,390,574)										(10,390,574)

APPENDIX III

PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

	The Group for the year ended 31 December 2017	Changsha Zhaoxi for the year ended 31 December 2017	Taicang Jianjin for the period ended 31 December 2017	Nanning Dingchi for the year ended 31 December 2017	Nanning Qinghe for the year ended 31 December 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	
							Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7	Note 9
Cash flows from investing activities														
Purchase of property, plant and equipment	(9,899)	(160)	(1,253)	(6)	—	(11,318)								(11,318)
Proceeds from disposal of investment properties	51,280	—	—	—	—	51,280								51,280
Increase in restricted and pledged bank deposits	(434,094)	—	—	—	—	(434,094)								(434,094)
Proceeds from disposal of property, plant and equipment	—	—	—	1	—	1								1
Increase in interests in associates	(26,683)	—	—	—	—	(26,683)								(26,683)
Increase in loans to associates	(146,286)	—	—	—	—	(146,286)								(146,286)
Increase in amount due from immediate holding company	—	—	—	2,059	—	2,059								2,059
Decrease in loans to related parties	—	—	—	—	200	200								200
Acquisitions of subsidiaries	(13,213)	—	—	—	—	(13,213)	(51,132)		(54,344)		(3,562)		(30,632)	(152,883)
Increase in loan to subsidiaries	—	—	—	—	—	—	(3,124,211)	3,124,211	(1,586,637)	1,586,637	(192,537)	192,537		—
Payment for investment in available-for-sale financial asset	(63,000)	—	—	—	—	(63,000)								(63,000)
Consideration paid for acquisition of subsidiaries pursuant to a group reorganisation	(635,829)	—	—	—	—	(635,829)								(635,829)
Interest received	15,745	18	5	33	7	15,808								15,808
<i>Net cash used in investing activities</i>	<u>(1,261,979)</u>	<u>(142)</u>	<u>(1,248)</u>	<u>2,087</u>	<u>207</u>	<u>(1,261,075)</u>								<u>(1,400,745)</u>
Cash flows from financing activities														
Proceeds from issuance of share capital	743,854	—	—	—	—	743,854								743,854
Share issuance expenses	(693)	—	—	—	—	(693)								(693)
Proceeds from new borrowings	5,239,000	250,000	—	—	—	5,489,000								5,489,000
Repayments of borrowings	(99,959)	—	—	—	—	(99,959)								(99,959)
Addition in loan from intermediate holding company	31,448,148	1,545,095	1,547,849	—	—	34,541,092	3,175,343	(3,124,211)	1,640,981	(1,586,637)	196,099	30,652		34,873,299
Repayment of loans from an intermediate holding company	(30,806,182)	—	—	—	—	(30,806,182)								(30,806,182)
Decrease/(Increase) in amount due to intermediate holding company	376,802	—	—	—	—	376,802								376,802
Repayments of amounts due to intermediate holding companies	(16,997)	—	—	—	—	(16,997)								(16,997)
Decrease/(Increase) in amount due to immediate holding company	—	—	—	188,190	(2,528)	185,662								185,662
Capital contribution from non-controlling shareholders	225,350	—	50,000	—	—	275,350								275,350

APPENDIX III

PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

	The Group for the year ended 31 December 2017	Changsha Zhaoxi for the year ended 31 December 2017	Taicang Jianjin for the period ended 31 December 2017	Nanning Dingchi for the year ended 31 December 2017	Nanning Qinghe for the year ended 31 December 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		
							Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7	Note 9
Decrease/(Increase) in amounts due to non-controlling shareholders	1,593,408	—	—	180,870	—	1,774,278					(192,537)			1,581,741
Repayments of amounts due to non-controlling shareholders	(422,709)	—	—	—	—	(422,709)								(422,709)
Dividends paid to non-controlling shareholders	(999)	—	—	—	—	(999)								(999)
Dividends paid	(37,737)	—	—	—	—	(37,737)								(37,737)
Interest paid	(165,696)	(1,385)	—	—	—	(165,081)								(165,081)
Acquisition of additional interest in a subsidiary	55,078	—	—	—	—	55,078								55,078
Proceeds from issued perpetual convertible bond	442,850	—	—	—	—	442,850								442,850
Distributions to holders of perpetual convertible bond	(13,902)	—	—	—	—	(13,902)								(13,902)
Net cash from financing activities	8,561,616	1,793,710	1,597,849	369,060	(2,528)	12,319,707								12,459,377
Net increase/(decrease) in cash and cash equivalents	570,606	102,656	4,568	(5,380)	(4,392)	668,058							(1,641)	666,417
Cash and cash equivalents as at 1 January	607,145	215	—	5,813	5,520	618,693								618,693
Effect of foreign exchange rates changes on cash and cash equivalents	(9,116)	—	—	—	—	(9,116)								(9,116)
Cash and cash equivalents as at 31 December	1,168,635	102,871	4,568	433	1,128	1,277,635								1,275,994

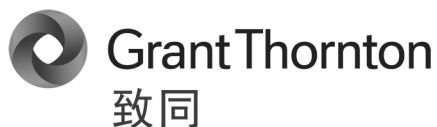
Notes

- (1) The adjustments represent the consideration for the acquisition of Changsha Zhaoxi by way of equity transfer at RMB51,132,000. Upon completion of the acquisition, the assets and liabilities of Changsha Zhaoxi will be accounted for in the consolidated financial statements of the Enlarged Group using the merger accounting as the Company and Changsha Zhaoxi are both under the control of Xiamen C&D, the ultimate holding company of the Company and Changsha Zhaoxi, before and after the date of acquisition, and the control is not transitory. Pursuant to the Changsha Zhaoxi Equity Transfer Agreement, the Group has agreed to grant a loan for the repayment of part of the shareholder's loans previously advanced by Xiamen Jianhui (or its shareholder) to Changsha Zhaoxi, subjected to adjustment for any actual amount realised during the period from 30 September 2017 to the date of the completion. The shareholder's loans amounted to RMB3,124,211,000 as if the acquisition had been completed on 31 December 2017. The consideration will be settled in cash in accordance with the payment terms of the Changsha Zhaoxi Equity Transfer Agreement. The Group will finance the corresponding cash payment through draw down of the unutilised loan facilities from intermediate holding company under the shareholder loan framework agreement dated 29 March 2018, pursuant to which the loan will be charged at 5.94%, subject to annual adjustment (if any) after negotiation between the parties, as determined by the parties after arm's length negotiations taking into account of: (i) the market annual interest rate level based on the recent substantial increase in financing costs of real estate companies; and (ii) the loan interest rate level of the Group and the intermediate holding company.
- (2) The adjustment represents the elimination of share capital of Changsha Zhaoxi, inter-company balances and the recognition of merger reserves arose as a result of the Acquisitions. The merger reserves of RMB1,132,000 represented the difference between the registered capital of RMB50,000,000 and the consideration for the acquisition of RMB51,132,000 pursuant to the Changsha Zhaoxi Equity Transfer Agreement.
- (3) The adjustments represent the consideration for the acquisition of Taicang Jianjin by way of equity transfer at RMB54,344,000. Upon completion of the acquisition, the assets and liabilities of Taicang Jianjin will be accounted for in the consolidated financial statements of the Enlarged Group using the merger accounting as the Company and Taicang Jianjin are both under the control of Xiamen C&D, the ultimate holding company of the Company and Taicang Jianjin, before and after the date of acquisition, and the control is not transitory. Pursuant to the Taicang Jianjin Equity Transfer Agreement, the Group has agreed to grant a loan for the repayment of part of the shareholder's loans previously advanced by the intermediate holding company to Taicang Jianjin, subjected to adjustment for any actual amount realised during the period from 30 September 2017 to the date of the completion. The shareholder's loans amounted to RMB1,586,637,000 as if the acquisition had been completed on 31 December 2017. The consideration will be settled in cash in accordance with the payment terms of the Taicang Jianjin Equity Transfer Agreement. The Group will finance the corresponding cash payment through draw down of the unutilised loan facilities from intermediate holding company under the shareholder loan framework agreement dated 29 March 2018, pursuant to which the loan will be charged at 5.94%, subject to annual adjustment (if any) after negotiation between the parties, as determined by the parties after arm's length negotiations taking into account of: (i) the market annual interest rate level based on the recent substantial increase in financing costs of real estate companies; and (ii) the loan interest rate level of the Group and the intermediate holding company.
- (4) The adjustment represents the elimination of share capital of Taicang Jianjin, inter-company balances and the recognition of merger reserves arose as a result of the Acquisitions. The merger reserves of RMB4,344,000 represented the difference between the paid-up capital of RMB50,000,000 and the consideration for the acquisition of RMB54,344,000 pursuant to the Taicang Jianjin Equity Transfer Agreement.

- (5) The adjustments represent the consideration for the acquisition of 51% equity interest in Nanning Dingchi by way of equity transfer at RMB3,562,000. Upon completion of the acquisition, the assets and liabilities of Nanning Dingchi will be accounted for in the consolidated financial statements of the Enlarged Group using the merger accounting as the Company and Nanning Dingchi are both under the control of Xiamen C&D, the ultimate holding company of the Company and Nanning Dingchi, before and after the date of acquisition, and the control is not transitory. Pursuant to the Nanning Dingchi Equity Transfer Agreement, the Group has agreed to grant a loan for the repayment of part of the shareholder's loans previously advanced by C&D Nanning to Nanning Dingchi, subjected to adjustment for any actual amount realised during the period from 30 September 2017 to the date of the completion. The shareholder's loans amounted to RMB192,537,000 as if the acquisition had been completed on 31 December 2017. The consideration will be settled in cash in accordance with the payment terms of the Nanning Dingchi Equity Transfer Agreement. The Group will finance the corresponding cash payment through draw down of the unutilised loan facilities from intermediate holding company under the shareholder loan framework agreement dated 29 March 2018, pursuant to which the loan will be charged at 5.94%, subject to annual adjustment (if any) after negotiation between the parties, as determined by the parties after arm's length negotiations taking into account of: (i) the market annual interest rate level based on the recent substantial increase in financing costs of real estate companies; and (ii) the loan interest rate level of the Group and the intermediate holding company.
- (6) The adjustment represents the elimination of share capital of Nanning Dingchi, inter-company balances and the recognition of merger reserves arose as a result of the Acquisitions. The merger reserves of RMB6,725,000 represented the difference between the registered capital of RMB10,000,000 and the consideration for the acquisition of RMB3,562,000 pursuant to the Nanning Dingchi Equity Transfer Agreement and the non-controlling interests of RMB287,000 (RMB585,000 x 49%) in Nanning Dingchi being the non-controlling interests' proportionate share of Nanning Dingchi's net assets as at 31 December 2017.
- (7) The adjustments represent the consideration for the acquisition of 51% equity interest in Nanning Qinghe by way of equity transfer at RMB30,632,000. Upon completion of the acquisition, the assets and liabilities of Nanning Qinghe will be accounted for in the consolidated financial statements of the Enlarged Group using the merger accounting as the Company and Nanning Qinghe are both under the control of Xiamen C&D, the ultimate holding company of the Company and Nanning Qinghe, before and after the date of acquisition, and the control is not transitory. The Group will finance the corresponding cash payment through draw down of the unutilised loan facilities from intermediate holding company under the shareholder loan framework agreement dated 29 March 2018, pursuant to which the loan will be charged at 5.94%, subject to annual adjustment (if any) after negotiation between the parties, as determined by the parties after arm's length negotiations taking into account of: (i) the market annual interest rate level based on the recent substantial increase in financing costs of real estate companies; and (ii) the loan interest rate level of the Group and the intermediate holding company.
- (8) The adjustment represents the elimination of share capital of Nanning Qinghe, inter-company balances and the recognition of merger reserves arose as a result of the Acquisitions. The merger reserves of RMB992,000 represented the difference between the registered capital of RMB60,000,000 and the consideration for the acquisition of RMB30,632,000 pursuant to the Nanning Qinghe Equity Transfer Agreement and the non-controlling interests of RMB30,360,000 (RMB61,960,000 x 49%) in Nanning Qinghe being the non-controlling interests' proportionate share of Nanning Qinghe's net assets as at 31 December 2017.
- (9) The adjustment represents the estimated professional fees attributable to the Acquisitions of approximately RMB1,641,000 for acquisitions of Changsha Zhaoxi, Taicang Jianjin, Nanning Dingchi and Nanning Qinghe, 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.
- (10) No adjustment has been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2017.

**B. INDEPENDENT REPORTING ACCOUNTANTS' 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.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****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"), Changsha Zhaoxi Real Estate Development Company Limited ("Changsha Zhaoxi"), Taicang Jianjin Real Estate Development Company Limited ("Taicang Jianjin"), Nanning Dingchi Real Estate Development Company Limited ("Nanning Dingchi") and Nanning Qinghe Real Estate Development Company Limited ("Nanning Qinghe") (together, the "Enlarged 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 2017, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2017 and related notes as set out in Part A of Appendix III to the circular dated 23 April 2018 (the "Circular") issued by the Company (the "Unaudited Pro Forma Financial Information"). 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 100% equity interest in Changsha Zhaoxi, 100% equity interest in Taicang Jianjin, 51% equity interest in Nanning Dingchi and 51% equity interest in Nanning Qinghe by way of equity transfer to the Group (the "Acquisitions") on the Group's financial position as at 31 December 2017 as if the Acquisitions had taken place at 31 December 2017; and the Group's financial performance and cash flows for the year ended 31 December 2017 as if the Acquisitions had taken place at 1 January 2017, respectively. As part of this process, information about the Group's financial position as at 31 December 2017, financial performance and cash flows for the year ended 31 December 2017 has been extracted by the Directors from the Group's audited consolidated financial statements for the year ended 31 December 2017, 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 2017 or 1 January 2017 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 April 2018

Lin Ching Yee Daniel

Practising Certificate No: P02771

The following is the text of a letter, summary of valuations and valuation reports prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of market values in existing state of the Zhaoxi Land, the Jianjin Land A, the Jianjin Land B and the Dingchi Land in the PRC as at 28 February 2018.



16/F Jardine House
1 Connaught Place
Central
Hong Kong

23 April 2018

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: 1. The Zhaoxi Land - the land parcel for residential use located at the east of Yingri Road (映日路) and the north of Xuesong Road (雪松路), Meixi Lake (梅溪湖), Yuelu District (岳麓區), Changsha City (長沙市), Hunan Province, the PRC with a site area of approximately 80,463.65 sq.m.**
- 2. The Jianjin Land A - a piece of land parcel no. WG 2017-12-1 at the west of Xingye Road (興業路), the north of Xuangong Road (宣公路), the south of Suzhou Road (蘇州路), Taicang City High-Tech Zone (太倉市高新區), Jiangsu Province, the PRC with a site area of approximately 37,953.19 sq.m.**
- 3. The Jianjin Land B - a piece of land parcel no. WG 2017-12-2 located at the at the north of Luoyang East Road (洛陽東路) and the west of Changsheng Road (常勝路), Taicang City High-Tech Zone (太倉市高新區), Jiangsu Province, the PRC with a site area of approximately 47,983.54 sq.m.**
- 4. The Dingchi Land — the land parcel for urban residential and commercial retail use located at the south of Jinfu Road (錦富路) and the east of Xuande Road (宣德路), Jiangnan District (江南區), Nanning City (南寧市), Guangxi Zhuang Autonomous Region (廣西壯族自治區), the PRC with a site area of approximately 22,276.35 sq.m.**

Instructions, Purpose & Valuation Date

In accordance with the instructions from C&D International Investment Group Limited (the “Company”) for us to prepare market valuations of the Zhaoxi Land held by Changsha Zhaoxi Real Estate Development Company Limited* (長沙兆禧房地產有限公司) (“Changsha Zhaoxi”); the Jianjin Land A and the Jianjin Land B held by Taicang Jianjin Real Estate Development Company Limited* (太倉建晉房地產開發有限公司) (“Taicang Jianjin”); and the Dingchi Land held by Nanning Dingchi Real Estate Investment Company Limited* (南寧鼎馳置業投資有限責任公司) (“Nanning Dingchi”) respectively 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 values of the Zhaoxi Land, the Jianjin Land A, the Jianjin Land B and the Dingchi Land (the “Four Lands”) in existing state as at 28 February 2018 (the “valuation date”).

Definition of Market Value

Our valuation of each of the Four Lands represent its Market Value which in accordance with HKIS Valuation Standards 2017 published by the Hong Kong Institute of Surveyors (“HKIS”) is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion”.

Valuation Basis & Assumptions

Our valuations of the Four Lands exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuations of the Four Lands held in the PRC, with reference to the PRC Legal opinion of the legal adviser, DUAN & DUAN Law Firm (上海段和段(廈門)律師事務所), we have prepared our valuation on the basis that transferable land use rights in respect of the Four Lands for its respective 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 April 2018, regarding the titles to the Four Lands; and the interests in the Four Lands. In valuing the Four Lands, 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 Four Lands for the whole of the unexpired terms as granted.

In respect of the Four Lands situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by Changsha Zhaoxi, Taicang Jianjin and Nanning Dingchi, are set out in the notes in the valuation report.

* For identification purpose only.

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

Method of Valuation

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

In valuing the Four Lands, 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 HKIS Valuation Standards 2017 published by HKIS.

Source of Information

We have been provided by Changsha Zhaoxi, Taicang Jianjin and Nanning Dingchi with extracts of documents in relation to the titles to the Four Lands. 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 valuations, we have relied to a considerable extent on the information given by Changsha Zhaoxi, Taicang Jianjin and Nanning Dingchi in respect of the Four Lands in the PRC and have accepted advice on such matters as planning approvals or statutory notices, easements, tenure, identification of Zhaoxi Land and the Jianjin 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 Changsha Zhaoxi, Taicang Jianjin and Nanning Dingchi which is material to the valuations. We were also advised by Changsha Zhaoxi, Taicang Jianjin and Nanning Dingchi 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 Four Lands. However, we have not been able to conduct searches to verify the ownership of the Four Lands 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 Four Lands in the PRC and we have therefore relied on the advice given by the PRC Legal adviser and the Company.

Site Inspection

Our Changsha Office valuer, Merry Mo (a China Real Estate Appraiser with 5 years of experience), Shanghai Office valuer, Sherry Shi (a China Real Estate Appraiser with 8 years of experience) and Guangzhou Office valuer, Andy He (a China Real Estate Appraiser with 12 years of experience), have inspected the exterior and, wherever possible, the interior of the Four Lands in January 2018 respectively. 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 Four Lands 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 summary of valuations and valuation reports.

Yours faithfully,
For and on behalf of
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 25 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUATIONS

Property	Market value in existing state as at 28 February 2018 RMB
Property held by Changsha Zhaoxi for development in the PRC	
1. The Zhaoxi Land - the land parcel for residential use located at the east of Yingri Road (映日路) and the north of Xuesong Road (雪松路), Meixi Lake (梅溪湖), Yuelu District (嶽麓區), Changsha City (長沙市), Hunan Province, the PRC with a site area of approximately 80,463.65 sq.m.	3,372,000,000
Property held by Taicang Jianjin for development in the PRC	
2. The Jianjin Land A - a piece of land parcel no. WG 2017-12-1 at the west of Xingye Road (興業路), the north of Xuangong Road (宣公路), the south of Suzhou Road (蘇州路), Taicang City High-Tech Zone (太倉市高新區), Jiangsu Province, the PRC with a site area of approximately 37,953.19 sq.m.	680,000,000
3. The Jianjin Land B - a piece of land parcel no. WG 2017-12-2 located at the at the north of Luoyang East Road (洛陽東路) and the west of Changsheng Road (常勝路), Taicang City High-Tech Zone (太倉市高新區), Jiangsu Province, the PRC with a site area of approximately 47,983.54 sq.m.	1,006,000,000
Property held by Nanning Dingchi for development in the PRC	
4. The Dingchi Land - The land parcel for urban residential and commercial retail use located at the south of Jinfu Road (錦富路) and the east of Xuande Road (宣德路), Jiangnan District (江南區), Nanning City (南寧市), Guangxi Zhuang Autonomous Region (廣西壯族自治區), the PRC with a site area of approximately 22,276.35 sq.m.	249,000,000
Total:	<u>5,307,000,000</u>

VALUATION REPORT
PROPERTY HELD BY CHANGSHA ZHAOXI FOR DEVELOPMENT IN THE PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018														
1. The Zhaoxi Land - the land parcel for residential use located at the east of Yingri Road (映日路) and the north of Xuesong Road (雪松路), Meixi Lake (梅溪湖), Yuelu District (嶽麓區), Changsha City (長沙市), Hunan Province, the PRC with a site area of approximately 80,463.65 sq.m.	<p>The Zhaoxi Land comprises a residential development to be erected on a parcel of land with a site area of 80,463.65 sq.m. According to Changsha Zhaoxi, upon completion scheduled in February 2021, the development will comprise a total planned gross floor area of 398,861.85 sq.m. with details as follows:</p> <table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Uses</th> <th style="text-align: right;">Approximate Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td style="text-align: right;">307,483.47</td> </tr> <tr> <td>Retail</td> <td style="text-align: right;">2,159.22</td> </tr> <tr> <td>Ancillaries & overhead</td> <td style="text-align: right;"><u>4,027.35</u></td> </tr> <tr> <td>Above-ground sub-total:</td> <td style="text-align: right;">313,670.04</td> </tr> <tr> <td>Basement:</td> <td style="text-align: right;"><u>85,191.81</u></td> </tr> <tr> <td>Total:</td> <td style="text-align: right;"><u>398,861.85</u></td> </tr> </tbody> </table> <p>The Zhaoxi Land is located at the east of Yingri Road (映日路) and the north of Xuesong Road (雪松路), Meixi Lake (梅溪湖), Yuelu District (嶽麓區), Changsha City (長沙市), Hunan Province, the PRC, with Changsha Metro Line 2 West Meixi Lake Station to the 100 meters northeast, Yali Middle School (雅禮中學), Changjun Meixihu Experimental Middle School (長郡梅溪湖實驗中學), and Yuelu Experimental Primary School (嶽麓區實驗小學) to the west, close to the Longwanggang River (龍王港河) and Xiao River (肖河) landscape belt. According to Changsha Zhaoxi, the Zhaoxi Land is planned for residential use; there is no environmental issues and litigation dispute; there is no plan to change the use of the Zhaoxi Land.</p> <p>The land use rights of the Zhaoxi Land have been granted for a term due to expire on 22 November 2086 for residential use.</p>	Uses	Approximate Gross Floor Area (sq.m.)	Residential	307,483.47	Retail	2,159.22	Ancillaries & overhead	<u>4,027.35</u>	Above-ground sub-total:	313,670.04	Basement:	<u>85,191.81</u>	Total:	<u>398,861.85</u>	<p>According to Changsha Zhaoxi, the Zhaoxi Land would be developed in three phases. For the first phase, the construction has begun in April 2017 and the pre-sale is expected to commence before February 2018. The completion is expected to be before August 2019. For the second phase, the construction and the pre-sale are expected to commence in February 2018 and December 2018 respectively and the completion is expected to be before February 2020. For the third phase, the construction and the pre-sale are expected to commence in February 2019 and December 2019 respectively and the completion is expected to be before February 2021. The actual schedule of construction, pre-sale and completion of each phase may vary in accordance with the actual market conditions.</p>	<p>RMB3,372,000,000 (RENMINBI THREE BILLION THREE HUNDRED SEVENTY TWO MILLION)</p>
Uses	Approximate Gross Floor Area (sq.m.)																
Residential	307,483.47																
Retail	2,159.22																
Ancillaries & overhead	<u>4,027.35</u>																
Above-ground sub-total:	313,670.04																
Basement:	<u>85,191.81</u>																
Total:	<u>398,861.85</u>																

Notes:

- (1) According to Real Estate Title Certificate No. (2017)0046982 dated 10 March 2017, the land use rights of the Zhaoxi Land comprising a site area of 80,463.65 sq.m. has been granted to the Changsha Zhaoxi with a term due to expire on 22 November 2086 for residential use.
- (2) According to Grant Contract of Land Use Rights No. 2016021 dated 23 November 2016, the land use rights of the Zhaoxi Land (0405079815) is granted as below:

Grantee:	Changsha Zhaoxi
Site Area:	80,463.65 sq.m.
Land Use Term:	70 years for residential
Land Premium:	RMB2,899,870,000
Plot Ratio:	Less than 3.9, not less than 1.0
Building Covenant:	Not applicable
- (3) According to Planning Permit for Construction Use of Land No. (2017)0005 dated 15 March 2017, the construction site of the Zhaoxi Land with a site area of 80,463.65 sq.m. is in compliance with the requirements of urban planning requirement.
- (4) According to Planning Permit for Construction Works No. 20170085 issued by 長沙市城鄉規劃局 (Planning Bureau of Changsha Urban-Rural Municipal) dated 16 August 2017, the construction works of phase 1 of the Zhaoxi Land with a total planned gross floor area of 93,020.27 sq.m. are in compliance with the urban planning requirements and have been approved.
- (5) According to Permit for Commencement of Construction Works No. 20170085 issued by 長沙市城鄉規劃局 (Planning Bureau of Changsha Urban-Rural Municipal) dated 16 August 2017, the commencement of the construction works of phase 1 of the Zhaoxi Land with a total gross floor area of 93,020.27 sq.m. was permitted.
- (6) As advised by Changsha Zhaoxi, the construction cost expended as at valuation date was approximately RMB364,000,000. In the course of our valuation, we have taken into account such amount in our valuation.
- (7) According to the development scheme, the estimated market value as if completed of the proposed development was approximately RMB6,615,000,000.
- (8) According to Business License No. 91430100MA4L8NDX2A dated 11 October 2017, Changsha Zhaoxi was established on 13 December 2016 as a limited liability company with a registered capital of RMB50,000,000.
- (9) According to the PRC legal opinion: -
 - (i) Changsha Zhaoxi has obtained the Real Estate Title Certificate of the Zhaoxi Land and the Real Estate Title Certificate is valid and legal;
 - (ii) Changsha Zhaoxi is the sole legal land user of the Zhaoxi Land; and
 - (iii) Changsha Zhaoxi has obtained relevant approval for development of Zhaoxi Land.

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

Real Estate Title Certificate	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes (part)
Permit for Commencement of Construction Works	Yes (part)
Business License	Yes

VALUATION REPORT

PROPERTY HELD BY TAICANG JIANJIN FOR DEVELOPMENT IN THE PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018														
2. The Jianjin Land A - a piece of land parcel no. WG 2017-12-1 at the west of Xingye Road (興業路), the north of Xuangong Road (宣公路), the south of Suzhou Road (蘇州路), Taicang City High-Tech Zone (太倉市高新區), Jiangsu Province, the PRC with a site area of approximately 37,953.19 sq.m.	<p>The Jianjin Land A comprises a residential and commercial development to be erected on a parcel of land with a site area of 37,953.19 sq.m. According to Taicang Jianjin, upon completion scheduled in June 2020, the development will comprise a total planned gross floor area of 107,076.83 sq.m. with details as follows:</p> <table border="1"> <thead> <tr> <th>Uses</th> <th>Approximate Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>65,692.18</td> </tr> <tr> <td>Commercial</td> <td>765.67</td> </tr> <tr> <td>Other</td> <td>3,008.30</td> </tr> <tr> <td>Above-ground sub-total:</td> <td>69,466.15</td> </tr> <tr> <td>Basement & overhead:</td> <td><u>37,610.68</u></td> </tr> <tr> <td>Total:</td> <td><u>107,076.83</u></td> </tr> </tbody> </table> <p>The Jianjin Land A belongs to the urban area of Taicang. Wanda Plaza* (萬達廣場), Dongsheng Commercial Plaza* (東盛商業廣場) and other commercial facilities are within three kilometres of the Jianjin Land A. According to Taicang Jianjin, the Jianjin Land A is planned for residential and commercial use; there is no environmental issues and litigation dispute; there is no plan to change the use of the Jianjin Land A.</p> <p>The land use rights of the Jianjin Land A have been granted for 70 years due to expire on 9 August 2087 for residential use and 40 years due to expire on 9 August 2057 for commercial use.</p>	Uses	Approximate Gross Floor Area (sq.m.)	Residential	65,692.18	Commercial	765.67	Other	3,008.30	Above-ground sub-total:	69,466.15	Basement & overhead:	<u>37,610.68</u>	Total:	<u>107,076.83</u>	<p>According to Taicang Jianjin, the Jianjin Land A is currently under construction and the completion of the construction is expected to be before June 2020. The sale and delivery will be commenced after the completion. The actual schedule of completion and sale may vary in accordance with the actual market conditions.</p>	<p>RMB680,000,000 (RENMINBI SIX HUNDRED EIGHTY MILLION)</p>
Uses	Approximate Gross Floor Area (sq.m.)																
Residential	65,692.18																
Commercial	765.67																
Other	3,008.30																
Above-ground sub-total:	69,466.15																
Basement & overhead:	<u>37,610.68</u>																
Total:	<u>107,076.83</u>																

Notes:

- (1) According to Real Estate Title Certificate No. (2017)0027928 dated 30 October 2017, the land use rights of the Jianjin Land A comprising a site area of 37,953.19 sq.m. has been granted to the Taicang Jianjin with terms of 70 years due to expire to 9 August 2087 for residential use and 40 years due to expire on 9 August 2057 for commercial use
- (2) According to Grant Contract of Land Use Rights No. 3205852017CR0049 dated 12 July 2017, the land use rights of the Jianjin Land A (WG 2017-12-1) is granted as below:

Grantee:	Taicang Jianjin
Site Area:	37,953.19 sq.m.
Land Use Term:	40 years for wholesale and retail; 70 years for residential
Land Premium:	RMB618,590,000
Plot Ratio:	No more than 1.8 no less than 1.5
Building Covenant:	Commence construction before 10 July 2018; complete construction before 10 July 2020.
- (3) According to Planning Permit for Construction Use of Land No. (2017)066 dated 30 September 2017, the construction site of the Jianjin Land A with a site area of 37,953.19 sq.m. is in compliance with the requirements of urban planning requirement.
- (4) According to Planning Permit for Construction Works No. (2017)236 issued by 太倉市住房和城鄉建設局 (Development Bureau of Taicang Housing and Urban-Rural Municipal) dated 29 November 2017, the construction works of the Jianjin Land A (WG 2017-12-1) with a total planned gross floor area of 107,076.83 sq.m. are in compliance with the urban planning requirements and have been approved.
- (5) According to Permit for Commencement of Construction Works No. 320585201712290201 issued by 太倉市住房和城鄉建設局 (Development Bureau of Taicang Housing and Urban-Rural Municipal) dated 29 December 2017, the commencement of the construction works of the Jianjin Land A (WG 2017-12-1) with a total gross floor area of 107,076.83 sq.m. was permitted.
- (6) According to Taicang Jianjin, the construction cost expended as at valuation date was total approximately RMB14,000,000. In the course of our valuation, we have taken into account such amount in our valuation.
- (7) According to the development scheme, the estimated market value as if completed of the proposed development was total approximately RMB1,328,000,000.
- (8) According to Business License No.91320585MA1PYDLKXP dated 28 September 2017, Taicang Jianjin was established on 24 July 2017 as a limited liability company with a registered capital of RMB500,000,000.
- (9) According to the PRC legal opinion:
 - (i) Taicang Jianjin has obtained the Real Estate Title Certificate of the Jianjin Land A and the Real Estate Title Certificate is valid and legal;
 - (ii) Taicang Jianjin is the sole legal land user of the Jianjin Land A; and
 - (iii) Taicang Jianjin has obtained relevant approval for development of Jianjin Land A.

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

Real Estate Title Certificate	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes (part)
Permit for Commencement of Construction Works	Yes (part)
Business License	Yes

VALUATION REPORT

PROPERTY HELD BY TAICANG JIANJIN FOR DEVELOPMENT IN THE PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018														
3. The Jianjin Land B - a piece of land parcel no. WG 2017-12-2 located at the north of Luoyang East Road (洛陽東路) and the west of Changsheng Road (常勝路), Taicang City High-Tech Zone (太倉市高新區), Jiangsu Province, the PRC with a site area of approximately 47,983.54 sq.m.	<p>The Jianjin Land B comprises a residential and commercial development to be erected on a parcel of land with a site area of 47,983.54 sq.m. According to Taicang Jianjin, upon completion scheduled in June 2020, the development will comprise a total planned gross floor area of 150,263.02 sq.m. with details as follows:</p> <table border="1"> <thead> <tr> <th>Uses</th> <th>Approximate Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>97,587.48</td> </tr> <tr> <td>Commercial</td> <td>1,011.49</td> </tr> <tr> <td>Other</td> <td><u>3,103.73</u></td> </tr> <tr> <td>Above-ground sub-total:</td> <td>101,702.70</td> </tr> <tr> <td>Basement & overhead:</td> <td><u>48,560.32</u></td> </tr> <tr> <td>Total:</td> <td><u>150,263.02</u></td> </tr> </tbody> </table> <p>The Jianjin Land B belongs to the urban area of Taicang. Wanda Plaza* (萬達廣場), Dongsheng Commercial Plaza* (東盛商業廣場) and other commercial facilities are within three kilometres of the Jianjin Land B. According to Taicang Jianjin, the Jianjin Land B is planned for residential and commercial use; there is no environmental issues and litigation dispute; there is no plan to change the use of the Jianjin Land B.</p> <p>The land use rights of the Jianjin Land B have been granted for 70 years due to expire on 9 August 2087 for residential use and 40 years due to expire on 9 August 2057 for commercial use.</p>	Uses	Approximate Gross Floor Area (sq.m.)	Residential	97,587.48	Commercial	1,011.49	Other	<u>3,103.73</u>	Above-ground sub-total:	101,702.70	Basement & overhead:	<u>48,560.32</u>	Total:	<u>150,263.02</u>	<p>According to Taicang Jianjin, the Jianjin Land B is currently under construction and the completion of the construction is expected to be before June 2020. The sale and delivery will be commenced after the completion. The actual schedule of completion and sale may vary in accordance with the actual market conditions.</p>	RMB1,006,000,000 (RENMINBI ONE BILLION SIX MILLION)
Uses	Approximate Gross Floor Area (sq.m.)																
Residential	97,587.48																
Commercial	1,011.49																
Other	<u>3,103.73</u>																
Above-ground sub-total:	101,702.70																
Basement & overhead:	<u>48,560.32</u>																
Total:	<u>150,263.02</u>																

Notes:

- (1) According to Real Estate Title Certificate No. (2017)0027931 dated 30 October 2017, the land use rights of the Jianjin Land B comprising a site area of 47,983.54 sq.m. has been granted to the Taicang Jianjin with terms of 70 years due to expire on 9 August 2087 for residential use and 40 years due to expire on 9 August 2057 for commercial use
- (2) According to Grant Contract of Land Use Rights No. 3205852017CR0050 dated 12 July 2017, the land use rights of the Jianjin Land B (WG 2017-12-2) is granted as below:

Grantee:	Taicang Jianjin
Site Area:	47,983.54 sq.m.
Land Use Term:	40 years for wholesale and retail; 70 years for residential
Land Premium:	RMB912,390,000
Plot Ratio:	No more than 1.8 no less than 1.5
Building Covenant:	Commence construction before 10 July 2018; complete construction before 10 July 2020.
- (3) According to Planning Permit for Construction Use of Land No. (2017)059 dated 18 September 2017, the construction site of the Jianjin Land B with a total site area of 47,983.54 sq.m. is in compliance with the requirements of urban planning requirement.
- (4) According to Planning Permit for Construction Works No. (2017)234 issued by 太倉市住房和城鄉建設局 (Development Bureau of Taicang Housing and Urban-Rural Municipal) dated 29 November 2017, the construction works of the Jianjin Land (WG 2017-12-2) with a total planned gross floor area of 150,263.02 sq.m. are in compliance with the urban planning requirements and have been approved
- (5) According to Permit for Commencement of Construction Works No. 320585201712290101 issued by 太倉市住房和城鄉建設局 (Development Bureau of Taicang Housing and Urban-Rural Municipal) dated 29 December 2017, the commencement of the construction works of the Jianjin Land (WG 2017-12-2) with a total gross floor area of 150,263.02 sq.m. was permitted.
- (6) According to Taicang Jianjin, the construction cost expended as at valuation date was total approximately RMB23,000,000. In the course of our valuation, we have taken into account such amount in our valuation.
- (7) According to the development scheme, the estimated market value as if completed of the proposed development was total approximately RMB1,965,000,000.
- (8) According to Business License No.91320585MA1PYDLKXP dated 28 September 2017, Taicang Jianjin was established on 24 July 2017 as a limited liability company with a registered capital of RMB500,000,000.
- (9) According to the PRC legal opinion:
 - (i) Taicang Jianjin has obtained the Real Estate Title Certificate of the Jianjin Land B and the Real Estate Title Certificate is valid and legal;
 - (ii) Taicang Jianjin is the sole legal land user of the Jianjin Land B; and
 - (iii) Taicang Jianjin has obtained relevant approval for development of the Jianjin Land B.

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

Real Estate Title Certificate	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes (part)
Permit for Commencement of Construction Works	Yes (part)
Business License	Yes

VALUATION REPORT

PROPERTY HELD BY NANNING DINGCHI FOR DEVELOPMENT IN THE PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018
<p>4. The Dingchi Land - the land parcel for urban residential and commercial retail use located at the south of Jinfu Road (錦富路) and the east of Xuande Road (宣德路), Jiangnan District (江南區), Nanning City (南寧市), Guangxi Zhuang Autonomous Region (廣西壯族自治區), the PRC with a site area of approximately 22,276.35 sq.m.</p>	<p>The Dingchi Land comprises a residential development to be erected on a parcel of land with a site area of 22,276.35 sq.m.. According to Nanning Dingchi, after the completion of the construction expected to be before September 2022, the development will comprise a total planned plot ratio gross floor area of 77,967.23 sq.m..</p> <p>The Dingchi Land is located at the south of Jinfu Road (錦富路) and the east of Xuande Road (宣德路), Jiangnan District (江南區), Nanning City (南寧市), Guangxi Zhuang Autonomous Region, the PRC which used to be a suburban area of Nanning and currently under redevelopment scheme. According to Changsha Zhaoxi, the Zhaoxi Land is planned for residential use; there is no environmental issues and litigation dispute; there is no plan to change the use of the Zhaoxi Land.</p> <p>The land use rights of the Dingchi Land have been granted for a term of 40 years for commercial use and 70 years for residential use.</p>	<p>As at the valuation date, the Dingchi Land is bare land pending for development.</p>	<p>RMB249,000,000 (RENMINBI TWO HUNDRED FORTY NINE MILLION)</p>

Notes:

- (1) According to Grant Contract of Land Use Rights No. 2018002 dated 6 February 2018, the land use rights of the Dingchi Land is granted as below:

Grantee:	Nanning Dingchi
Site Area:	22,276.35 sq.m.
Land Use Term:	40 years for commercial use and 70 years for residential use
Land Premium:	RMB231,228,513
Plot Ratio:	Less than 3.5, not less than 2.5
Building Covenant:	Commence construction before 2 September 2019; complete construction before 2 September 2022.

- (2) According to Business License No. 91450100579423271C dated 12 October 2017, Nanning Dingchi was established on 27 July 2011 as a limited liability company with a registered capital of RMB10,000,000.

- (3) According to the PRC legal opinion: -

- (i) Nanning Dingchi has signed Grant Contract of Land Use Rights with Nanning Land Resource Bureau;
- (ii) Upon fully paid of land premium, Nanning Dingchi can apply for Real Estate Title Certificate for the land use rights of the Dingchi Land.

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

Real Estate Title Certificate	No
Grant Contract of Land Use Rights	Yes
Business License	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 AND CHIEF EXECUTIVE

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

Long positions

Name of Director	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	59,372,000 (Note 2)	8.08%
Mr. Shi Zhen	Founder of a discretionary trust	59,372,000 (Note 2)	8.08%
Ms. Zhao Chengmin	Founder of a discretionary trust	59,372,000 (Note 2)	8.08%

Notes:

- (1) The percentage of shareholding was calculated based on the Company's total issued share capital of 734,864,745 Shares as at the Latest Practicable Date.
- (2) These Shares were registered in the name of Diamond Firetail Limited ("**Diamond Firetail**"), a company incorporated in the British Virgin Islands. Diamond Firetail is a wholly-owned subsidiary of Equity Trustee Limited ("**Equity Trustee**"). Equity Trustee is a trustee of a discretionary trust and each of Mr. Zhuang Yuekai, Mr. Shi Zhen and Ms. Zhao Chengmin is one of the founders of the said discretionary trust. Therefore, Mr. Zhuang Yuekai, Mr. Shi Zhen and Ms. Zhao Chengmin are deemed to be interested in the Shares held by Diamond Firetail by virtue of the SFO.

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

- (a) was a director or employee of a company which had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or
- (b) had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or were deemed to have under such provisions of the SFO); (ii) pursuant to Section 352 of the SFO, to be entered in the register of members of the Company; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

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 1)
Well Land International Limited (益能國際有限公司) ("Well Land")	Beneficial owner	446,336,745	60.74%
Well Honour International Limited (益鴻國際有限公司) ("Well Honour")	Interest of controlled corporation	446,336,745 (Note 2)	60.74%
C & D Real Estate (建發房地產 集團有限公司)	Interest of controlled corporations	446,336,745 (Note 2)	60.74%
Xiamen C & D Inc. (廈門建發股 份有限公司)	Interest of controlled corporations	446,336,745 (Note 2)	60.74%
Xiamen C & D Corporation Limited (廈門建發集團有限公 司) ("Xiamen C & D")	Interest of controlled corporations	446,336,745 (Note 2)	60.74%
Diamond Firetail Limited ("Diamond Firetail")	Beneficial owner	59,372,000	8.08%

Name of Shareholder	Capacity/nature of interest	Number of issued Shares held	Approximate percentage of shareholding in issued share capital (Note 1)
Equity Trustee Limited ("Equity Trustee")	Interest of controlled corporation	59,372,000 (Note 3)	8.08%
Ms. Zhang Yunxia	Founder of a discretionary trust	59,372,000 (Note 3)	8.08%
Ms. Cheng Bing	Founder of a discretionary trust	59,372,000 (Note 3)	8.08%
Viewforth Limited ("Viewforth")	Beneficial owner	60,000,000	8.16%
Fullshare Holdings Limited ("Fullshare")	Interest of controlled corporation	60,000,000 (Note 4)	8.16%
Magnolia Wealth International Limited ("Magnolia Wealth")	Interest of controlled corporations	60,000,000 (Note 4)	8.16%
Ji Changqun	Interest of controlled corporations	60,000,000 (Note 4)	8.16%

Notes:

- (1) The percentage of shareholding was calculated based on the Company's total issued share capital of 734,864,745 Shares as at the Latest Practicable Date.
- (2) 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 owned as to 54.65% by Xiamen C&D Inc., the shares of which are listed on the Shanghai Stock Exchange (stock code: 600153). Xiamen C&D, a state-owned group of companies under the supervision of Xiamen Municipality, is interested in Xiamen C&D Inc. as to 45.89%. Therefore, Well Honour, C&D Real Estate, Xiamen C&D Inc. and Xiamen C&D are deemed to be interested in the Shares and the underlying Shares held by Well Land by virtue of the SFO.
- (3) 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 trustee of a discretionary trust and Mr. Zhuang Yuekai, Mr. Shi Zhen, Ms. Zhao Chengmin, Ms. Zhang Yunxia and Ms. Cheng Bing are founders of the said discretionary trust. Therefore, Equity Trustee, Ms. Zhang Yunxia and Ms. Cheng Bing are deemed to be interested in the Shares held by Diamond Firetail by virtue of the SFO. The interests of Mr. Zhuang Yuekai, Mr. Shi Zhen and Ms. Zhao Chengmin are shown in the section headed "Disclosure of interests of Directors and Chief Executive" above.
- (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. Fullshare is a controlled corporation of Magnolia Wealth. Magnolia Wealth is 100% beneficially owned by Mr. Ji Changqun. Therefore, Fullshare, 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 deemed 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 Enlarged Group which does not expire or is not determinable by the Enlarged Group within one year without payment of compensation, other than statutory compensation.

5. EXPERTS' QUALIFICATIONS AND CONSENTS

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

Name	Qualification
Cushman & Wakefield Limited	independent property valuer
Duan & Duan Law Firm* (上海段和段(廈門)律師事務所)	PRC legal adviser
Fujian Puhe Certified Public Accountants Company Limited* (福建普和會計師事務所)	independent property valuer
Grant Thornton Hong Kong Limited	certified public accountants
RHB Capital Hong Kong 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
Xiamen Dacheng Fanghua Assets Appraisal Land Real Estate Appraisal Company Limited* (廈門大成方華資產評估土地房地產估價有限公司)	independent property valuer
Xiamen Qianyuan Asset Valuation and Property Valuation Company Limited* (廈門乾元資產評估與房地產估價有限責任公司)	independent property valuer
Xiamen University Assets Land and Property Appraisal Company Limited* (廈門市大學資產評估土地房地產估價有限責任公司)	independent property valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with its letter included or references to its name in the form and context in which it is included.

As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Enlarged 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 Enlarged Group.

As at Latest Practicable Date, each of the above experts had no direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2017 (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 Enlarged 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 2017, 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 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 2017, 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 Latest Practicable Date, 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 Changsha Zhaoxi Equity Transfer Agreement;
- (b) the Taicang Jianjin Equity Transfer Agreement;
- (c) the Nanning Dingchi Equity Transfer Agreement;
- (d) the Nanning Qinghe Equity Transfer Agreement;
- (e) the equity transfer agreement dated 3 April 2018 entered into between Xiamen C&D Property Management Service Company Limited and C&D Real Estate Corporation Limited in relation to, among other things, the acquisition of 100% equity interests in Huijia (Xiamen) Property Management Company Limited in the consideration of RMB37,580,200;
- (f) the equity transfer agreement dated 3 April 2018 entered into among Xiamen C&D Property Management Service Company Limited, C&D Real Estate Corporation Limited and Xiamen Liyuan Investment Company Limited in relation to, among other things, the acquisition of 100% equity interests in Yijiayuan (Xiamen) Property Management Company Limited in the consideration of RMB75,893,700;
- (g) the joint venture agreement dated 23 March 2018 entered into between Xiamen Yi Yue Property Company Limited and Suzhou Junfengchang Real Estate Development Company Limited in relation to, among other things, the formation of the joint venture for the acquisition of the land use rights of the land in Suzhou, the PRC;
- (h) the capital increase agreement dated 23 March 2018 entered into between Xiamen Yi Yue Property Company Limited and Wuhan Chengkai Real Estate Development Company Limited in relation to the increase of registered capital of Wuhan Zhaoyuecheng Real Estate Development Company Limited from RMB10,000,000 to RMB50,000,000;
- (i) the sale and purchase agreement dated 19 March 2018 entered into between Yi Yue (Hong Kong) Limited and Prosper Wealth International Limited in relation to the acquisition of 100% interests of Fullshare Healthcare Limited in the total consideration of RMB170,049,910;

- (j) the equity transfer agreement dated 14 March 2018 entered into between Xiamen Yi Yue Property Company Limited and Jianyang Jiasheng Property Development Company Limited in relation to, among other things, the acquisition of 100% equity interests in Nanjing Jiayang Property Development Company Limited in the total consideration of RMB377,955,327;
- (k) the equity transfer agreement dated 6 February 2018 entered into among Shanghai C&D Zhaoyu Asset Management Company Limited, Chen Jianxin, Gan Peixian, Gao Yunfeng and Shanghai Putuo Yueda Property Company Limited in relation to the acquisition of 100% equity interests in Shanghai Putuo Yueda Property Company Limited for the total consideration of RMB355,000,000;
- (l) the cooperation agreement dated 10 January 2018 entered into between Xiamen Yi Yue Property Company Limited and Wuhan Chengkai Real Estate Development Company Limited in relation to, among other things, the formation of the joint venture for the acquisition of the land use rights of the land in Wuhan, the PRC;
- (m) the cooperation agreement dated 15 December 2017 entered into between Xiamen Yi Yue Property Company Limited and Sanming Country Garden Real Estate Development Company Limited in relation to, among other things, the acquisition of 51% equity interests in Sha County Tianchen Real Estate Development Company Limited by way of capital contribution of RMB76,500,000;
- (n) the capital increase agreement dated 12 December 2017 entered into between Xiamen Yi Yue Property Company Limited and Zhenjiang Meide Real Estate Development Company Limited in relation to, among other things, the increase of the registered capital of Nanjing Meiyue Real Estate Development Company Limited from RMB20,000,000 to RMB400,000,000;
- (o) the joint venture agreement dated 11 December 2017 entered into among Xiamen Yi Yue Property Company Limited and Fullshare Holdings Limited in relation to, among other things, the formation of the joint venture for the acquisition of the land use rights of the land in Wuxi, the PRC;
- (p) the cooperation agreement dated 24 November 2017 entered into among Xiamen Yi Yue Property Company Limited, Xiamen Yuzhou Hongtu Property Development Company Limited, Shanghai Guangkun Real Estate Development Company Limited and Shanghai Xinbi Real Estate Development Company Limited in relation to, among other things, the acquisition of 30% equity interests in Taicang Yuzhou Yilong Real Estate Development Company Limited;
- (q) the cooperation agreement dated 9 November 2017 entered into between Xiamen Yi Yue Property Company Limited and Zhenjiang Meide Real Estate Development Company Limited in relation to the formation of joint venture for acquisition of the land in Nanjing, the PRC with the total capital commitment of RMB615,330,000 by Xiamen Yi Yue Property Company Limited;

- (r) the cooperation agreement dated 2 November 2017 entered into among Xiamen Yi Yue Property Company Limited, Hangzhou Real Estate Development Group Company Limited, Zhejiang Lvdi Property Company Limited, Hangzhou Weixiang Investment Management Company Limited and Qiu Jianhua in relation to, among other things, the acquisition of 82% equity interests in Hangzhou Weixiang Investment Management Company Limited;
- (s) the equity transfer agreement dated 31 October 2017 entered into between Xiamen Yi Yue Property Company Limited and C&D Real Estate Corporation Limited in relation to the acquisition of 40% equity interests in Longyan Hengfu Real Estate Development Company Limited in the consideration of RMB23,868,688.81;
- (t) the equity transfer agreement dated 31 October 2017 entered into between Xiamen Yi Yue Property Company Limited and C&D Real Estate Corporation Limited in relation to the acquisition of 30% equity interests in Longyan Lirong Real Estate Development Company Limited in the consideration of RMB17,683,268.25;
- (u) the cooperation agreement dated 25 September 2017 entered into between , among others, Xiamen Yi Yue Property Company Limited and Hangzhou Lvcheng Zhizhen Investment Company Limited in relation to, among other things, the acquisition of 10.5% equity interests in Hangzhou Zhenlu Investment Company Limited by way of capital contribution of RMB63,000,000;
- (v) the placing agreement dated 30 August 2017 entered into between the Company and China Industrial Securities International Capital Limited in relation to the placing of up to 68,000,000 new Shares at the placing price of HK\$4.51 per Share to the placees;
- (w) the subscription agreement dated 30 August 2017 entered into between the Company and Well Land International Limited in relation to the issue of not more than 120,000,000 new Shares at the subscription price of HK\$4.51 per Share;
- (x) the subscription agreement dated 30 August 2017 entered into between the Company and Diamond Firetail Limited in relation to the issue of not more than 8,000,000 new Shares at the subscription price of HK\$4.51 per Share;
- (y) the equity transfer agreement dated 24 August 2017 entered into between Xiamen Yi Yue Property Company Limited and Suzhou Zhaokun Real Estate Development Company Limited in relation to the acquisition of 70% equity interests in Zhangjiagang Jianfeng Property Development Company Limited by Xiamen Yi Yue Property Company Limited in the aggregate consideration of RMB821,698,089.16;
- (z) the supplemental agreement dated 17 August 2017 entered into by Xiamen Yi Yue Property Company Limited, C&D Real Estate Corporation Limited, Changsha Jiuzhitang (Group) Co., Ltd. and Yongjin Investment Holding Company Limited in relation to the transfer of 100% legal interests in Changsha Yuefa Property Development Co., Ltd. to Xiamen Yi Yue Property Company Limited from Changsha Jiuzhitang (Group) Co., Ltd., instead of transferring to C&D Real Estate Corporation Limited;

- (aa) the interest transfer agreement dated 17 August 2017 entered into between C&D Real Estate Corporation Limited and Xiamen Yi Yue Property Company Limited in relation to the transfer of 100% beneficial interests in Changsha Yuefa Property Development Co., Ltd. from C&D Real Estate Corporation Limited to Xiamen Yi Yue Property Company Limited;
- (bb) the equity transfer agreement dated 17 August 2017 entered into between Changsha Jiuzhitang (Group) Co., Ltd. and Xiamen Yi Yue Property Company Limited in relation to the transfer of the 100% legal interests in Changsha Yuefa Property Development Co., Ltd.;
- (cc) the equity transfer agreement dated 25 April 2017 entered into between Xiamen Yi Yue Property Company Limited and C&D Real Estate Fuzhou Company in relation to the acquisition of 78% equity interest in Lianjiang Zhaorun Real Estate Development Company Limited;
- (dd) 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;
- (ee) 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;
- (ff) 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;
- (gg) 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;
- (hh) 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 places; and
- (ii) 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.

11. GENERAL

- (a) The secretary to the Company is Leung Ching Ching. Miss Leung is a Chartered Secretary and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.
- (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, 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

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

- (a) the Changsha Zhaoxi Equity Transfer Agreement;
- (b) the Taicang Jianjin Equity Transfer Agreement;
- (c) the Nanning Dingchi Equity Transfer Agreement;
- (d) the Nanning Qinghe Equity Transfer Agreement;
- (e) the memorandum and articles of association of the Company;
- (f) the annual reports of the Company for the three years ended 31 December 2015, 2016 and 2017;
- (g) the material contracts referred to in the section headed "Material Contracts" in this appendix;
- (h) the service contracts of certain Directors as disclosed in this circular;
- (i) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 32 to 33 of this circular;
- (j) the letter issued by the Independent Financial Advisor, the text of which is set out on page 34 to 69 of this circular;

- (k) the accountant's reports on Changsha Zhaoxi, Taicang Jianjin, Nanning Dingchi and Nanning Qinghe from the Auditors, the text of which are set out in Appendixes IIa, IIb, IIc and II d to this circular;
- (l) the report from Grant Thornton Hong Kong Limited on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;
- (m) the valuation reports on the Zhaoxi Land, the Jianjin Land and the Dingchi Land issued by C&W, the text of which are set out in Appendix IV to this circular;
- (n) the legal opinions issued by Duan & Duan Law Firm mentioned in the valuation reports on the Zhaoxi Land, the Jianjin Land and the Dingchi Land;
- (o) the valuation report prepared by Fujian Puhe Certified Public Accountants Company Limited and Xiamen Qianyuan Asset Valuation and Property Valuation Company Limited on Changsha Zhaoxi;
- (p) the valuation report prepared by Fujian Puhe Certified Public Accountants Company Limited and Xiamen Dacheng Fanghua Assets Appraisal Land Real Estate Appraisal Company Limited on Taicang Jianjin;
- (q) the valuation reports prepared by Fujian Puhe Certified Public Accountants Company Limited and Xiamen University Assets Appraisal Land Real Estate Appraisal Company Limited on Nanning Dingchi and Nanning Qinghe;
- (r) the written consent referred to in the section headed "Experts' qualifications and consents" in this appendix;
- (s) the Company's circulars which have been issued since the date of the latest published audited accounts of the Company; and
- (t) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING

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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1908)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**Meeting**”) of C&D International Investment Group Limited (the “**Company**”) will be held at Office No. 3517, 35th Floor, Wu Chung House, 213 Queen’s Road East, Wanchai, Hong Kong on Wednesday, 9 May 2018 at 2:30 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 16 January 2018 (the “**Changsha Zhaoxi Equity Transfer Agreement**”) entered into between Xiamen Jianhui Real Estate Development Company Limited (“**Xiamen Jianhui**”) and Xiamen Yi Yue Property Company Limited (“**Yi Yue**”) in respect of the transfer of 100% equity interests in Changsha Zhaoxi Real Estate Development Company Limited from Xiamen Jianhui to Yi Yue (a copy of which has been produced to the Meeting and initialed 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 confirmed, approved and ratified, subject to such addition or amendment as any director(s) of the Company (the “**Director(s)**”) may consider necessary, desirable or appropriate;
- (b) any Director(s) be and are hereby authorised for and on behalf of the Company to, amongst others, sign, execute and deliver or to authorise the signing, execution and delivery of all such documents and deeds, to do or authorise doing all such acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the Changsha Zhaoxi Equity Transfer Agreement and any ancillary documentation and transactions thereof;
- (2) (a) the equity transfer agreement dated 16 January 2018 (the “**Taicang Jianjin Equity Transfer Agreement**”) entered into between C&D Real Estate Corporation Limited (“**C&D Real Estate**”) and Yi Yue in respect of the transfer of 100% equity interests in Taicang Jianjin Real Estate Development Company Limited from C&D Real Estate to Yi Yue (a copy of which has been produced to the Meeting and initialed by the chairman of the Meeting for identification purpose), the transactions contemplated

NOTICE OF EXTRAORDINARY GENERAL MEETING

thereunder and all other transactions in connection therewith and any other ancillary documents, be and are hereby confirmed, approved and ratified, subject to such addition or amendment as any Director(s) 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 Taicang Jianjin Equity Transfer Agreement and any ancillary documentation and transactions thereof;
- (3) (a) the equity transfer agreement dated 16 January 2018 (the “**Nanning Dingchi Equity Transfer Agreement**”) entered into between C&D Real Estate Corporation Nanning Limited (“**C&D Nanning**”) and Yi Yue in respect of the transfer of 51% equity interests of Nanning Dingchi Real Estate Development Company Limited from C&D Nanning to Yi Yue (a copy of which has been produced to the Meeting and initialed 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 confirmed, approved 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 Nanning Dingchi Equity Transfer Agreement and any ancillary documentation and transactions thereof;
- (4) (a) the equity transfer agreement dated 16 January 2018 (the “**Nanning Qinghe Equity Transfer Agreement**”) entered into between C&D Nanning and Yi Yue in respect of the transfer of 51% equity interests in Nanning Qinghe Real Estate Development Company Limited from C&D Nanning to Yi Yue (a copy of which has been produced to the Meeting and initialed 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 confirmed, approved 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 Nanning Qinghe Equity Transfer Agreement and any ancillary documentation and transactions thereof.

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 April 2018

Registered office:

P.O. Box 10008
Willow House
Cricket Square
Grand Cayman KY1-1111
Cayman Islands

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

Office No. 3517, 35th Floor
Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares in the Company (the "Shares") may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company.
2. In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, personally or by proxy, that one of the said persons so present whose name stands first in the register in respect of such Shares shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorized, and must be deposited with the Hong Kong branch share registrar and transfer office (the "**Branch Share Registrar**") of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, 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, 4 May 2018 to Wednesday, 9 May 2018 (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, 3 May 2018.
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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

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.