THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Hsin Chong Construction Group Ltd. (the "**Company**"), you should at once hand this circular and the enclosed form of proxy to the purchaser or transferee, or to the bank, stockbroker, registered dealer in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information only. It does not constitute an invitation or offer to acquire, purchase or subscribe for any securities.

新昌 HSIN CHONG

HSIN CHONG CONSTRUCTION GROUP LTD.

新昌營造集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00404)

(1) VERY SUBSTANTIAL ACQUISITIONS AND CONNECTED TRANSACTIONS IN RELATION TO ACQUISITIONS OF TWO LAND SITES IN THE PEOPLE'S REPUBLIC OF CHINA INVOLVING THE ISSUES OF CONSIDERATION SHARES AND CONVERTIBLE BONDS AND ACQUISITION OF PS HONG KONG LIMITED

(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

AND

(3) SPECIFIC MANDATE TO ISSUE NEW SHARES

Financial adviser to Hsin Chong Construction Group Ltd.

SOMERLEY LIMITED

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

Investec

A notice convening the special general meeting of the Company to be held at 2nd Floor, Hsin Chong Center, 107-109 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong on 19 October 2011 (Wednesday) at 9:30 a.m. is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you are able to attend the special general meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrars, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the special general meeting or any adjournment thereof. **Completion and return of the form of proxy shall not preclude you from attending and voting in person at the special general meeting or any adjourned meeting thereof should you so wish.**

30 September 2011

* *for identification purposes only*

CONTENTS

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

"Acquisitions"	the TL Acquisition and the GQC Acquisition
"Announcement"	the announcement of the Company dated 28 July 2011 in relation to the Acquisitions, the PSHK Acquisition, the proposed increase in authorised share capital of the Company and the Specific Mandate
"associate(s)"	has the same meaning as defined in the Listing Rules
"Beijing WFOE"	峻炫管理咨詢(北京)有限公司, a wholly foreign owned enterprise established in the PRC and the entire registered and paid up capital is wholly and beneficially owned by PSHK
"Board"	the board of the Directors
"Business Day"	a day (other than a Saturday, a Sunday or a public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"BVI"	the British Virgin Islands
"Company"	Hsin Chong Construction Group Ltd., a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange
"connected person(s)"	has the same meaning as defined in the Listing Rules
"Consideration Shares"	the TL Consideration Shares and the GQC Consideration Shares
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group as enlarged by the Acquisitions and the PSHK Acquisition
"Fund Raising Exercise"	the fund raising activities including by way of placing or issue of new Shares to be conducted by the Company, the number of Shares to be allotted and issued should not be less than 900,000,000 Shares and the fund raised therefrom should not be less than the cash portion of the GQC Consideration and, such fund raising activities shall be conducted in such manner as Perfect Mark and/or the Company may agree
"GQC Acquisition"	the proposed acquisitions of the entire issued share capital of the Target Co 3, the Target Co 4 and the Target Co 5 by Perfect Mark from Neo Summit pursuant to the terms and conditions of the GQC Acquisition Agreement

"GQC Acquisition Agreement"	the acquisition agreement dated 27 July 2011 entered into among Perfect Mark, Neo Summit, the Company, Mr. Wong and Ms. Ma Kwing, Pony in respect of the GQC Acquisition
"GQC Adjusted NAV"	being approximately HK$1,659.6 million, the aggregate net asset values of each of the Target Co 3, the Target Co 4 and the Target Co 5 after adjusted for (i) the valuation of the GQC Sites as at 30 June 2011, using the direct comparison valuation method, in the amount of RMB1,578 million; (ii) the anticipated debt-free positions (save for inter-company loans) of each of the Target Co 3, the Target Co 4 and the Target Co 5 at GQC Completion; and (iii) the estimated potential tax liabilities of the GQC Group resulting from the appreciation of the fair value of the GQC Sites
"GQC Completion"	completion of the GQC Acquisition
"GQC Completion Date"	the date falling the third Business Day after all the conditions precedent to the GQC Acquisition Agreement have been fulfilled or such other date as Neo Summit and Perfect Mark may agree
"GQC Consideration"	the consideration of HK$1,420 million payable by Perfect Mark for acquisitions of the entire issued share capital of the Target Co 3, the Target Co 4 and the Target Co 5 pursuant to the GQC Acquisition Agreement
"GQC Consideration Shares"	the new Shares to be allotted and issued by the Company to Neo Summit as part payment of the GQC Consideration
"GQC Group"	the Target Co 3, the Target Co 4 the Target Co 5 and their respective subsidiaries
"GQC Payment Agent"	共青奧特萊斯有限公司 (Gongqing Outlet Company Ltd.*), a company established in the PRC and controlled by a company incorporated in Hong Kong known as 中國基建集團(國際)有限公司 (China Infrastructure Group (International) Limited*) which, to the best knowledge of the Directors after having made all reasonable enquiries, is a related party to one of the substantial shareholders of Neo Summit and being the agent which has paid part (but not whole) of the WFOE 3 Land Grant Fees, the WFOE 4 Land Grant Fees and the WFOE 5 Land Grant Fees for and on behalf of the WFOE 3, the WFOE 4 and the WFOE 5 respectively
"GQC Sites"	the Target Site 3, the Target Site 4 and the Target Site 5
"GQC Valuation"	the value of the GQC Sites shown in the valuation report as set out in appendix V to this circular

"GQC WFOEs"	the WFOE 3, the WFOE 4 and the WFOE 5
"Group"	the Company and its subsidiaries
"HK Co 1"	Far Capital Limited, a company incorporated in Hong Kong with its entire issued share capital currently held by the Target Co 1
"HK Co 2"	Sight Star Limited, a company incorporated in Hong Kong with its entire issued share capital currently held by the Target Co 2
"HK Co 3"	Ever Crown Properties Limited, a company incorporated in Hong Kong with its entire issued share capital currently held by the Target Co 3
"HK Co 4"	Able Bright Corporation Limited, a company incorporated in Hong Kong with its entire issued share capital currently held by the Target Co 4
"HK Co 5"	Honour Capital Limited, a company incorporated in Hong Kong with its entire issued share capital currently held by the Target Co 5
"HK Companies"	the HK Co 1, the HK Co 2, the HK Co 3, the HK Co 4 and the HK Co 5
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board, comprising all of the three independent non-executive Directors, namely Hon. Jeffrey LAM Kin-fung, Hon. Abraham SHEK Lai-him and Mr. Alexander MAK Kwai-wing, constituted to advise the Independent Shareholders as regards the terms of the TL Acquisition Agreement, the GQC Acquisition Agreement and the PSHK Acquisition Agreement and the transactions contemplated thereunder, the proposed increase in authorised share capital of the Company and the Specific Mandate
"Independent Shareholder(s)"	the Shareholder(s) other than Mr. Wong and his associates
"Independent Third Party(ies)"	to the best of knowledge, information and belief of the Directors having made all reasonable enquiries, the party(ies) and its (their) ultimate beneficial owners who is (are) independent of the Company and its connected persons as defined under the Listing Rules

"Investec"	Investec Capital Asia Limited, a licensed corporation to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the TL Acquisition Agreement, the GQC Acquisition Agreement and the PSHK Acquisition Agreement and the transactions contemplated thereunder, the proposed increase in authorised share capital of the Company and the Specific Mandate
"Issue Price"	the issue price of HK$1.53 per TL Consideration Shares or the issue price of the GQC Consideration Shares which will be the higher of HK$1.53 and the Placing Price, as the case may be
"Last Trading Date"	27 July 2011, being the last trading date of the Shares before the issue of the Announcement
"Latest Practicable Date"	28 September 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Wong"	Mr. WONG Ying-wai, the Director and the executive deputy chairman of the Company
"Neo Summit"	Neo Summit Limited, a company incorporated in the BVI with limited liability
"Optionholder(s)"	the holder(s) of the option(s) to subscribe for the Shares granted pursuant to the share option scheme adopted by the Company from time to time
"Perfect Mark"	Perfect Mark Investments Limited, an investment holding company incorporated in the BVI and a wholly-owned subsidiary of the Company
"Placing Price"	the issue price of the new Shares to be issued under the Fund Raising Exercise
"PRC" or "China"	the People's Republic of China and, for the purpose of this circular, excluding Hong Kong, Macao Special Administrative Region of the PRC and Taiwan
"PSG"	Pinnacle State Group Limited, a company incorporated in the BVI, the shares of which are wholly and beneficially owned by Mr. Wong
"PSHK"	PS Hong Kong Limited, a company incorporated in Hong Kong, being a direct wholly-owned subsidiary of PSG

"PSHK Acquisition"	the proposed acquisition of the entire issued share capital of PSHK by Perfect Mark from PSG pursuant to the terms and conditions of the PSHK Acquisition Agreement
"PSHK Acquisition Agreement"	the acquisition agreement dated 27 July 2011 entered into among Perfect Mark, PSG, the Company and Mr. Wong in respect of the PSHK Acquisition
"PSHK Completion"	completion of the PSHK Acquisition
"PSHK Completion Date"	the date falling the third Business Day after all the conditions precedent to the PSHK Acquisition Agreement have been fulfilled (or waived by Perfect Mark) or such other date as PSG and Perfect Mark may agree
"PSHK Consideration"	the consideration of HK$19,500,000 payable by Perfect Mark for the PSHK Acquisition pursuant to the PSHK Acquisition Agreement and the settlement of all shareholder's loan (approximately HK$1.9 million as at 31 May 2011) and all amounts due to Mr. Wong (approximately HK$3.8 million as at 31 May 2011) by Perfect Mark by procuring PSHK to repay the same, by way of a loan from Perfect Mark to PSHK
"PSHK Group"	PSHK, the Beijing WFOE and its other subsidiary/(ies) from time to time
"Senior Loan Note"	the senior loan note in an aggregate principal amount of HK$500 million
"SFO"	the Securities and Futures Ordinance (cap. 571 of the laws of Hong Kong)
"SGM"	the special general meeting of the Company to be held at 2nd Floor, Hsin Chong Center, 107-109 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong on 19 October 2011 (Wednesday) at 9:30 a.m. at for the purpose of considering and, if thought fit, approving the TL Acquisition Agreement, the GQC Acquisition Agreement, the PSHK Acquisition Agreement and the respective transactions contemplated thereunder, the increase in authorised share capital of the Company and the granting of the Specific Mandate
"Share(s)"	the ordinary share(s) with par value of HK$0.1 each in the issued share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"Specific Mandate"	a specific mandate for the Directors to issue up to 1,900,000,000 new Shares of which the Fund Raising Exercise shall account for no less than 900,000,000 new Shares and further details of which are set out in the paragraph headed "The Specific Mandate to issue new Shares" in the letter from the Board of this circular

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Synergis"	Synergis Holdings Limited, a subsidiary of the Company and the shares of which are listed on the main board of the Stock Exchange
"Takeovers Code"	the Hong Kong Code on the Takeovers and Mergers
"Target Co 1"	Rosy China Investments Limited, a company incorporated in the BVI with its entire issued share capital currently held by Neo Summit
"Target Co 2"	Sorano Investments Limited, a company incorporated in the BVI with its entire issued share capital currently held by Neo Summit
"Target Co 3"	Best Elect Investments Limited, a company incorporated in the BVI with its entire issued share capital currently held by Neo Summit
"Target Co 4"	Market Elite Investments Limited, a company incorporated in the BVI with its entire issued share capital currently held by Neo Summit
"Target Co 5"	Noble Empire Investments Limited, a company incorporated in the BVI with its entire issued share capital currently held by Neo Summit
"Target Companies"	the Target Co 1, the Target Co 2, the Target Co 3, the Target Co 4 and the Target Co 5
"Target Group"	the TL Group and the GQC Group
"Target Site 1"	the parcels of bare land owned by the WFOE 1 with an aggregate site area of approximately 942,648 sq. m. in 中國遼寧省鐵嶺縣凡河鎮新屯村 (Xintun Village, Fanhe Town, Tieling County, Liaoning Province, the PRC)
"Target Site 2"	the parcels of bare land owned by the WFOE 2 with an aggregate site area of approximately 861,517 sq. m. in 中國遼寧省鐵嶺縣凡河鎮大凡河村及新屯村 (Dafanhe Village and Xintun Village, Fanhe Town, Tieling County, Liaoning Province, the PRC)
"Target Site 3"	the parcels of bare land to be owned by the WFOE 3 with an aggregate site area of approximately 953,334 sq. m. in 中國江西省共青城江益鎮荷塘村及增瓏村 (Hetang Village and Zenglong Village, Jiangyi Town, Gongqing Cheng, Jiangxi Province, the PRC)
"Target Site 4"	the parcels of bare land to be owned by the WFOE 4 with an aggregate site area of approximately 1,570,666 sq. m. in 中國江西省共青城江益鎮荷塘村及增瓏村 (Hetang Village and Zenglong Village, Jiangyi Town, Gongqing Cheng, Jiangxi Province, the PRC)

"Target Site 5"	the parcels of bare land to be owned by the WFOE 5 with an aggregate site area of approximately 1,142,666 sq. m. in 中國江西省共青城江益鎮荷塘村及增瓏村 (Hetang Village and Zenglong Village, Jiangyi Town, Gongqing Cheng, Jiangxi Province, the PRC)
"TL Acquisition"	the proposed acquisitions of the entire issued share capital of the Target Co 1 and the Target Co 2 by Perfect Mark from Neo Summit pursuant to the terms and conditions of the TL Acquisition Agreement
"TL Acquisition Agreement"	the acquisition agreement dated 27 July 2011 entered into among Perfect Mark, Neo Summit, the Company, Mr. Wong and Ms. Ma Kwing, Pony in respect of the TL Acquisition
"TL Adjusted NAV"	being approximately HK$2,088 million, the aggregate net asset values of each of the Target Co 1 and the Target Co 2 after adjusted for (i) the valuation of the TL Sites as at 30 June 2011, using the direct comparison valuation method, in the amount of RMB2,030 million; (ii) the anticipated debt-free positions (save for inter-company loans) of each of the Target Co 1 and the Target Co 2 at TL Completion; and (iii) the estimated potential tax liabilities of the TL Group resulting from the appreciation of the fair value of the TL Sites
"TL Completion"	completion of the TL Acquisition
"TL Completion Date"	the date falling the third Business Day after all the conditions precedent to the TL Acquisition Agreement have been fulfilled or such other date as Neo Summit and Perfect Mark may agree
"TL Consideration"	the consideration of HK$1,828 million payable by Perfect Mark for acquisitions of the entire issued share capital of the Target Co 1 and the Target Co 2 pursuant to the TL Acquisition Agreement
"TL Consideration Shares"	the new Shares to be allotted and issued by the Company to Neo Summit as part payment of the TL Consideration
"TL Conversion Shares"	the new Shares to be allotted and issued upon the conversion of the TL Convertible Bonds at an initial conversion price of HK$1.53 per Share (subject to adjustment)
"TL Convertible Bonds"	the convertible bonds to be issued by the Company to Neo Summit (or any other person nominated by Neo Summit) as part payment of the TL Consideration
"TL Group"	the Target Co 1, the Target Co 2 and their respective subsidiaries

"TL Payment Agent"	鐵嶺嘉信置業有限公司 (Tieling Jiaxin Real Estate Company Limited*), a company established in the PRC and controlled by a company incorporated in Hong Kong known as 中國基建集團(國際)有限公司 (China Infrastructure Group (International) Limited*) which, to the best knowledge of the Directors after having made all reasonable enquiries, is a related party to one of the substantial shareholders of Neo Summit and being the agent which has paid the WFOE 1 Land Grant Fees and the WFOE 2 Land Grant Fees for and on behalf of the WFOE 1 and the WFOE 2 respectively
"TL Sites"	the Target Site 1 and the Target Site 2
"TL Valuation"	the value of the TL Sites shown in the valuation report as set out in appendix V to this circular
"TL WFOEs"	the WFOE 1 and the WFOE 2
"WFOE 1"	遼寧滙盛置業有限公司 (Liaoning Huisheng Property Investment Limited*), a wholly foreign owned enterprise established in the PRC and the entire registered and paid up capital is wholly and beneficially owned by the HK Co 1
"WFOE 1 Land Grant Contracts"	all land use rights grant contracts entered into between the WFOE 1 and 鐵嶺市國土資源局 (Tieling Bureau of Land and Resources*) in relation to the grant by Tieling Bureau of Land and Resources to the WFOE 1 of the land use rights of the Target Site 1
"WFOE 1 Land Grant Fees"	the aggregate of the land use rights grant fees paid by TL Payment Agent on behalf of the WFOE 1 to Tieling Bureau of Land and Resources prior to the TL Completion Date pursuant to the provisions of the WFOE 1 Land Grant Contracts
"WFOE 2"	遼寧同濟置業有限公司 (Liaoning Tongji Property Investment Limited*), a wholly foreign owned enterprise established in the PRC and the entire registered and paid up capital is wholly and beneficially owned by the HK Co 2
"WFOE 2 Land Grant Contracts"	all land use rights grant contracts entered into between the WFOE 2 and 鐵嶺市國土資源局 (Tieling Bureau of Land and Resources*) in relation to the grant by Tieling Bureau of Land and Resources to the WFOE 2 of the land use rights of the Target Site 2
"WFOE 2 Land Grant Fees"	the aggregate of the land use rights grant fees paid by TL Payment Agent on behalf of the WFOE 2 to Tieling Bureau of Land and Resources prior to the TL Completion Date pursuant to the provisions of the WFOE 2 Land Grant Contracts

"WFOE 3"	江西集信置業有限公司 (Jiangxi Ji Xin Property Investment Limited*), a wholly foreign owned enterprise established in the PRC and the entire registered and paid up capital is wholly and beneficially owned by the HK Co 3
"WFOE 3 Land Grant Contracts"	all land use rights grant contracts entered into between HK Co 3 and 共青城國土資源局 (Gongqing Cheng Bureau of Land and Resources*) in respect of the grant of land use rights of the Target Site 3 and the supplemental agreements in relation thereto
"WFOE 3 Land Grant Fees"	the aggregate of the land use rights grant fees paid by GQC Payment Agent on behalf of the WFOE 3 and by WFOE 3 to 共青城國土資源局 (Gongqing Cheng Bureau of Land and Resources*) prior to the GQC Completion Date pursuant to the provisions of the WFOE 3 Land Grant Contracts
"WFOE 4"	江西天福置業有限公司 (Jiangxi Tian Fu Property Investment Limited*), a wholly foreign owned enterprise established in the PRC and the entire registered and paid up capital is wholly and beneficially owned by the HK Co 4
"WFOE 4 Land Grant Contracts"	all land use rights grant contracts entered into between HK Co 4 and 共青城國土資源局 (Gongqing Cheng Bureau of Land and Resources*) in respect of the grant of land use rights of the Target Site 4 and the supplemental agreements in relation thereto
"WFOE 4 Land Grant Fees"	the aggregate of the land use rights grant fees paid by GQC Payment Agent on behalf of the WFOE 4 and by WFOE 4 to 共青城國土資源局 (Gongqing Cheng Bureau of Land and Resources*) prior to the GQC Completion Date pursuant to the provisions of the WFOE 4 Land Grant Contracts
"WFOE 5"	江西協成置業有限公司 (Jiangxi Xie Cheng Property Investment Limited*), a wholly foreign owned enterprise established in the PRC and the entire registered and paid up capital is wholly and beneficially owned by the HK Co 5
"WFOE 5 Land Grant Contracts"	all land use rights grant contracts entered into between HK Co 5 and 共青城國土資源局 (Gongqing Cheng Bureau of Land and Resources*) in respect of the grant of land use rights of the Target Site 5 and the supplemental agreements in relation thereto
"WFOE 5 Land Grant Fees"	the aggregate of the land use rights grant fees paid by GQC Payment Agent on behalf of the WFOE 5 and by WFOE 5 to 共青城國土資源局 (Gongqing Cheng Bureau of Land and Resources*) prior to the GQC Completion Date pursuant to the provisions of the WFOE 5 Land Grant Contracts

"GFA"	gross floor area
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"km"	kilometre(s)
"mu"	畝, a Chinese unit of measurement in terms of area and 1 mu is equivalent to approximately 666.67 sq. m.
"RMB"	Renminbi, the lawful currency of the PRC
"sq. m."	square metre(s)
"US$"	the United States of America dollar(s), the lawful currency of the United States of America
"%"	per cent

Unless otherwise specified, translations of RMB into HK$ and US$ into HK$ in this circular are based on the rates of HK$1.2 = RMB1.0 and HK$7.8 = US$1.0 respectively. No representation is made that any amounts in RMB, US$ and HK$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

* *for identification purposes only*

HSIN CHONG CONSTRUCTION GROUP LTD.

新 昌 營 造 集 團 有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00404)

Non-executive Chairman:
Dr. Kenneth CHU Ting-kin

Executive Directors:
Mr. Wilfred WONG Ying-wai *(Executive Deputy Chairman)*
Mr. Edmund LEUNG Kwong-ho *(Managing Director)*
Dr. Catherine CHU
Mr. Barry John BUTTIFANT

Independent Non-executive Directors:
Hon. Jeffrey LAM Kin-fung
Hon. Abraham SHEK Lai-him
Mr. Alexander MAK Kwai-wing

Registered Office:
Clarendon House
2 Church Street
Hamilton, HM11
Bermuda

Hong Kong Principal Place of Business:
Hsin Chong Center
107-109 Wai Yip Street
Kwun Tong
Kowloon
Hong Kong

30 September 2011

To the Shareholders, and for information only, the Optionholders,

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITIONS AND CONNECTED TRANSACTIONS IN RELATION TO ACQUISITIONS OF TWO LAND SITES IN THE PEOPLE'S REPUBLIC OF CHINA INVOLVING THE ISSUES OF CONSIDERATION SHARES AND CONVERTIBLE BONDS AND ACQUISITION OF PS HONG KONG LIMITED

(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

AND

(3) SPECIFIC MANDATE TO ISSUE NEW SHARES

INTRODUCTION

The Board is pleased to announce that on 27 July 2011, Perfect Mark (as purchaser), a wholly-owned subsidiary of the Company, Neo Summit (as vendor), the Company (as purchaser's guarantor) and Mr. Wong and Ms. Ma Kwing, Pony (as vendor's guarantors on a joint and several basis) entered into the TL Acquisition Agreement pursuant to which Perfect

* *for identification purposes only*

Mark has conditionally agreed to acquire and Neo Summit has conditionally agreed to sell the entire issued share capital of each of the Target Co 1 and the Target Co 2. The principal assets of the Target Co 1 and the Target Co 2 are the Target Site 1 and the Target Site 2 respectively, which are located in Dafanhe Village and Xintun Village, Fanhe Town, Tieling County, Liaoning Province, the PRC.

On the same date, Perfect Mark (as purchaser), Neo Summit (as vendor), the Company (as purchaser's guarantor) and Mr. Wong and Ms. Ma Kwing, Pony (as vendor's guarantors on a joint and several basis) entered into the GQC Acquisition Agreement pursuant to which Perfect Mark has conditionally agreed to acquire and Neo Summit has conditionally agreed to sell the entire issued share capital of each of the Target Co 3, the Target Co 4 and the Target Co 5. The principal assets of the Target Co 3, the Target Co 4 and the Target Co 5 are the Target Site 3, the Target Site 4 and the Target Site 5 respectively, which are located in Hetang Village and Zenglong Village, Jiangyi Town, Gongqing Cheng, Jiangxi Province, the PRC.

In addition and on the same date, Perfect Mark (as purchaser), PSG (as vendor), the Company (as purchaser's guarantor) and Mr. Wong (as vendor's guarantor) entered into the PSHK Acquisition Agreement pursuant to which Perfect Mark has conditionally agreed to acquire and PSG has conditionally agreed to sell the entire issued share capital of PSHK.

The purpose of this circular is to give you, among other things, (i) further information on the TL Acquisition Agreement, the GQC Acquisition Agreement, the PSHK Acquisition Agreement and the transactions contemplated thereunder; (ii) the unaudited pro forma financial information of the Enlarged Group; (iii) the accountants' reports on each member of the Target Group and PSHK; (iv) the reports on the TL Valuation and the GQC Valuation and the existing property interests held by the Group; (v) the proposed increase in authorised share capital of the Company; (vi) the Specific Mandate; (vii) the recommendation of the Independent Board Committee; (viii) the advice of Investec regarding the terms of the TL Acquisition Agreement, the GQC Acquisition Agreement, the PSHK Acquisition Agreement and the transactions contemplated thereunder; and (ix) notice of the SGM.

TL ACQUISITION

TL Acquisition Agreement

Date:	27 July 2011
Purchaser:	Perfect Mark
Vendor:	Neo Summit
Purchaser's Guarantor:	the Company
Vendor's Guarantors:	Mr. Wong and Ms. Ma Kwing, Pony (on a joint and several basis)

Neo Summit is an investment holding company. As at the Latest Practicable Date, Neo Summit is owned as to (i) approximately 28.9% by Pinnacle State Real Estate Limited, which is indirectly and wholly owned by Mr. Wong, the Director and the executive deputy chairman of the Company; (ii) approximately 13.3% by Summit View Holdings Limited, which is owned equally by Mr. Wong and Ms. Ma Kwing, Pony, an Independent Third Party; (iii) approximately 28.9% by Becl World Holding Ltd, which is wholly and indirectly owned by Beijing Capital (Hong Kong) Limited, being a wholly-owned subsidiary of Beijing Capital Co., Ltd, a company listed on the Shanghai Stock Exchange (stock code: 600008) which is principally engaged in treatment of waste water, water construction, real estate development and the manufacture and distribution of potable water; and (iv) the remaining approximately 28.9% by Jones Capital Investments Limited, which is directly and wholly owned by Ms. Ma Kwing, Pony, an Independent Third Party.

The Company has unconditionally and irrevocably undertaken to Neo Summit to procure the due and punctual performance by Perfect Mark of all the obligations expressed to be imposed on or assumed by it under the TL Acquisition Agreement and undertaken to indemnify and keep effectively indemnified Neo Summit against all liabilities, losses, damages, costs and expenses stipulated under the TL Acquisition Agreement.

Each of Mr. Wong and Ms. Ma Kwing, Pony has jointly and severally, unconditionally and irrevocably undertaken to Perfect Mark to procure the due and punctual performance by Neo Summit of all the obligations expressed to be imposed on or assumed by it under the TL Acquisition Agreement and undertaken to indemnify and keep effectively indemnified Perfect Mark against all liabilities, losses, damages, costs and expenses stipulated under the TL Acquisition Agreement.

The Company is informed by Neo Summit that Neo Summit entered into a debenture whereby Neo Summit grants various mortgages and charges in favour of its financier. Pursuant to the debenture, Neo Summit further assigns by way of security to its financier all its rights under any agreement to which it is a party, including but not limited to the TL Acquisition Agreement. Neo Summit will remain liable under the TL Acquisition Agreement to perform all its obligations and remain entitled to exercise all its rights, powers and discretion under the TL Acquisition Agreement, unless and until the Company receives notice from the financier to the contrary stating that the security has become enforceable.

Assets to be acquired

Pursuant to the TL Acquisition Agreement, Perfect Mark has conditionally agreed to acquire the entire issued share capital of the Target Co 1 and the Target Co 2 from Neo Summit.

Upon TL Completion, the Target Co 1 and the Target Co 2 will become wholly-owned subsidiaries of the Company.

There is no restrictions to the subsequent sale of securities of the Target Co 1 and the Target Co 2.

TL Consideration

The TL Consideration shall be HK$1,828 million, which has been agreed after arm's length negotiation between Perfect Mark and Neo Summit. The TL Consideration has been determined with reference to, among other things, the net asset values of each of the Target Co 1 and the Target Co 2 after adjusted for (i) the valuation of the TL Sites as at 30 June 2011, using the direct comparison valuation method, in the amount of RMB2,030 million; (ii) the anticipated debt-free positions (save for intercompany loans) of each of the Target Co 1 and the Target Co 2 at TL Completion; and (iii) the estimated potential tax liabilities (including the land appreciation tax and the corporate income tax) under the relevant PRC laws and regulations that may be payable by the TL WFOEs, being the difference of the potential net tax liability based on the TL Consideration and the total land premium for the TL Sites, which is calculated with reference to (a) the prevailing tax rates; (b) the projected sales proceeds from the sale of properties to be developed; and (c) the projected allowable costs deductions. The TL Consideration represents a discount of approximately 12.5% to the TL Adjusted NAV of approximately HK$2,088 million.

The Board was aware of the original cost of the TL Group to Neo Summit but the TL Consideration was negotiated on an arm's length basis, having regard to current value attributable to the TL Group, which is considered to be a normal market practice by the Board. In addition, having considered the expected cash flows and internal rate of returns the Company could be able to derive from the TL Group throughout the development, based on the TL Consideration and the discount of the TL Consideration to the TL Adjusted NAV, the Board considers that it is beneficial to the Company to proceed with the TL Acquisition which is in turn in the interests of the Company and the Shareholders as a whole.

If the TL Acquisition proceeds to completion, Neo Summit will enter into a tax indemnity in favour of the Target Companies and Perfect Mark on TL Completion, in which indemnity will be sought from Neo Summit in respect of the potential tax liabilities excluding any potential tax liabilities resulting from the appreciation of the fair value of the properties owned by the TL Group of which the potential net tax liabilities estimated for the TL Acquisition is approximately RMB290 million.

Upon TL Completion, the TL Consideration is to be satisfied by Perfect Mark to Neo Summit by way of:

(i) HK$350,000,000 in cash;

(ii) HK$500,000,000 by issue of the Senior Loan Note;

(iii) HK$218,790,000 by allotment and issue of 143 million TL Consideration Shares at the issue price of HK$1.53 per TL Consideration Share by the Company; and

(iv) the remaining HK$759,210,000 by issue of the TL Convertible Bonds in the same principal amount by the Company.

The cash portion of the TL Consideration is to be satisfied by Perfect Mark, which will be financed by obtaining new banking facilities and internally generated surplus funds of the Group.

Conditions precedent

TL Completion is subject to the following conditions being satisfied:

(1) Perfect Mark being satisfied with the results of the due diligence review on the TL Group;

(2) all necessary consents, licences and approvals from the shareholders, bankers, financial institutions and regulators required to be obtained on the part of Neo Summit and the TL Group in respect of the TL Acquisition Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;

(3) all necessary consents, licences and approvals from the shareholders, bankers, financial institutions and regulators required to be obtained on the part of Perfect Mark in respect of the TL Acquisition Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;

(4) the passing by the Independent Shareholders at the SGM of all necessary resolutions to approve the TL Acquisition Agreement and the transactions contemplated thereby, including but not limited to the issues of the TL Consideration Shares, the Senior Loan Note, the TL Convertible Bonds and the TL Conversion Shares, the increase of authorised share capital of the Company to HK$500 million divided into 5 billion Shares, and all other consents and acts required under the Listing Rules having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange;

(5) the obtaining of a legal opinion (in the approved form) from a firm of PRC legal advisers appointed by Perfect Mark in respect of the TL Acquisition Agreement and the transactions contemplated thereby, including but not limited to the following aspects: (i) the due and proper establishment and valid existence under the laws of the PRC of the TL WFOEs; (ii) the power and authority of the TL WFOEs to carry on their businesses as set forth in the constitutional documents of the TL WFOEs; (iii) the ownership of the registered and paid up capital of the TL WFOEs; (iv) the title of the TL WFOEs to the TL Sites; (v) the taxation payable by the TL Group and/or Neo Summit including (a) the deed tax and the stamp duty relating to the grant of the land use rights of the TL Sites by PRC authorities to the TL WFOEs; (b) the withholding income tax, which may be paid by Neo Summit in relation to capital gains by the TL WFOEs with respect to the TL Sites; (c) the land use tax relating to the TL Sites; (d) the stamp duty payable upon the payment of the registered capital of the TL WFOEs; and (e) the land appreciation tax relating to the TL Sites; (vi) the matters referred to in condition (8) below; and (vii) any other matters as may be required by Perfect Mark;

(6) the obtaining of a valuation report (in the approved form) from a firm of independent professional valuers appointed by Perfect Mark showing the TL Valuation to be not less than RMB2,030 million as set out in preliminary valuation letter regarding the preliminary valuation of the TL Sites as at 30 June 2011;

(7) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the TL Consideration Shares and the TL Conversion Shares; and

(8) the production by Neo Summit to Perfect Mark of evidence or documentary proof to the satisfaction of Perfect Mark that:

(i) (a) the land use rights certificates in respect of the Target Site 1 have been issued in the name of the WFOE 1 and remain in full force and effect on the TL Completion Date; and

(b) the land use rights certificates in respect of the Target Site 2 have been issued in the name of the WFOE 2 and remain in full force and effect on the TL Completion Date;

(ii) (a) the paid up capital of the WFOE 1 shall be not less than the WFOE 1 Land Grant Fees and such paid up capital has been contributed in full by the HK Co 1 in the appropriate foreign currencies; and

(b) the paid up capital of the WFOE 2 shall be not less than the WFOE 2 Land Grant Fees and such paid up capital has been contributed in full by the HK Co 2 in the appropriate foreign currencies;

(iii) (a) all necessary consents, licences and approvals required to be obtained from the relevant PRC governmental and regulatory authorities or agencies in relation to the remittance of the capital contribution made by the HK Co 1 to the WFOE 1, have been obtained and remain in full force and effect on the TL Completion Date; and

(b) all necessary consents, licences and approvals required to be obtained from the relevant PRC governmental and regulatory authorities or agencies in relation to the remittance of the capital contribution made by the HK Co 2 to the WFOE 2, have been obtained and remain in full force and effect on the TL Completion Date;

(iv) (a) the WFOE 1 has paid 鐵嶺市國土資源局 (Tieling Bureau of Land and Resources*) the WFOE 1 Land Grant Fees in full, requested a receipt for such payment and has requested that the Tieling Bureau of Land and Resources refund or repay to the TL Payment Agent the WFOE 1 Land Grant Fees paid by the TL Payment Agent in full; and

(b) the WFOE 2 has paid 鐵嶺市國土資源局 (Tieling Bureau of Land and Resources*) the WFOE 2 Land Grant Fees in full, requested a receipt for such payment and has requested that the Tieling Bureau of Land and Resources refund or repay to the TL Payment Agent the WFOE 2 Land Grant Fees paid by the TL Payment Agent in full;

(v) (a) the deed tax and the stamp duty relating to the grant of the land use rights of the TL Sites by PRC authorities to the TL WFOEs having been paid by the TL WFOEs in full;

(b) the stamp duty payable upon the payment of the registered capital of the TL WFOEs having been paid by Neo Summit in full; and

(c) the land use tax relating to the TL Sites having been paid by the TL WFOEs in full; and

(vi) save for inter-company loans among members of the TL Group, all indebtedness of each member of the TL Group having been repaid and all shareholder loans due to shareholders of Target Co 1 and Target Co 2 by the Target Co 1 and the Target Co 2, if any, having been capitalised.

All conditions set out above are incapable of being waived by either Perfect Mark or Neo Summit. If any of the conditions has not been satisfied at or before 12:00 noon on 27 November 2011 or such later date as Perfect Mark may agree the TL Acquisition Agreement shall cease and determine and thereafter neither party thereto shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, save for conditions 1, 8(i)(a)(b) and 8(v)(a), none of the conditions precedent to the TL Acquisition Agreement have been fulfilled.

TL Acquisition Completion

Upon fulfillment of all the conditions set out above, TL Completion shall take place on the TL Completion Date. For the avoidance of doubt, TL Completion is not conditional on GQC Completion.

Pursuant to the TL Acquisition Agreement, Neo Summit represents and warrants to Perfect Mark that it will use all its reasonable endeavours to assist Perfect Mark and the TL WFOEs to obtain within 12 months after the TL Completion Date, Qualification Certificates for Real Estate Development Enterprise, construction land use planning permit, construction work planning permit and construction work commencement permit issued in favour of the TL WFOEs for the development and construction of the real estate projects in relation to the TL Sites.

As set out in more details in the paragraph headed "Development plan" in the letter from the Board of this circular, the PRC legal adviser of the Company is of the opinion that, subject to the TL WFOEs conforming to the applicable PRC laws and regulations, there will be no material legal obstacles for the TL WFOEs to obtain the above-mentioned certificates and/or permits.

First right of refusal of pipeline projects

Neo Summit undertakes to grant the first right of refusal to Perfect Mark of acquiring the pipeline projects, which are for developing trendy lifestyle hubs and mixed use properties including residential, office, service apartments, hotels, retail shops and car parking spaces on the properties located in various provinces around the PRC (the "**Pipeline Properties**") as set out in the TL Acquisition Agreement. Pursuant to the first right of refusal, Perfect Mark has the discretion to exercise such right to invest or participate in the development of the Pipeline Properties. In the event that Perfect Mark has confirmed its interest to invest or participate in the development of the Pipeline Properties, Neo Summit and Perfect Mark shall enter into a formal agreement, the terms and conditions of which shall be further negotiated between the parties. Further announcement will be made when Perfect Mark exercises its right to acquire any of the Pipeline Properties as required under the Listing Rules and further details of the Pipeline Properties will be disclosed in the announcement.

GQC ACQUISITION

GQC Acquisition Agreement

Date:	27 July 2011
Purchaser:	Perfect Mark
Vendor:	Neo Summit
Purchaser's Guarantor:	the Company
Vendor's Guarantors:	Mr. Wong and Ms. Ma Kwing, Pony (on a joint and several basis)

The Company has unconditionally and irrevocably undertaken to Neo Summit to procure the due and punctual performance by Perfect Mark of all the obligations expressed to be imposed on or assumed by it under the GQC Acquisition Agreement and undertaken to indemnify and keep effectively indemnified Neo Summit against all liabilities, losses, damages, costs and expenses stipulated under the GQC Acquisition Agreement.

Each of Mr. Wong and Ms. Ma Kwing, Pony has jointly and severally, unconditionally and irrevocably undertaken to Perfect Mark to procure the due and punctual performance by Neo Summit of all the obligations expressed to be imposed on or assumed by it under the GQC Acquisition Agreement and undertaken to indemnify and keep effectively indemnified Perfect Mark against all liabilities, losses, damages, costs and expenses stipulated under the GQC Acquisition Agreement.

There is no restrictions to the subsequent sale of securities of the Target Co 3, the Target Co 4 and the Target Co 5.

Assets to be acquired

Pursuant to the GQC Acquisition Agreement, Perfect Mark has conditionally agreed to acquire from Neo Summit the entire issued share capital of the Target Co 3, the Target Co 4 and the Target Co 5.

Upon GQC Completion, the Target Co 3, the Target Co 4 and the Target Co 5 will become wholly-owned subsidiaries of the Company.

GQC Consideration

The GQC Consideration shall be HK$1,420 million, which has been agreed after arm's length negotiation between Perfect Mark and Neo Summit. The GQC Consideration has been determined with reference to, among other things, the net asset values of each of the Target Co 3, the Target Co 4 and the Target Co 5 after adjusted for (i) the valuation of the GQC Sites as at 30 June 2011, using the direct comparison valuation method, in the amount of RMB1,578 million; and (ii) the anticipated debt-free positions (save for intercompany loans) of each of Target Co 3, the Target Co 4 and the Target Co 5 at GQC Completion; and (iii) the estimated potential tax liabilities (including the land appreciation tax and the corporate income tax) under the relevant PRC laws and regulations that may be payable by the GQC WFOEs, being the difference of the potential net tax liability based on the GQC Consideration and the total land premium for the GQC Sites, which is calculated with reference to (a) the prevailing tax rates; (b) the projected sales proceeds from the sale of properties to be developed; and (c) the projected allowable costs deductions. The final GQC Consideration, shall be adjusted, by way of adjusting the number of the GQC Consideration Shares to be issued, based on the final valuation of the GQC Sites at GQC Completion when the land use rights certificates in respect of the GQC Sites have been granted by the relevant PRC governmental and regulatory authorities or agencies. The GQC Consideration represents a discount of approximately 14.4% to the GQC Adjusted NAV of approximately HK$1,660 million.

The Board was aware of the original cost of the GQC Group to Neo Summit but the GQC Consideration was negotiated on an arm's length basis, having regard to current value attributable to the GQC Group, which is considered to be a normal market practice by the Board. In addition, having considered the expected cash flows and internal rate of returns the Company could be able to derive from the GQC Group throughout the development, based on the GQC Consideration and the discount of the GQC Consideration to the GQC Adjusted NAV, the Board considers that it is beneficial to the Company to proceed with the GQC Acquisition which is in turn in the interests of the Company and the Shareholders as a whole.

If the GQC Acquisition proceeds to completion, Neo Summit will enter into a tax indemnity in favour of the Target Companies and Perfect Mark on GQC Completion, in which indemnity will be sought from Neo Summit in respect of the potential tax liabilities excluding any potential tax liabilities resulting from the appreciation of the fair value of the properties owned by the GQC Group of which the potential net tax liabilities estimated for the GQC Acquisition is approximately RMB195 million.

Upon GQC Completion, the GQC Consideration (subject to adjustment) is to be satisfied by Perfect Mark to Neo Summit by way of:

(i) HK$800 million in cash; and

(ii) HK$620 million by the issue of GQC Consideration Shares (subject to adjustment) at the issue price of HK$1.53 per GQC Consideration Share or the Placing Price (whichever is the higher) by the Company.

The GQC Consideration is subject to downward adjustment in accordance with the following formula:

A = (RMB1,578 million – B) × C

where

A = the amount (in HK$) to be deducted from the GQC Consideration payable by Perfect Mark by procuring the Company to allot and issue to Neo Summit the GQC Consideration Shares

B = the valuation of GQC Sites (in RMB) upon GQC Completion provided that where the valuation exceeds RMB1,578 million there shall not be any adjustments to the GQC Consideration

C = 1.20, being the exchange rate adjustment of RMB to HK$ for the purpose of adjustment of the GQC Consideration.

Conditions precedent

GQC Completion is subject to the following conditions being satisfied:

(1) completion of the Fund Raising Exercise;

(2) Perfect Mark being satisfied with the results of the due diligence review on the GQC Group;

(3) all necessary consents, licences and approvals from the shareholders, bankers, financial institutions and regulators required to be obtained on the part of Neo Summit and the GQC Group in respect of the GQC Acquisition Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;

(4) all necessary consents, licences and approvals from the shareholders, bankers, financial institutions and regulators required to be obtained on the part of Perfect Mark in respect of the GQC Acquisition Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;

(5) the passing by the Independent Shareholders at the SGM of all necessary resolutions to approve the GQC Acquisition including but not limited to the issues of the GQC Consideration Shares, the increase of authorised share capital of the Company to HK$500 million divided into 5 billion Shares, and all other consents and acts required under the Listing Rules having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange;

(6) the obtaining of a legal opinion (in the approved form) from a firm of PRC legal advisers appointed by Perfect Mark in respect of the GQC Acquisition Agreement and the transactions contemplated thereby, including but not limited to the following aspects: (i) the due and proper establishment and valid existence under the laws of the PRC of the GQC WFOEs; (ii) the power and authority of the GQC WFOEs to carry on their businesses as set forth in the constitutional documents of the GQC WFOEs; (iii) the ownership of the registered and paid up capital of the GQC WFOEs; (iv) the title of the GQC WFOEs to the GQC Sites; (v) the taxation payable by the GQC Group and/or Neo Summit including (a) the deed tax and the stamp duty relating to the grant of the land use rights of the GQC Sites by PRC authorities to the GQC WFOEs; (b) the withholding income tax, which may be paid by Neo Summit in relation to capital gains by the GQC WFOEs with respect to the GQC Sites; (c) the land use tax relating to the GQC Sites; (d) the stamp duty payable upon the payment of the registered capital of the GQC WFOEs; and (e) the land appreciation tax relating to the GQC Sites; (vi) the matters referred to in condition (8) below; and (vii) any other matters as may be required by Perfect Mark;

(7) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the GQC Consideration Shares; and

(8) the production by Neo Summit to Perfect Mark of evidence or documentary proof to the satisfaction of Perfect Mark that:

(i) (a) the land use rights certificates in respect of the Target Site 3 have been issued in the name of the WFOE 3 and remain in full force and effect on the GQC Completion Date;

(b) the land use rights certificates in respect of the Target Site 4 have been issued in the name of the WFOE 4 and remain in full force and effect on the GQC Completion Date; and

(c) the land use rights certificates in respect of the Target Site 5 have been issued in the name of the WFOE 5 and remain in full force and effect on the GQC Completion Date;

(ii) (a) the paid up capital of the WFOE 3 shall be not less than the WFOE 3 Land Grant Fees and such paid up capital has been contributed in full by the HK Co 3 in the appropriate foreign currencies;

(b) the paid up capital of the WFOE 4 shall be not less than the WFOE 4 Land Grant Fees and such paid up capital has been contributed in full by the HK Co 4 in the appropriate foreign currencies; and

(c) the paid up capital of the WFOE 5 shall be not less than the WFOE 5 Land Grant Fees and such paid up capital has been contributed in full by the HK Co 5 in the appropriate foreign currencies;

(iii) (a) all necessary consents, licences and approvals required to be obtained from the relevant PRC governmental and regulatory authorities or agencies in relation to the remittance of the capital contribution made by the HK Co 3 to the WFOE 3, have been obtained and remain in full force and effect on the GQC Completion Date;

(b) all necessary consents, licences and approvals required to be obtained from the relevant PRC governmental and regulatory authorities or agencies in relation to the remittance of the capital contribution made by the HK Co 4 to the WFOE 4, have been obtained and remain in full force and effect on the GQC Completion Date; and

(c) all necessary consents, licences and approvals required to be obtained from the relevant PRC governmental and regulatory authorities or agencies in relation to the remittance of the capital contribution made by the HK Co 5 to the WFOE 5, have been obtained and remain in full force and effect on the GQC Completion Date;

(iv) (a) the WFOE 3 has paid 共青城國土資源局 (Gongqing Cheng Bureau of Land and Resources*) the WFOE 3 Land Grant Fees in full, requested a receipt for such payment and has requested that the Gongqing Cheng Bureau of Land and Resources to refund or repay to the GQC Payment Agent in full such part of the WFOE 3 Land Grant Fees paid by the GQC Payment Agent;

(b) the WFOE 4 has paid 共青城國土資源局 (Gongqing Cheng Bureau of Land and Resources*) the WFOE 4 Land Grant Fees in full, requested a receipt for such payment and has requested that the Gongqing Cheng Bureau of Land and Resources to refund or repay to the GQC Payment Agent in full such part of the WFOE 4 Land Grant Fees paid by the GQC Payment Agent; and

(c) the WFOE 5 has paid 共青城國土資源局 (Gongqing Cheng Bureau of Land and Resources*) the WFOE 5 Land Grant Fees in full, requested a receipt for such payment and has requested that the Gongqing Cheng Bureau of Land and Resources to refund or repay to the GQC Payment Agent in full such part of the WFOE 5 Land Grant Fees paid by the GQC Payment Agent;

(v) (a) the deed tax and the stamp duty relating to the grant of the land use rights of the GQC Sites by PRC authorities to the GQC WFOEs having been paid by GQC WFOEs in full;

(b) the stamp duty payable upon the payment of the registered capital of the GQC WFOEs having been paid by Neo Summit in full; and

(c) the land use tax relating to the GQC sites having been paid by GQC WFOEs in full unless exempted by the PRC Government under its law, regulation and/or policies; and

(vi) save for inter-company loans among members of the GQC Group, all indebtedness of each member of the GQC Group shall be repaid and all shareholder loans due to shareholders of the Target Co 3, the Target Co 4 and the Target Co 5 by the Target Co 3, the Target Co 4 and the Target Co 5 respectively, if any, having been capitalised.

All conditions set out above are incapable of being waived by either Perfect Mark or Neo Summit. If any of the conditions has not been satisfied at or before 12:00 noon on 31 December 2012 or such later date as Perfect Mark may agree, the GQC Acquisition Agreement shall cease and determine and thereafter neither party thereto shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, none of the conditions precedent to the GQC Acquisition Agreement have been fulfilled.

GQC Completion

Upon fulfillment of all the conditions set out above, GQC Completion shall take place on the GQC Completion Date.

Pursuant to the GQC Acquisition Agreement, Neo Summit represents and warrants to Perfect Mark that it will use all its reasonable endeavours to assist Perfect Mark and the GQC WFOEs to obtain within 12 months after the GQC Completion Date, Qualification Certificates for Real Estate Development Enterprise, construction land use planning permit, construction work planning permit and construction work commencement permit issued in favour of the GQC WFOEs for the development and construction of the real estate projects in relation to the GQC Sites.

As set out in more details in the paragraph headed "Development plan" in the letter from the Board of this circular, the PRC legal adviser of the Company is of the opinion that, subject to the GQC WFOEs conforming to the applicable PRC laws and regulations, there will be no material legal obstacles for the GQC WFOEs to obtain the above-mentioned certificates and/or permits.

PSHK ACQUISITION

PSHK Acquisition Agreement

Date:	27 July 2011
Purchaser:	Perfect Mark
Vendor:	PSG
Purchaser's guarantor:	the Company
Vendor's guarantor:	Mr. Wong

PSG is an investment holding company. As at the Latest Practicable Date, Mr. Wong, the Director and the executive deputy chairman of the Company, is the sole beneficial owner of PSG.

The Company has unconditionally and irrevocably undertaken to PSG to procure the due and punctual performance by Perfect Mark of all the obligations expressed to be imposed on or assumed by it under the PSHK Acquisition Agreement and undertaken to indemnify and keep effectively indemnified PSG against all liabilities, losses, damages, costs and expenses stipulated under the PSHK Acquisition Agreement or otherwise which PSG may suffer or incur in connection with any default or delay on the part of Perfect Mark in performance of such obligations.

Mr. Wong has unconditionally and irrevocably undertaken to Perfect Mark to procure the due and punctual performance by PSG of all the obligations expressed to be imposed on or assumed by it under the PSHK Acquisition Agreement and undertaken to indemnify and keep effectively indemnified Perfect Mark against all liabilities, losses, damages, costs and expenses stipulated under the PSHK Acquisition Agreement or otherwise which Perfect Mark may suffer or incur in connection with any default or delay on the part of PSG in performance of such obligations. Mr. Wong also guaranteed that the liabilities of PSHK (including the debt under shareholder's loan from PSG and the debt due to Mr. Wong) as at 31 July 2011 will not exceed HK$12,000,000. Mr. Wong further undertook to indemnify Perfect Mark against any debt unpaid by debtors of PSHK in relation to the receivables that existed before PSHK Completion if the unpaid sum exceeds HK$100,000.

Assets to be acquired

Pursuant to the PSHK Acquisition Agreement, Perfect Mark has conditionally agreed to acquire the entire issued share capital of PSHK. Mr. Wong and PSG's total investment cost in PSHK, including paid-up capital and loans, was approximately HK$25.2 million.

Upon PSHK Completion, PSHK will become a wholly-owned subsidiary of the Company. On the same day, Perfect Mark will procure PSHK to repay, by way of a loan from Perfect Mark to PSHK, all obligations, liabilities and debts owing by PSHK to PSG (approximately HK$1.9 million as at 31 May 2011) and Mr. Wong (approximately HK$3.8 million as at 31 May 2011). Mr. Wong will procure the release of personal guarantee and personal security provided by Mr. Wong in respect of the bank financing of PSHK.

There is no restrictions to the subsequent sale of securities of PSHK.

PSHK Consideration

The PSHK Consideration shall be HK$19,500,000 which has been agreed after arm's length negotiation between Perfect Mark and PSG. The PSHK Consideration is based on the issued share capital of PSHK and has been determined with reference to, among other things, the anticipated net asset value of the PSHK Group as at 31 July 2011, the total amount of the continuing liabilities of PSHK that Mr. Wong guaranteed the total amount will not exceed HK$12,000,000 as at 31 July 2011, the indemnity given by Mr. Wong in respect of receivables that existed before PSHK Completion as mentioned above, the future prospects of the PSHK Group and the instrumental role that the PSHK Group will assume in contributing to the facilitation and implementation of successfully executing the overall master plans and project developments for each site, following the TL Completion and GQC Completion.

Upon PSHK Completion, the PSHK Consideration is to be satisfied by Perfect Mark to PSG in cash, which will be financed by obtaining new banking facilities and internally generated surplus funds of the Group.

Conditions precedent

PSHK Completion is subject to the following conditions being satisfied and/or waived (as the case may be):

(1) Perfect Mark being reasonably satisfied with the results of the due diligence review on the PSHK Group;

(2) the passing by the Independent Shareholders at the SGM of all necessary resolutions to approve the PSHK Acquisition Agreement and the transactions contemplated thereby and all other consents and acts required under the Listing Rules having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange;

(3) all necessary consents, licences and approvals required to be obtained on the part of PSG and the PSHK Group in respect of the PSHK Acquisition Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;

(4) all necessary consents, licences and approvals required to be obtained on the part of Perfect Mark in respect of the PSHK Acquisition Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;

(5) the vendor's warranties as contained in the PSHK Acquisition Agreement remaining true and accurate in all respects;

(6) the purchaser's warranties as contained in the PSHK Acquisition Agreement remaining true and accurate in all respects;

(7) the obtaining of a legal opinion (in the approved form) from a firm of PRC legal advisers appointed by Perfect Mark in respect of the PSHK Acquisition Agreement and the transactions contemplated thereby, including but not limited to the following aspects: (i) the due and proper establishment and valid existence under the laws of the PRC of the Beijing WFOE; (ii) the power and authority of the Beijing WFOE to carry on its business as set forth in its constitutional documents; (iii) the ownership of the registered and paid up capital of the Beijing WFOE; and (iv) any other matters as may be required by Perfect Mark; and

(8) the TL Acquisition Agreement having become unconditional.

Perfect Mark may at any time waive in writing condition (5) and PSG may at any time waive in writing condition (6) as set out above. The remaining conditions are incapable of being waived by either Perfect Mark or PSG. If any of the conditions set out above has not been satisfied (or, as the case may be, waived by Perfect Mark or PSG) at or before 12:00 noon on 27 November 2011 or such later date as Perfect Mark may agree, the PSHK Acquisition Agreement shall cease and determine and thereafter neither party to the PSHK Acquisition Agreement shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, none of the conditions precedent to the PSHK Acquisition Agreement have been fulfilled.

PSHK Completion

Upon fulfillment (or, as relevant, waiver by Perfect Mark or PSG) of all the conditions set out above, PSHK Completion shall take place on the PSHK Completion Date. For the avoidance of doubt, PSHK Completion is conditional on TL Acquisition Agreement becoming unconditional but not conditional on GQC Acquisition Agreement becoming unconditional.

SENIOR LOAN NOTE

The Senior Loan Note will be issued by the Company for the purpose of the settlement of part of the TL Consideration and its principal terms are set out below:

Issuer:	The Company
Principal amount:	HK$500 million
Maturity:	2 years from the date of issue
Interest rate:	4% per annum and subject to any early redemption or repayment, payable on the maturity date with an interest-free period of initial nine months

Early redemption:	The Senior Loan Note will be redeemed in part or in whole by the Company at any time from the date of issue of the Senior Loan Note upon the occurrence: (i) in respect of the Company, if the Company raises new funds in the equity or long term debt capital markets and funds raised in any single transaction are less than HK$800 million, to the extent of the lesser of (1) the amount raised; and (2) the principal amount outstanding together with a sum equivalent to the interest accrued on the redeemed amount of the Senior Loan Note; (ii) in respect of the Company, if the Company raises new funds in the equity or on long term debt capital markets and funds raised in any single transaction are greater than HK$800 million, to the extent of the lesser of (1) the amount raised in excess of HK$800 million; and (2) the principal amount outstanding together with a sum equivalent to the interest accrued on the redeemed amount of the Senior Loan Note; and (iii) in respect of any subsidiary of the Company (the "**Relevant Subsidiary**"), subject to the compliance with the requirements under the Listing Rules and other relevant regulations and laws, if funds raised in any transaction under which any Relevant Subsidiary receives cash pursuant to any issuance of shares (whether being ordinary shares, preference shares or otherwise) in the share capital of such Relevant Subsidiary or any equity-linked or hybrid security (including without limitation, any convertible or exchangeable security) to the public pursuant to any capital markets transaction to the extent of the lessor of (1) the amount of cash received; and (2) the principal amount outstanding together with a sum equivalent to the interest accrued on the redeemed amount of the Senior Loan Note. The principal amount outstanding of the Senior Loan Note will be reduced by the amount of any early redemption. No amount redeemed or repaid may be reborrowed.
Status:	Senior Loan Note will rank pari passu to all other present and future unsecured debt of the Company and will rank senior to the TL Convertible Bonds
Transferability:	Freely transferable in whole only
Events of default:	The holder of the Senior Loan Note may give notice to the Company that the Senior Loan Note is immediately due and repayable if:

(i) Payment default: a default is made in the payment of any sum, in respect of the Senior Loan Note when and as the same ought to be paid in accordance with the Senior Loan Note; or

(ii) Other default: a default is made by the Company in the performance or observance of any covenant, condition or provision contained in the Senior Loan Note and on its part to be performed or observed (other than the covenant to pay in paragraph (i) above) and such default continues for the period of 14 days next following the service by the holder of the Senior Loan Note on the Company of notice specifying brief details of such default; or

(iii) Cross default: any financial indebtedness of the Company or any major subsidiary (as defined in Rule 13.25 of the Listing Rules) becomes due and payable prior to its stated maturity by reason of an event of default (howsoever described) or any such indebtedness is not paid when due or, as the case may be, within any applicable grace period originally provided for or the Company or any major subsidiary fails to pay when due any amount payable by it under any present or future guarantee for any moneys borrowed or raised, or any creditor of the Company or any major subsidiary becomes entitled to declare any financial indebtedness of the Company or any major subsidiary due and payable prior to its specified maturity as a result of an event of default (however described) or any commitment for any financial indebtedness of the Company or any major subsidiary is cancelled, withdrawn or suspended by a creditor as a result of an event of default (howsoever described) provided that the aggregate amount of the relevant indebtedness or amount payable in respect of which one or more of the events mentioned above in this paragraph (iii) have occurred equals or exceeds HK$5,000,000 (or its equivalent in another currency); or

(iv) Dissolution of the Company and Disposals: a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved or the Company disposes of all or substantially all of its assets, otherwise, in any such case, than for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reorganisation, the terms of which shall have previously been approved in writing by the holder of the Senior Loan Note and/or than for any disposal which has previously been approved in writing by the holder of the Senior Loan Note, such approval not to be unreasonably withheld or delayed; or

(v) Dissolution of a major subsidiary and Disposals: a resolution is passed or an order of a court of competent jurisdiction is made for the winding up or dissolution of any major subsidiary or a major subsidiary disposes of all or substantially all of its assets except, in any such case:

(a) for the purposes of or pursuant to and followed by a consolidation or amalgamation with or merger into the Company or any other subsidiary of the Company; or

(b) for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reorganisation (other than as described in sub-paragraph (a) above) the terms of which shall have previously been approved in writing by the holder of the Senior Loan Note; or

(c) by way of a voluntary winding up or dissolution where there are surplus assets in such subsidiary of the Company and such surplus assets attributable to the Company and/or any other subsidiary of the Company are distributed to the Company and/or any such other subsidiary of the Company; or

(d) in the case of a disposal of all or substantially all of a major subsidiary's assets, where those assets will following such disposal be vested in the Company or another subsidiary of the Company; or

(e) for any disposal which has previously been approved in writing by the holder of the Senior Loan Note, such approval not to be unreasonably withheld or delayed; or

(vi) Encumbrances: an encumbrancer takes possession or a receiver, liquidator, administrator, compulsory manager or other similar officer is appointed in respect of any asset or assets of the Company or any major subsidiary having an aggregate value in excess of HK$50,000,000; or

(vii) Distress etc.: a distress, attachment, sequestration, execution or seizure before judgment is levied or enforced upon or sued out against a material part of the property of the Company or any major subsidiary and is not discharged within three days thereof; or

(viii) Bankruptcy: the Company or any major subsidiary is unable or admits inability to pay its debts as and when they fall due or the Company or any major subsidiary shall initiate or consent to proceedings relating to itself under any applicable bankruptcy, reorganisation or insolvency law or make an assignment for the benefit of, or enter into any composition with any of its creditors (save, in the case of a subsidiary of the Company, in the circumstances set out in sub-paragraphs (v)(a) to (d) (inclusive) above) or a moratorium is declared with respect to any financial indebtedness of the Company or any major subsidiary; or

(ix) Bankruptcy proceedings: proceedings shall have been initiated against the Company or any major subsidiary under any applicable bankruptcy, reorganisation or insolvency law and such proceedings shall not have been discharged or stayed within a period of 21 days; or

(x) Misrepresentation: any representation or warranty made by the Company in the Senior Loan Note is or proves to be incorrect or misleading in any material respect when made or repeated; or

(xi) Unlawfulness: it is or becomes unlawful for the Company to perform any of its obligations under the Senior Loan Note; or

(xii) Litigation: any current or pending litigation, arbitration or other legal proceedings against or involving the Company or any major subsidiary that, whether individually or in the aggregate, may have a material adverse effect or may have or results in loss or damages to the Company or a major subsidiary in an amount as finally determined by such court or arbitrator as is relevant to such litigation, arbitration or other legal proceedings of not less than HK$50,000,000 provided any such proceedings against or involving the Company or any major subsidiary shall not be an event of default where it is demonstrated that such action is frivolous or vexatious; or

(xiii) Material adverse change: any event or series of events occurs which has, or is reasonably likely to have, a material adverse effect; or

(xiv) Analogous events: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (vi) to (x) (inclusive) above.

The Directors consider that the representations and warranties given by the Company and the events of default under the Senior Loan Note are broadly standard for a loan note of this type.

CONSIDERATION SHARES

The TL Consideration Shares and the GQC Consideration Shares will be issued at not less than HK$1.53 per Share, which:

(i) represents a discount of approximately 2.5% to the closing price of HK$1.57 per Share as quoted on the Stock Exchange on the Last Trading Date;

(ii) represents a premium of approximately 1.3% over the average closing price of HK$1.51 per Share for the last five trading days up to and including the Last Trading Date;

(iii) equals to the average closing price of HK$1.53 per Share for the last ten trading days up to and including the Last Trading Date;

(iv) represents a premium of approximately 75.9% over the closing price of HK$0.87 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(v) represents a premium of approximately 48.5% over the audited consolidated net assets value attributable to equity holders of the Company per Share of approximately HK$1.03 as at 31 December 2010; and

(vi) represents a premium of approximately 25.4% over the unaudited consolidated net assets value of the Group attributable to the Shareholders per Share as at 30 June 2011 of approximately HK$1.22.

When allotted and issued, the TL Consideration Shares will represent approximately:

(i) 21.1% of the existing issued share capital of the Company as at the Latest Practicable Date;

(ii) 17.4% of the issued share capital of the Company as enlarged by the allotment and issue of the TL Consideration Shares;

(iii) 10.9% of the issued share capital of the Company as enlarged by the allotment and issues of the TL Consideration Shares and the TL Conversion Shares;

(iv) 6.7% of the issued share capital of the Company as enlarged by the allotment and issues of the Consideration Shares and 900,000,000 new Shares, being the minimum number of new Shares required to be issued under the Fund Raising Exercise; and

(v) 5.5% of the issued share capital of the Company as enlarged by the allotment and issues of the Consideration Shares, the TL Conversion Shares and 900,000,000 new Shares, being the minimum number of new Shares required to be issued under the Fund Raising Exercise.

When allotted and issued, the maximum number of GQC Consideration Shares will represent approximately:

(i) 59.8% of the existing issued share capital of the Company as at the Latest Practicable Date;

(ii) 37.4% of the issued share capital of the Company as enlarged by the allotment and issue of the GQC Consideration Shares;

(iii) 19.1% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and 900,000,000 new Shares, being the minimum number of new Shares under the Fund Raising Exercise; and

(iv) 15.5% of the issued share capital of the Company as enlarged by the allotment and issues of the Consideration Shares, the TL Conversion Shares and 900,000,000 new Shares, being the minimum number of new Shares required to be issued under the Fund Raising Exercise.

The Consideration Shares are to be issued by the Company under specific mandates. The Consideration Shares, when allotted and issued, will rank pari passu in all respects with all the Shares then in issue.

The Issue Price was arrived at after arm's length negotiations between the parties to the TL Acquisition Agreement and the GQC Acquisition Agreement after taking into account, among others, the prevailing market price of the Shares, the financial performance of the Group and the current market conditions.

An application has been made to the Stock Exchange by the Company for the listing of, and permission to deal in, the Consideration Shares.

TL CONVERTIBLE BONDS

The principal terms of the TL Convertible Bond are summarised below:

Issuer:	The Company
Principal amount:	HK$759,210,000
Conversion price:	Initially, HK$1.53 per TL Conversion Share, subject to adjustments which will arise as a result of, among others, consolidation or subdivision of Shares; capitalisation of profits or reserves; capital distribution or grant of rights to acquire for cash assets; or subsequent issue of securities or grant of option or warrants or other rights to subscribe for securities.
Conversion period:	The period commencing on the date of issue of the TL Convertible Bonds and expiring on the maturity date.
Interest rate:	Nil
Maturity:	The seventh anniversary of the date of issue of the TL Convertible Bonds. To the extent that the TL Convertible Bonds has not been previously redeemed, converted, purchased or cancelled, the Company shall repay the outstanding principal amount of the TL Convertible Bonds on the maturity date.
Ranking:	All TL Conversion Shares to be allotted and issued shall rank pari passu in all respects with the fully paid Shares in issue on the relevant conversion date and shall accordingly entitle the holders to participate in full in all dividends or other distributions paid or made on the Shares after the relevant conversion date other than any dividend or other distribution previously declared, or recommended or resolved to be paid or made if the record date therefore shall be on or before the relevant conversion date.

Transferability:	The TL Convertible Bonds or any part(s) thereof may be transferred at any time with prior notice served to the Company, provided such transfer shall also be in compliance with the conditions under the TL Convertible Bonds and, save for the consent of the Stock Exchange, none of the TL Convertible Bonds may be transferred to a connected person of the Company. The Company shall notify the Stock Exchange of any transfer of the TL Convertible Bonds and shall state whether connected person of the Company is involved.
Conversion right:	The holder of each TL Convertible Bond will have the right to convert the TL Convertible Bond into the Shares credited as fully paid subject to, among other things, any conversion of the TL Convertible Bond (a) shall not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder of the TL Convertible Bond which exercised the conversion right and its party(ies) acting in concert as defined under the Takeovers Code; and (b) will not cause the public float of the Company unable to meet the requirement under the Listing Rules. In addition, no conversion of the TL Convertible Bonds shall be made by the holder of the TL Convertible Bonds until after (1) GQC Completion or (2) the Company having notified the holder of the TL Convertible Bonds in writing that the GQC Acquisition will not proceed to completion.
Early redemption:	Unless previously converted, redeemed or cancelled, the TL Convertible Bonds (in whole or in part) may be redeemed by the Company from time to time before the maturity date at 100% of the total amount of such TL Convertible Bonds.
Put option:	Unless previously converted, redeemed or cancelled, the TL Convertible Bonds (in whole or in part), the holder of the TL Convertible Bonds have the right to require the Company to redeem all or some of the TL Convertible Bonds on the fifth anniversary of the date of the issue of the TL Convertible Bonds at 100% of the total amount of such TL Convertible Bonds.
Status and subordination:	TL Convertible Bonds will be subordinate to the terms and conditions to the Senior Loan Note.
Voting:	The holder of the TL Convertible Bonds shall not be entitled to attend or vote at any meetings of the Company by reason only of it being the holder of the TL Convertible Bonds.
Listing:	No application will be made for the listing of the TL Convertible Bonds.
Events of default:	Any holder of the TL Convertible Bonds may give notice to the Company that the TL Convertible Bonds are immediately due and repayable if: (i) Payment default: a default is made in the payment of the principal, in respect of any of the TL Convertible Bonds when and as the same ought to be paid; or

(ii) Other default: a default is made by the Company in the performance or observance of any covenant, condition or provision contained in the TL Convertible Bonds such default continues for the period of 14 days; or

(iii) Cross default: any other present or future indebtedness of the Company or any major subsidiary for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of an event of default (however called) or any such indebtedness is not paid when due; or

(iv) Dissolution of the Company and disposals: a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved or the Company disposes of all or substantially all of its assets; or

(v) Dissolution of a major subsidiary and disposals: a resolution is passed or an order of a court of competent jurisdiction is made for the winding up or dissolution of any major subsidiary or a major subsidiary disposes of all or substantially all of its assets except for a number of circumstances; or

(vi) Encumbrances: an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or undertaking of the Company or any major subsidiary; or

(vii) Distress etc.: a distress, execution or seizure before judgment is levied or enforced upon or sued out against a material part of the property of the Company or any major subsidiary and is not discharged within three days thereof; or

(viii) Bankruptcy: the Company or any major subsidiary is unable to pay its debts as and when they fall due or the Company or any major subsidiary shall initiate or consent to proceedings relating to itself under any applicable bankruptcy, reorganisation or insolvency law or make an assignment for the benefit of, or enter into any composition with, its creditors; or

(ix) Bankruptcy proceedings: proceedings shall have been initiated against the Company or any major subsidiary under any applicable bankruptcy, reorganisation or insolvency law and such proceedings shall not have been discharged or stayed within a period of 21 days.

When allotted and issued, the TL Conversion Shares will represent approximately:

(i) 73.2% of the existing issued share capital of the Company as at the Latest Practicable Date;

(ii) 42.3% of the issued share capital of the Company as enlarged by the allotment and issue of the TL Conversion Shares;

(iii) 37.7% of the issued share capital of the Company as enlarged by the allotment and issues of the TL Consideration Shares and TL Conversion Shares; and

(iv) 18.9% of the issued share capital of the Company as enlarged by the allotment and issues of the Consideration Shares, TL Conversion Shares and 900,000,000 new Shares, being the minimum number of new Shares required to be issued under the Fund Raising Exercise.

The TL Conversion Shares are to be issued by the Company under specific mandate. The TL Conversion Shares, when allotted and issued, will rank pari passu in all respects with all the Shares then in issue. The issue of the TL Conversion Shares will not result in a change of control of the Company as the conversion right in the TL Convertible Bond as set out above in the sub-paragraph headed "Conversion right" under the section headed "TL Convertible Bond" restricts its holder to convert the TL Convertible Bond into the Shares which will trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder of the TL Convertible Bond.

An application has been made to the Stock Exchange by the Company for the listing of, and permission to deal in, the TL Conversion Shares.

The conversion price

The TL Conversion Shares will be issued at not less than HK$1.53 per Share which:

(i) represents a discount of approximately 2.5% to the closing price of HK$1.57 per Share as quoted on the Stock Exchange on the Last Trading Date;

(ii) represents a premium of approximately 1.3% over the average closing price of HK$1.51 per Share for the last five trading days up to and including the Last Trading Date;

(iii) equals to the average closing price of HK$1.53 per Share for the last ten trading days up to and including the Last Trading Date;

(iv) represents a premium of approximately 75.9% over the closing price of HK$0.87 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(v) represents a premium of approximately 48.5% over the audited consolidated net assets value attributable to equity holders of the Company per Share of approximately HK$1.03 as at 31 December 2010; and

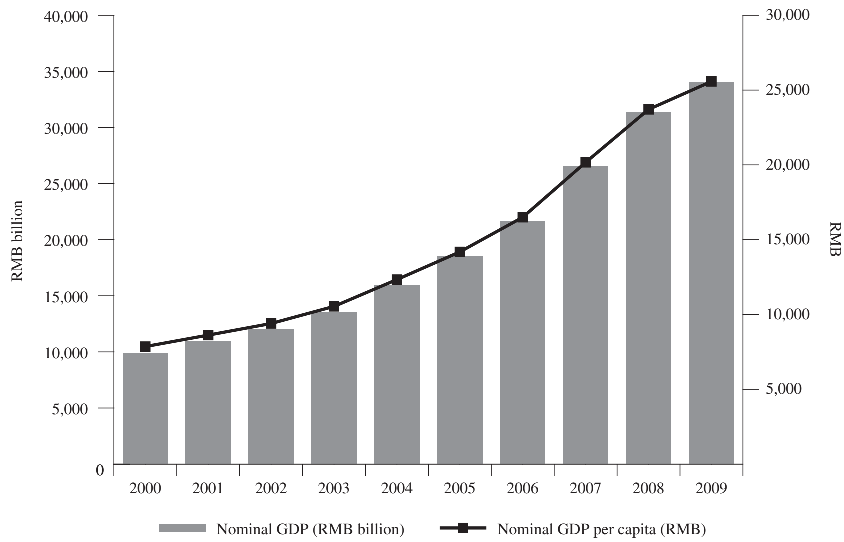
(vi) represents a premium of approximately 25.4% over the unaudited consolidated net assets value of the Group attributable to the Shareholders per Share as at 30 June 2011 of approximately HK$1.22.

The conversion price was arrived at after arm's length negotiations between the parties to the TL Acquisition Agreement after taking into account, among others, the prevailing market price of the Shares, the financial performance of the Group and the current market conditions.

INDUSTRY OVERVIEW

Macro-economic environment and the property market in the PRC

Over the past decade, the PRC economy has been regarded as one of the fastest growing economies in the world by virtue of it achieving a compound annual growth rate ("CAGR") of gross domestic product ("GDP") of 14.7% and a CAGR of GDP per capita of 14.0% respectively for the period between 1999 and 2009.



Source: National Bureau of Statistics (國家統計局)

The favourable economic environment, rising disposable income and the positive outlook of the PRC, along with property market reforms undertaken by the PRC Government, have fuelled the growth of the PRC property market, and particularly, the rapid pace of urbanisation. According to 國家統計局 (National Bureau of Statistics), in recent years, the PRC property market has seen significant growth in investment in property development where investment in property development has grown at a CAGR of approximately 24.7%, increasing from approximately RMB498.4 billion in 2000 to approximately RMB3,624.2 billion in 2009. Total floor space of commercialised properties sold has been growing at CAGRs of approximately 19.8% between 2000 and 2009 from approximately 186.4 million sq. m. in 2000 to approximately 947.6 million sq. m.. The average selling price of commercialised properties increased from approximately RMB2,112.0 per sq. m. in 2000 to RMB4,681.0 per sq. m. in 2009, representing a CAGR of approximately 9.2%.

Although briefly affected by the global recession in 2008 when the total floor space of commercialised properties sold decreased by approximately 14.7% when compared to 2007, the average selling price of such commercialised properties remained stable, which demonstrated the robustness of the PRC property market on property pricing.

	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Total investment in real estate development *(RMB billion)*	498.4	634.4	779.1	1,015.4	1,315.8	1,590.9	1,942.3	2,528.9	3,120.3	3,624.2
Total floor space of commercialised buildings sold *(million sq. m.)*	186.4	224.1	268.1	337.2	382.3	554.9	618.6	773.5	659.7	947.6
Average selling price of commercialised buildings *(RMB per sq. m.)*	2,112.0	2,170.0	2,250.0	2,359.0	2,778.0	3,167.7	3,366.8	3,863.9	3,800.0	4,681.0

Source: National Bureau of Statistics (國家統計局)

Overview of the PRC property market reform

Before the nationwide economic reform brought about from 1978, the PRC adopted a welfare housing system. At that time, state-owned enterprises ("**SOEs**") and the PRC Government had the obligation to offer all welfare benefits such as housing, medical care and education for children to their employees which was overly burdensome for the SOEs and the PRC Government and did not provide the flexibility for employees in choosing their desired housing, medical care or education for their children.

From late 1978, the PRC Government began considering allowing people to own property. In September 1980, the Beijing Property Development Company was established, marking the start of the PRC's property market. In 1987, the Shenzhen Government sold land use rights for property development through a public auction which was the first time property was auctioned off to the public in the PRC. In 1990, Shanghai formulated a housing reform plan and in 1991, became the first city to set up a central provident fund system in China.

From 1992 to 1993, the PRC experienced its first real estate boom. A housing reform system was carried out nationwide in 1992 and the State Council launched the "Anju Project" in 1993, which aimed to provide more affordable housing to urban residents. With the real estate boom came a significant increase in investment in real estate and resultant inflationary pressures in 1992 and 1993. Since 1993, the PRC government has begun to rein in the overheating economy through macro-controls, with real estate being one of the key sectors targeted. Due to the cooling measures introduced, the sector cooled down gradually between 1993 and 1997 until the turning point in 1998, when the welfare housing system finally came to an end. As part of the reform, the PRC banks started to provide mortgage loans to consumers. Coupled with continued rising incomes, the PRC property market began to recover. After 2000, with the increasing urbanisation, the rising disposable incomes of urban residents and population movements, there was increased demand for housing, especially in major cities. The bearish stock market and low deposit interest rates prior to 2003 further attracted alternative investments into the real estate sector, which also contributed to the strong growth in the sector in the early 2000.

In order to prevent the real estate sector from seriously overheating, the PRC Government once again implemented macro-control in 2003. Land regulation, tax and credit methods were used to control the speculative element in property investment. Since then, macro controls on the real estate sector have been ongoing.

When the housing prices began surging in 2006, the State Council published six regulatory measures to adjust the balance of the housing supply, focusing on the development of medium and small units to satisfy the demand of ordinary buyers. These policies were aimed to stabilise the housing prices and not to reduce them.

In 2007, tighter financing policies were implemented. The PBOC raised lending rates six times during the year, directly increasing the cost of housing mortgage loans. The central bank also raised interest rates for residential property loans during the year. In addition, there have been new regulations for residential property mortgage loans implemented. Under the new policy, deposits for second residential properties must be at least 40% of the total price. The housing loan is 10% higher than the benchmark interest rate. In terms of policies towards property developers, only projects with an initial capital of 35% are eligible for loans. In addition, property developers are prevented from hoarding land for more than two years.

In the same vein, other cooling measures introduced by the PRC government include policies to put various restrictions on property purchases and restriction on bank lending to serial home buyers. In addition, the PRC government has set its target to provide 10.0 million units of affordable housing in 2011.

Macroeconomic overview of Tieling and Shenyang and property market of Tieling

The 12th Five Year Plan (十二五規劃), in the context of PRC's planning practice, is related to the future planning of cities, provinces and the whole country. The related plans for Tieling and Shenyang show expected real GDP growth rates from 2011 to 2015 are approximately 18% and 11% respectively. The inflationary factor has not been included in the expected real GDP growth rate. The real economic growth, together with the inflation/GDP deflator as nominal income measure, is usually closely related to the property prices as one of the key fundamental factors, apart from other factors like future year-specific demand-supply and future policies.

Tieling

Real GDP growth rate	**11th Five Year Plan (2006-2010)**	**12th Five Year Plan (2011-2015)**
Expected/under original planning	15%	18% *(note)*
Actual	18.8%	N/A.

Sources: The 11th and 12th Five Year Plans of Tieling

Note: Only an initially proposed growth rate by the Tieling Municipal Party Committee (Tieling Daily, 19 April 2011) as the formal 12th Five Year Plan is not yet available.

Shenyang

Real GDP growth rate	**11th Five Year Plan (2006-2010)**	**12th Five Year Plan (2011-2015)**
Expected/under original planning	13 –15%	12%
Actual	16.3%	N/A.

Sources: The 11th and 12th Five Year Plans of Shenyang

In Tieling new town core areas, the residential prices range between approximately RMB3,000 per sq. m. to RMB3,200 per sq. m. in the first quarter of 2011. Elsewhere in the PRC, especially in the first-tier cities, there are restrictions of the number of residential units local residents and foreigners can buy, but such restrictions do not apply to Tieling. Interest rates on mortgage tend to follow the national interest rate, but the effect on local market tends to be limited given the lower housing prices in Tieling. Target buyers of the TL Sites are more likely to be those from other wealthier cities like Shenyang. In Tieling, however, buyers outside Tieling who plan to buy a residence based on a 70 year land tenure may not be able to get a local mortgage in Tieling and may have to arrange their own funds from elsewhere to finance the purchase. Retail market development in Tieling new town is relatively limited when compared with Shenyang or with Tieling traditional city centre. In the new town, there is only one retail project, Xindu Market (新都市場) with retailers selling general merchandise, and with space for general leasing and sale.

Macroeconomic overview of Jiujiang and Nanchang and property market of Gongqing Cheng

Given Gongqing Cheng's strategic location to both Jiujiang and Nanchang, it is important to analyse the economies of Jiujiang and Nanchang. The 12th Five Year Plan, in the context of the PRC's planning practice, is related to the future planning of cities, provinces and the whole country. The related plans for Jiujiang and Nanchang show the same expected real GDP growth rates from 2011 to 2015 at 13%. The inflationary factor has not been included in the expected real GDP growth rate. The real economic growth, together with the inflation/GDP deflator as nominal income measure, is usually closely related to the property prices as one of the key fundamental factors, apart from other factors like future year-specific demand-supply and future policies. Nanchang, which borders Jiujiang, also has similar expected growth rates from 2011 to 2015.

Jiujiang

Real GDP growth rate	11th Five Year Plan (2006-2010)	12th Five Year Plan (2011-2015)
Expected/under original planning	14.0%	13%
Actual	13.7%	N/A.

Sources: The 11th and 12th Five Year Plans of Jiujiang

Nanchang

Real GDP growth rate	11th Five Year Plan (2006-2010)	12th Five Year Plan (2011-2015)
Expected/under original planning	14%	13%
Actual	14.4%	N/A.

Sources: The 11th and 12th Five Year Plans of Nanchang

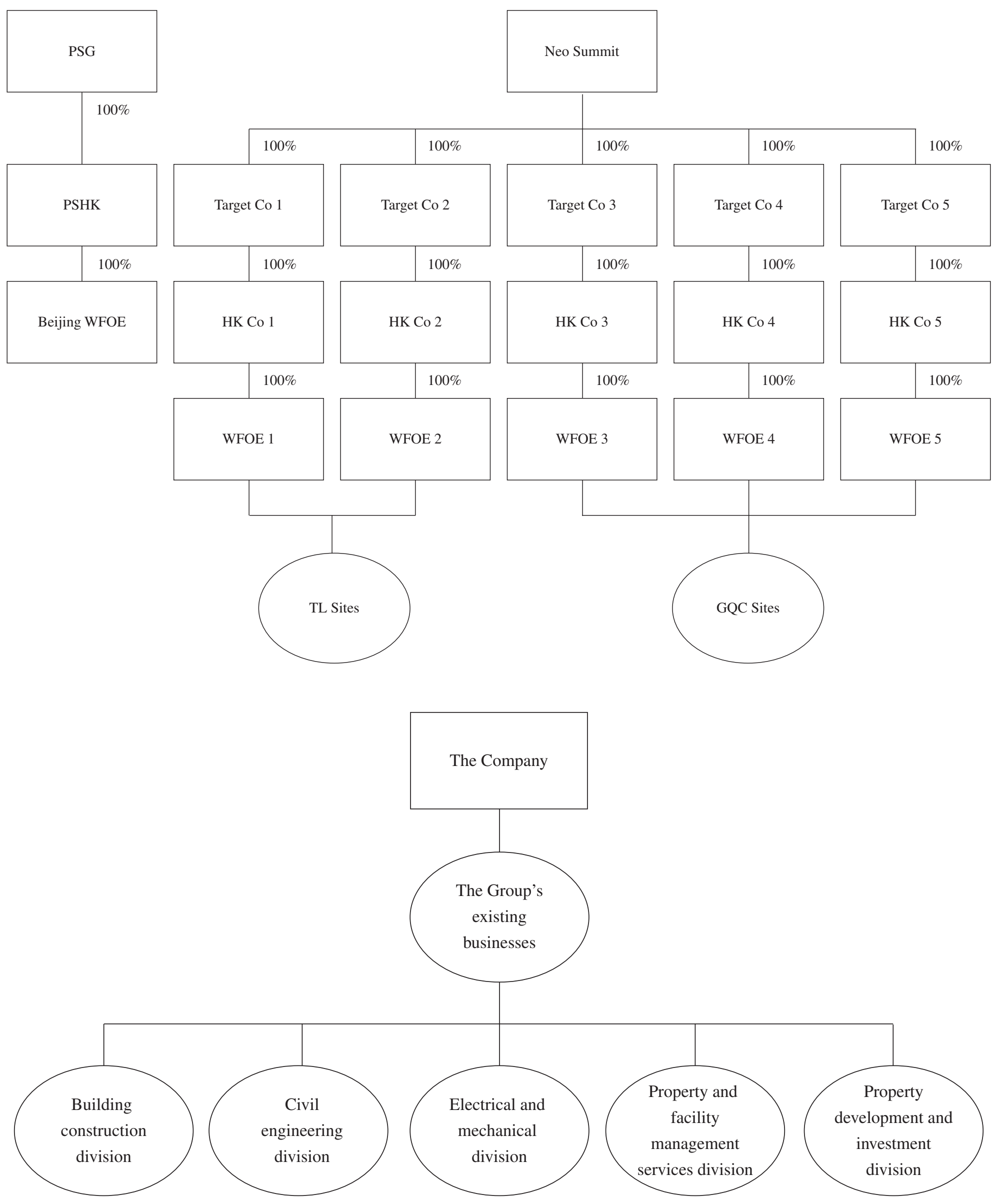
Residential projects are concentrated in the centre of the Gongqing Cheng, along three main roads of Gongqing Avenue (共青大道), Development Avenue (發展大道), and Nanhu Avenue (南湖大道). Gongqing Cheng's residential property price reached approximately RMB2,400 per sq. m. in 2010. The residential prices range between approximately RMB3,000 to RMB3,300 per sq. m. as of the first quarter of 2011, which is generally lower than the prices of Nanchang and Jiujiang. Elsewhere in the PRC, especially in the first-tier cities, there are restrictions of the number of residential units, local residents and foreigners can buy but such restrictions do not apply to Gongqing Cheng. Interest rates on mortgages tend to follow the national interest rate, but the effect on local market tends to be limited given the lower housing prices in Gongqing Cheng. Only limited high-end properties are available in Gongqing Cheng. At present, there are only few retail stores, mainly of the type of grocery store gathered in the main streets to meet the basic requirements of local residents, and so far there are no commercial complex projects in Gongqing Cheng.

INFORMATION ON THE TARGET GROUP AND THE PSHK GROUP

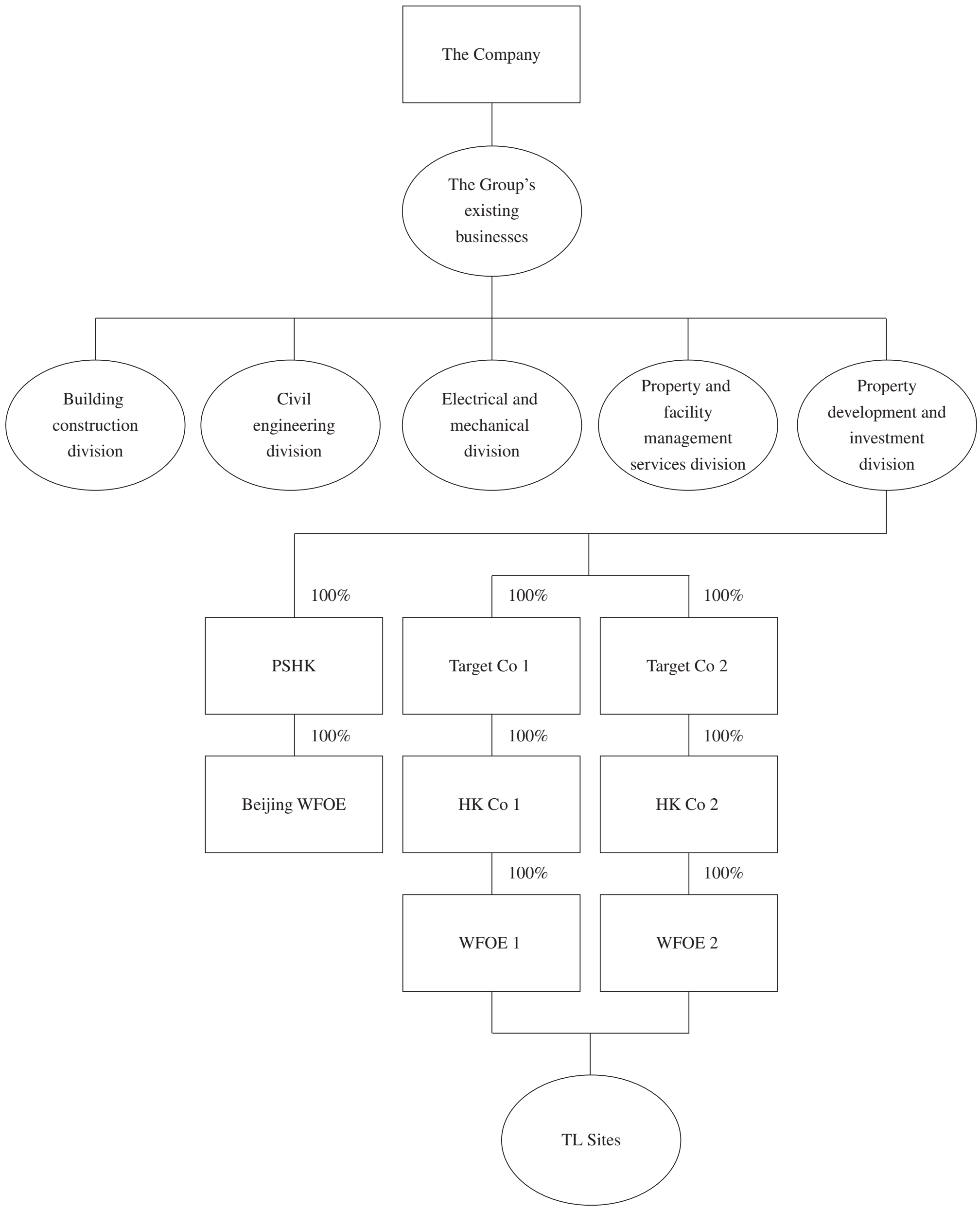
Shareholding structure of the Target Group and the PSHK Group

Set out below are the simplified shareholding structure of the Target Group, the PSHK Group and the Company as at the Latest Practicable Date and immediately after TL Completion, PSHK completion and GQC Completion:

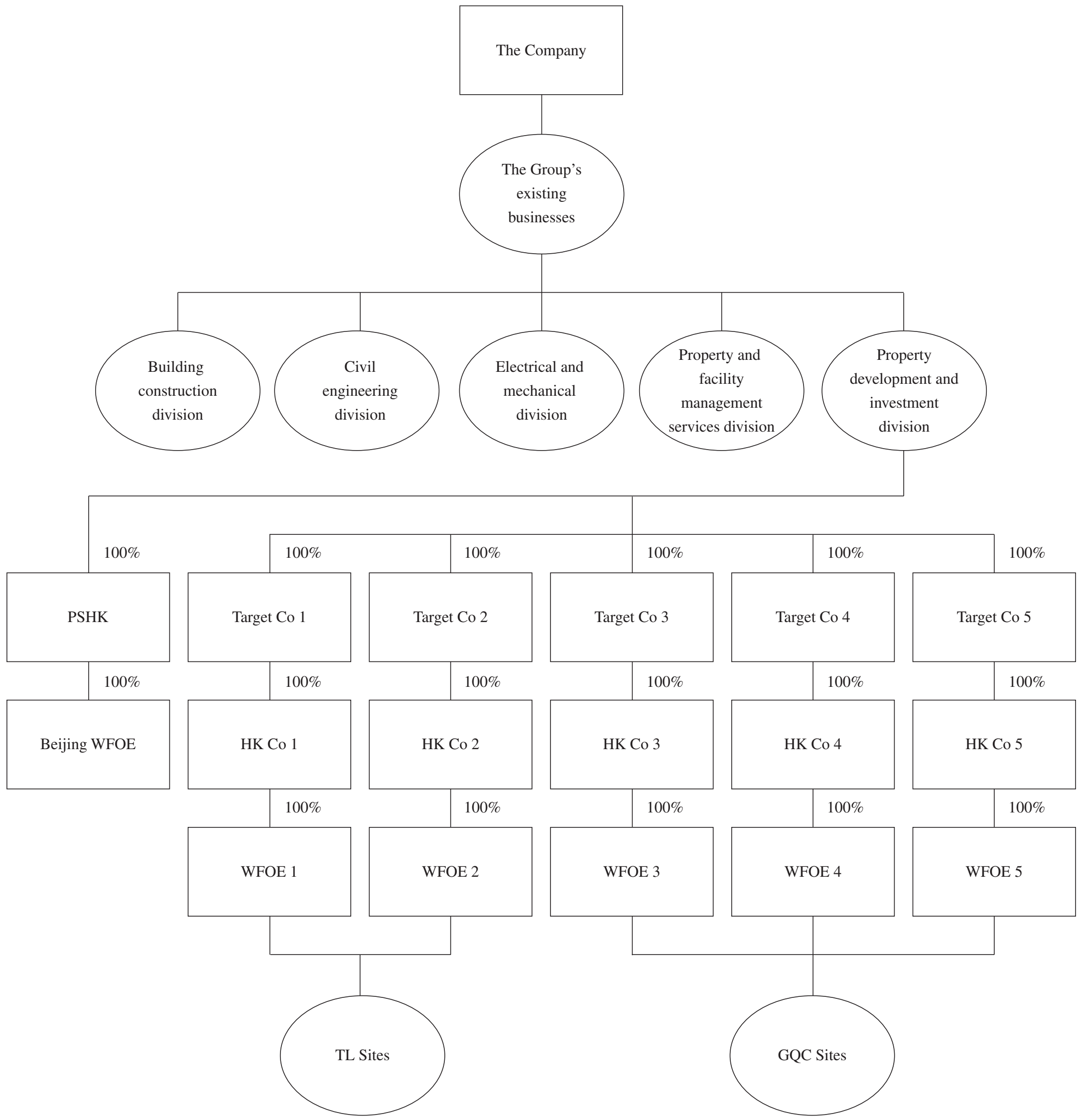
As at the Latest Practicable Date



Immediately after TL Completion and PSHK Completion



Immediately after TL Completion, PSHK Completion and GQC Completion

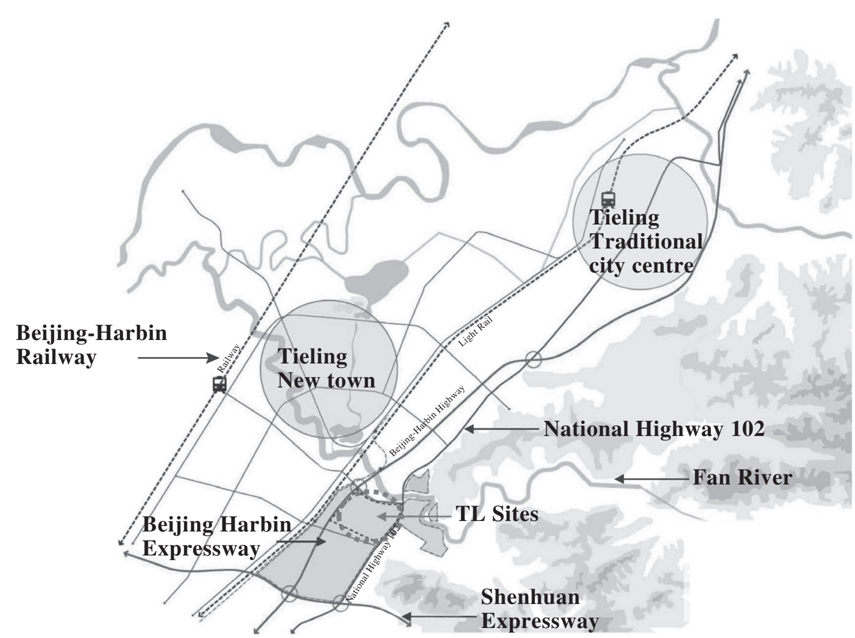


Information on the TL Sites

Tieling (鐵嶺) is in the northern part of the Liaoning Province (遼寧省), the Northeast China Region and borders Shenyang, the provincial capital of the Liaoning Province in the south of Tieling. Together with Shenyang (瀋陽); Anshan (鞍山); Fushun (撫順); Benxi (本溪); Yingkou (營口); Fuxin (阜新) and Liaoyang (遼陽), Tieling is part of the Greater Shenyang Economic Region with a total population of approximately 24 million and a combined annual gross domestic product of approximately RMB1,173 billion as at the end of 2010. The region has been approved by State Council of the PRC as an experimental zone of new manufacturing and the region is closely connected by intercity trains, expressways and high-speed rail lines. Under the planning of the Tieling Government, Tieling is set to be a modern service centre of the Greater Shenyang Economic Region and also the back garden of Shenyang.

There are two major areas in Tieling, Tieling new town (鐵嶺新城) and Tieling traditional city centre. Tieling new town is about 8 km southwest of Tieling traditional city centre and is about 30 km from Shenbei area of Shenyang in the south. Tieling new town, developed by the local government over the past few years, is the city's future hub of administration, commerce, finance, education and culture. Tieling new town is close to Shenyang area, with both areas connected by the intercity train. The new town, as a relatively new area, has relatively more real estate development opportunities, in contrast with the Tieling traditional city centre, where land has been largely developed except the fringe area. Accessibility of the new town will be enhanced by new rail lines to be completed in the next two to three years. The inter-city train will stop at the new town while the Hada High Speed Rail will have a stop at traditional city center. The current population of Tieling, including the townships under its jurisdiction, is over 3 million.

The overall site of Tieling new town to be master planned has approximately 13,000 mu and the TL Sites are located southeast of Tieling new town. This site is basically bounded by the Beijing-Harbin Railway (京哈鐵路) to the west, National Highway 102(102國道) to the east, Fan River (凡河) and Ganjiang Road (贛江路) to the north, and the Shenhuan Expressway (瀋環高速) to the south. To the north of the site and across Fan River is China Northeast Logistics City (東北城). Tieling new town is expected to be a comprehensive logistics and trading centre serving the Northeast China Region.



TL Sites

The TL Sites comprise 17 parcels of land with a total site area of approximately 1,804,165 sq. m. (approximately 2,706 mu). The TL Sites are designed to be developed into a mix-use development with a planned total gross floor area of approximately 3 million sq. m.. Subject to the finalisation of master planning, it is expected that the total developable GFA of over 3,000,000 sq. m. will comprise different type of residential properties of about 2,000,000 sq. m. and a variety of commercial facilities of about 1,000,000 sq. m. including an outlet village, big box retail, shopping arcades, food and beverage outlets, entertainment centres, hotel, international school and office blocks. It is currently scheduled that the project will be completed in six to eight years in multiple phases. The land use rights of the TL Sites have been granted for respective term of 40 years for commercial use and 70 years for residential use.

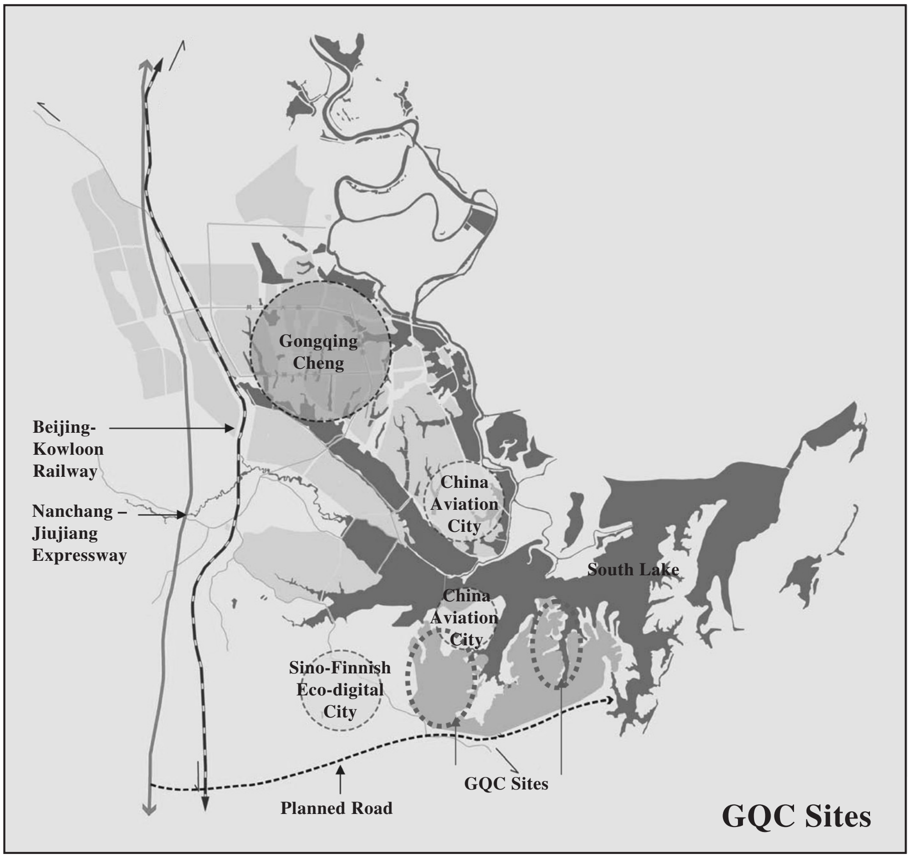
As at the Latest Practicable Date, the land premium of the TL Sites has been fully paid.

Information on the GQC Sites

Gongqing Cheng（共青城）, located between Nanchang（南昌）and Jiujiang（九江）, and approximately an hour drive from either metropolis, is a newly-established city well served by rail and highway systems. The current population of Gongqing Cheng is about 100,000 which will be increased to 250,000 within the next decade. Nanchang（南昌）is the provincial capital of the Jiangxi Province（江西省）. Jiujiang is a key trading port of the Yangtze River given its strategic location at the borders of Jiangxi, the Hubei（湖北省）and Anhui（安徽省）Provinces. Nanchang and Jiujiang have a combined population of approximately 10 million. These two cities, each with its own airport, are the major economic forces of the Poyang Lake Ecological Economic Zone（鄱陽湖生態經濟區）. Along the Nanchang-Jiujiang corridor has a high concentration of historical interests and nature scenic spots of Jiangxi which contributes a significant portion of the tourism income for the Jiangxi Province.

Gongqing Cheng is a young city grown up from a small commune established by the Communist Youth League a few decades ago. It is situated right in the middle of the Nanchang-Jiujiang corridor and adjoins Poyang Lake（鄱陽湖）, the largest fresh water lake in China. Gongqing Cheng is reputedly known as the "Pearl of Poyang". The planning of Gongqing Cheng is mainly administrative area and residential uses (largely for the local residents) in the centre, while the northern area is mainly for agricultural uses. The western area is more for logistics and manufacturing. The southern area is mainly for tourism related facilities. The GQC Sites are located in the south of Gongqing Cheng and it is connected to expressways and railway. Retail facilities are limited in Gongqing Cheng.

Gongqing Cheng is easily accessible by the Beijing-Kowloon Railway（京九鐵路）, the Nanchang-Jiujiang Expressway（昌九高速）and the National Highway 105（105國道）. The overall site to be master planned has 11,500 mu and is located southeast of the city. The approximately 5,500 mu land already secured is located at the north-eastern and western quadrants of the site. To the north of the site is a golf resort operated by an Independent Third Party, and to the west is a mega digital ecology project jointly invested by the Chinese and Finnish governments.



The GQC Sites comprise 41 parcels of land with a total site area of approximately 3,666,666.31 sq. m. (approximately 5,500 mu). The GQC Sites are close to South Lake（南湖）, with wetlands and is part of Poyang Lake. It has lakeside area stretching 14 km. Current land use of the GQC Sites and nearby areas is mostly agricultural.

The GQC Sites are designed to be developed into a mixed-use development. Subject to the finalisation of master planning, it is expected that the total developable GFA of approximately 2,000,000 sq. m. will comprise different type of residential properties of about 1,300,000 sq. m. and a variety of commercial facilities of about 700,000 sq. m. including an outlet village, big box retail, town squares, food and beverage outlets, entertainment plazas, convention and resort centres, international schools and sports facilities.

As at the Latest Practicable Date, the land premium of the GQC Sites has not yet been fully paid. It is expected that the land premium of the GQC Sites be fully paid by the WFOE 3, the WFOE 4 and the WFOE 5 at the source of Neo Summit on or before GQC Completion. As at the Latest Practicable Date, RMB24,200,000 out of the total land premium of RMB442,240,000 for the GQC Sites has been paid.

Development plan

The detailed development plan in respect of the TL Sites and the GQC Sites are currently being formulated. The whole development is expected to be divided into five phases and the last phase is expected to be completed by 2018. It is intended that the residential and commercial development of the property projects to be developed on the TL Sites and the GQC Sites will be at a ratio of approximately 70% and 30%, respectively. Revenues on the project are expected to be generated through the sale of the residential development as well as a majority of the commercial development. It is expected that the remaining commercial development would be used for certain outlet businesses or facilities that may be operated and/or managed either by the Target Group or other third parties.

As advised by the PRC legal adviser of the Company, in implementing the development project for the TL Sites and the GQC Sites, the Target Group will have to obtain Provisional Qualification Certificates (暫定資質證書) or Qualification Certificates for Real Estate Development Enterprise (房地產開發企業資質證書) before engaging in property development in Tieling and Gongqing Cheng and the land use right certificate (國有土地使用證) after full payment of the land grant fees. The Group will also have to apply for the key permits for the development of properties on the TL Sites and GQC Sites and they are construction land planning permit (建設用地規劃許可證), construction work planning permit (建設工程規劃許可證) and construction work commencement permit (建築工程施工許可證). Before commencing the sales of the properties, the Target Group will need to obtain a pre-sales permit (預售許可證) for pre-sale of the properties.

A property developer needs different permits and licences at different development stage such as Provisional Qualification Certificates or Qualification Certificates for Real Estate Development Enterprise, construction land planning permit, construction work planning permit and construction work commencement permit, pre-sale permit, etc. The Directors are of the view that it is impracticable for the Target Group to obtain the construction permits before TL Completion and GQC Completion as the Company plans to take part in each stage of the development on each of the TL Sites and the GQC Sites from design of the master planning to the marketing and sale of the properties and therefore it has not been the intention of the Company to have Neo Summit as the vendor to finalise the whole planning and obtain any relevant permit and licences before TL Completion and GQC Completion.

The Directors are of the view that the obtaining of the Provisional Qualification Certificate or Qualification Certificates for Real Estate Development Enterprise, construction land planning permit, construction working planning permit and construction work commencement permit for the development of properties on the TL Sites and the GQC Sites subject to the TL WFOEs and the GQC WFOEs conforming to the applicable PRC laws and regulations, are only procedural matters. As advised by the PRC legal adviser of the Company, subject to the TL WFOEs and the GQC WFOEs' meeting the requirements as stipulated in the applicable PRC laws and regulations, there will be not material legal obstables for the TL WFOEs and the GQC WFOEs to legally obtain the above-mentioned certificates and/or permits for the development and construction of the real estate projects in relation to the TL Sites and the GQC Sites.

Up to now, the TL WFOEs have obtained the land use right certificates and the construction planning permits for the TL Sites, while the GQC WFOEs have not obtained any certificates or permits for the development and construction of the real estate projects. As advised by the PRC legal adviser of the Company, it is of the opinion that the TL WFOEs and the GQC WFOEs have complied, in all material aspects, with all the relevant and applicable PRC laws and regulations governing the business of property development and management.

The management team of the Enlarged Group will be responsible for carrying out the development project on the TL Sites and the GQC Sites. The management team consists of professionally qualified architects, project managers and marketing executives with extensive experience in design, construction and sales and marketing of residential and commercial properties in the PRC. The biographical details of the management of the Company who has experience in property development are set out below:

Mr. Wilfred WONG Ying-wai was appointed as an Executive Director and the Executive Deputy Chairman of the Board in December 2007. He is a member of the remuneration and nomination committee and the executive committee and a trustee of the committee of trustees for employee share subscription scheme of the Company. Mr. Wong is also the executive deputy chairman of Synergis and a director of certain subsidiaries of the Company. Mr. Wong was educated at Harvard University, University of Oxford, The University of Hong Kong and The Chinese University of Hong Kong. He was awarded the Silver Bauhinia Star by the Hong Kong Government in 2007. Mr. Wong joined the administrative officer grade of the Hong Kong Government in 1975 and served in many senior directorate positions until 1992. Since then, he has held senior management positions in a number of well known Hong Kong listed companies in property development and construction business sectors including K. Wah International Holdings Limited, Henderson China Holdings Limited and the Shui On Group. He was appointed as an official adviser to the drafting of the Basic Law for Hong Kong (1985 to 1990) and subsequently appointed by The National People's Congress of the PRC ("**NPC**") as a member of the Preparatory Committee relating to the establishment of Hong Kong (1993 to 1997). Currently, he is a deputy of NPC. Mr. Wong is also the chairman of the Court and Council of Hong Kong Baptist University; the chairman of The Hong Kong International Film Festival Society Limited; the chairman of the Hong Kong Arts Development Council; the president of the Business and Professionals Federation of Hong Kong; and a board member of the Hong Kong Tourism Board; and a member of the Hong Kong Film Development Council and a member of the Commission on Strategic Development of the Hong Kong Government. Mr. Wong is an independent non-executive director of Xinyi Glass Holdings Limited, which is listed on the main board of the Stock Exchange, and the non-executive chairman of Yangtze China Investment Limited, which is listed on London AIM.

Mr. Joseph CHOI Kin-hung is a director and Assistant Managing Director of Hsin Chong Construction Company Limited, Hsin Chong Construction (Asia) Limited and a director of certain subsidiaries of the Company. He is responsible for the building construction and civil engineering business of the Group. He also oversees the property development and investment division of the Group since 2010. Mr. Choi joined the Group in 2009. He is a registered professional engineer and has 41 years' experience in multi-dimensional projects covering building, railway and infrastructure. Mr. Choi has been in senior executive positions with renowned contractors, developer and railway organisations with operations in Hong Kong, the PRC, Taiwan and Macau.

This management team will oversee and monitor the implementation of the development planning, from the overall design of the project, budgeting, cost control and selection of subcontractors to devising and carrying out the sales and marketing functions. Based on preliminary estimates, the expected total capital requirements for the development (excluding the land acquisition costs) on the TL Sites and the GQC Sites are approximately RMB7.5 billion (equivalent to approximately HK$9.0 billion) and approximately RMB6.0 billion (equivalent to approximately HK$7.2 billion) respectively. The project is expected to be funded by the Group's internal resources (including cash flows to be generated from pre-sale of such project) and equity or debt financing of the Company or its subsidiaries and the total initial funding requirements for each of the TL Group and the GQC Group are expected to be approximately RMB300 million (equivalent to approximately HK$360 million). The Group has not yet entered into any other agreements or commitments in respect of the development project on the TL Sites and the GQC Sites. As at the Latest Practicable Date, the Company has no specific plan or timetable in respect of fund raising for the development project on the TL Sites and the GQC Sites. The Directors believe that the development of the TL Sites and the GQC Sites is a viable investment, which will broaden the asset and earnings base of the Group. The TL Acquisition and the GQC Acquisition will mark the successful start of the Group's PRC property development strategy, which is expected to bring forth unique business opportunities and economic benefits to the Group.

Competition

The PRC property market has become increasingly competitive in the recent years as it becomes more mature and grows in size. The Target Group is expected to have to compete with state-owned, privately owned and international property developers, in the property markets close to the TL Sites and the GQC Sites, which will also focus on the development of an outlet village. Market participants generally compete on experience and capabilities of the management team; size and geographical locations of land reserves; costs of development; the types and variety of completed properties; brand recognition; marketing; and pricing, design, build and service qualities.

Financial information on the Target Companies

Set out below is a summary of the audited financial information on the Target Companies as extracted from the respective accountants' reports of the Target Co 1, the Target Co 2, the Target Co 3, the Target Co 4 and the Target Co 5 prepared in accordance with Hong Kong Financial Reporting Standards (as set out in appendices II A to II E to this circular).

	Target Co 1	Target Co 2	Target Co 3	Target Co 4	Target Co 5
Net loss before income tax and extraordinary items for the period ended 31 December 2010 *(HK$ million)* *(Note)*	0.5	0.3	0.1	–	–
Net loss after income tax and extraordinary items for the period ended 31 December 2010 *(HK$ million)* *(Note)*	0.5	0.3	0.1	–	–
Net loss before income tax and extraordinary items for the four months ended 30 April 2011 *(HK$ million)*	2.7	2.1	0.2	0.3	0.2
Net loss after income tax and extraordinary items for the four months ended 30 April 2011 *(HK$ million)*	2.7	2.1	0.2	0.3	0.2
Consolidated net liabilities as at 30 April 2011 *(HK$ million)*	3.1	2.4	0.3	0.3	0.3

Note:

The financial information for each of the Target Co 1, the Target Co 2, the Target Co 3, the Target Co 4 and the Target Co 5 covers a period up to 31 December 2010 with the beginning of the period for the Target Co 1 and the Target Co 2 being 24 September 2010, the Target Co 3 being 25 June 2010, and the Target Co 4 and the Target Co 5 being 22 July 2010.

The total investment cost of the TL Group by Neo Summit was approximately HK$571.1 million and that of the GQC Group by Neo Summit was approximately HK$662.7 million (assuming the land premium of the GQC Sites is paid in full on or before GQC Completion).

Information on the Target Companies

The Target Companies were incorporated in the BVI and are holding of the entire equity interests in the HK Companies respectively. The HK Companies were incorporated in Hong Kong and are investment holding companies holding of the entire equity interests in the WFOE 1, the WFOE 2, the WFOE 3, the WFOE 4 and the WFOE 5 respectively. Save for aforesaid investments, each of the Target Companies and the HK Companies has no other material assets and liabilities and has not conducted any business activities since incorporation.

The WFOE 1, the WFOE 2, the WFOE 3, the WFOE 4 and the WFOE 5 are established in the PRC and are principally engaged in, among other things, the development of the Target Site 1, the Target Site 2, the Target Site 3, the Target Site 4 and the Target Site 5 respectively.

Information on the PSHK Group

PSHK was incorporated in Hong Kong. The PSHK Group is principally engaged in providing real estate related investment advisory services to residential and commercial real estate projects in the PRC by way of asset management, development, direct investment and investment advisory.

PSHK started to study and assess the feasibility of the TL Sites and the GQC Sites in the fourth quarter of 2010. Site visits were then made to understand the macroeconomics of the cities and their local characteristics. Preparatory work for master planning of the sites was then initiated leading to the appointment of an international architectural and planning firm for the master planning work from April 2011.

As at 31 December 2010, the PSHK Group had an audited consolidated net liabilities value of approximately HK$1.8 million. For the two years ended 31 December 2009 and 31 December 2010, the audited net losses (both before and after taxation and extraordinary items) of the PSHK Group were approximately HK$10.6 million and approximately HK$12.0 million respectively. The net liabilities and net losses were attributable to, among others, consultancy fees, staff costs and incidental expenses incurred for developing the master plans of the TL Sites and the GQC Sites. For further details of the financial information of the PSHK Group, please refer to the accountants' report of PSHK prepared in accordance with Hong Kong Financial Reporting Standards as set out in appendix II F to this circular.

RISK FACTORS

The Target Group's business depends on long-term appreciation potential of its land sites and to avoid its parcels of land being left idle

The Target Group cannot assure that the parcels of land it has acquired will appreciate in value in the future or that it will continue to be able to capitalise on such land acquisition opportunities, which in turn could have a material adverse effect on its future growth prospects, profitability and profit margins.

According to 關於促進節約集約用地的通知 (Circular on Conservation of Intensive Land Use) (Guo Fa (2008) No. 3) promulgated by the State Council on 3 January 2008, where a piece of land (which may be retrieved unconditionally under the relevant PRC statutory requirement) has been idle for two full years, such land shall be retrieved and arranged for re-use; where a piece of land has been idle for one year but less than two years, penalty for idle land shall be levied at 20% of the land grant premium. The Company's legal adviser in the PRC confirms that there is no land held by the Target Group being or to be classified as idle land.

Cash flow and the availability of funds are subject to pre-sales and delivery of completed properties by the Target Group

The normal development cycle of a property development project includes feasibility study, planning and design, construction, pre-sales, sales and delivery. Property developers usually use internal resources and bank borrowings as major sources of finance during the initial stage of development and further finance the project by the proceeds from pre-sales. The TL WFOEs and the GQC WFOEs generally use their own funds to finance the initial development cost, which represents about 20% of the total expenditure of a project. Such initial funding will be mainly used for securing the project site, feasibility study, planning, design and preliminary project development. Once the TL WFOEs and the GQC WFOEs obtained their Certificate of State-owned Land Use, Planning Permit for Use of Construction Land, Planning Permit for Construction Works and Commencement Permit for Construction Works and their projects have no less than 35% of capital funds (proprietary interests), they can seek bank loans for development. The bank borrowings generally cover 50% of the entire expenditure of a property development project. The TL WFOEs and the GQC WFOEs can commence pre-sales of property once they obtained the pre-sale permit. The TL WFOEs and the GQC WFOEs can then use such proceeds to cover the capital expenditure of the project. The Target Group treats pre-sales of properties as an important source of funding for its property projects. Such receipts cannot be recognised as an income until the time of the relevant property projects have been completed and pre-sold units delivered to customers. If the results of pre-sales are not satisfactory, cash flow of the Target Group could be adversely affected and hinder the development schedule of property projects. This would in turn affect the availability of other financial resources and the required working capital for operating requirements. In addition, sales may be affected by factors including weather conditions and holiday seasons. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sales of the relevant properties and may only use pre-sale proceeds to finance the development of such properties. Besides, the PRC Government has recently introduced various austerity measures to combat the continuous increase in residential property prices in China, including 關於堅決遏制部分城市房價過快上漲的通知 (Notice on Restraining Resolutely Over-rise of Housing Prices in Some Cities) on 17 April 2010, which may have adverse impact on the pre-sales and sales of the property projects and hence the cash flow of the Target Group. If the results of sales and pre-sales of projects under the Target Group are not satisfactory, the business, operating results and financial condition of the Enlarged Group could be adversely affected.

The Target Group maintains a high gearing ratio and the business of the Target Group may be adversely affected by future increase in interest rates

In order to finance the capital intensive property development business, the Target Group is expected to maintain a high gearing ratio. The Target Group cannot assure that it will be able to obtain bank loans or renew existing credit facilities in the future on terms acceptable to it or at all. Its ability to do so will depend on a number of factors, including general economic conditions, the Target Group's financial strength and performance, the availability of credit from financial institutions, the value of security pledged, and monetary policies in the PRC, many of which are beyond the Target Group's control. Interest rates in the PRC have been relatively stable in the past decade. However, since late 2004, the People's Bank of China (the "**PBOC**") began to raise its one-year benchmark lending rates until it peaked at just below 7.5% in late 2007. The PBOC then left interest rates unchanged until late 2008, when it took action to reduce interest rates in the wake of the global financial crisis. The PBOC cut rates aggressively in the last quarter of 2008, as a result, reducing the one-year benchmark lending rate to just below 5.5%. On 6 July 2011, the PBOC announced to increase the one-year benchmark lending rate by 25 basis points. As at the Latest Practicable Date, the one-year benchmark lending rate was 6.56%. Any further increase in interest rates introduced by the PBOC will make mortgage financing more expensive for potential purchasers of the Target Group's properties, which would adversely affect the ability of the Target Group to generate cash through pre-sales and affect the sales revenue. The Target Group's cost of borrowing may increase as a result of the increase in interest rates, which, in turn could adversely affect the Target Group's results of operations. To the extent that the PRC Government or PBOC changes its policy of keeping interest rates relatively low, the business and results of operations of the Enlarged Group may be adversely affected.

Upon completion of the Acquisitions, the Enlarged Group will depend heavily on the performance of the property market in the PRC, particularly in Liaoning and Jiangxi Provinces

The Target Group is engaged in property investment and development in the PRC. Its success is dependent largely on the performance of the property market in the PRC, particularly in its target cities, namely Tieling and Gongqing Cheng. Any property market downturn in the PRC in general or particularly in Tieling and Gongqing Cheng could adversely affect the Target Group's business, results of operations and financial condition. The property market in China is considered to be a volatile market. It cannot be assured that the property market in the PRC will grow at historical rates, or at all, or that the Target Group, upon completion of the Acquisitions, will be able to benefit from the future growth, if any, of the property market in the PRC in general or in any of its target cities. It is not possible to predict with certainty whether property demand in the PRC will continue to grow in the future, as many social, political, economic, legal and other factors may affect the development of the property market. For example, any reduction in activity in the secondary market and any limitation in the availability of mortgage loans to property purchasers in the PRC may inhibit the demand for residential and commercial properties. In addition, the growth of the property market in the PRC will continue to be affected by economic, monetary, fiscal or other policies and measures of the PRC Government. If economic conditions in the PRC deteriorate whether as a result of a prolonged global economic downturn or otherwise, if the PRC Government continues to implement macro-economic control or other measures that aim to curtail, or have the effect of curtailing, property demand or property development in the PRC, or if the Target Group fails to respond to changes in market conditions and government policies, in particular, those related to its target markets, in a timely manner, the business, results of operations and financial condition of the Enlarged Group would be materially and adversely affected. The Enlarged Group will apply relevant strategies to deal with different market sentiment and minimise the adverse impact should the market become volatile.

The enforcement of regulations on land appreciation tax by the tax authorities in the PRC may materially and adversely affect profitability and cash flow position of the Target Group

According to the requirements of 中華人民共和國土地增值税暫行條例 (Provisional Regulations of the PRC on Land Appreciation Tax) effective on 1 January 1994, and 中華人民共和國土地增值税暫行條例實施細則 (Detailed Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax) effective on 27 January 1995, or referred to as the LAT Implementation Rules, all entities and individuals receiving net profits from the sale or transfer of state-owned land use rights, buildings and its attached facilities are required to pay land appreciation tax ("**LAT**"). LAT is levied at progressive rates from 30% to 60%. If a developer constructs ordinary residential properties and the amount of appreciation does not exceed 20% of the total deductible items set forth in the tax regulation, the taxpayer is exempted from payment of LAT on such profits. Sales of commercial properties are not eligible for such exemption. On 28 December 2006, the State Administration of Taxation issued 國家税務總局關於房地產開發企業土地增值税清算管理有關問題的通知 (Notice of the State Administration of Taxation on the Relevant Issues Concerning the Management of the Settlement of Land Appreciation Tax on Real Estate Enterprises), or referred to as the LAT Notice, effective on 1 February 2007. The LAT Notice sets forth, among other things, methods of calculating LAT and the timeframe for settlement. According to the LAT Notice, local provincial tax authorities can formulate its own implementation rules. On 12 May 2009, the State Administration of Taxation issued 土地增值稅清算管理規程(Administrative Rules on the Settlement of Land Appreciation Tax) effective on 1 June 2009, which further clarifies the specific conditions and procedures for settlement of LAT.

國家稅務總局關於土地增值稅清算有關問題的通知 (The Notice of the State Administration of Taxation on the Relevant Issues Concerning the Settlement of Land Appreciation Tax (Guo Shui Han [2010] No. 220) has been issued on 19 May 2010 for the clarification of property sales and deductible items. There is no assurance that the assessed LAT prepayments to be made by the Target Group will be sufficient to cover its LAT liabilities and that the relevant tax authorities will agree with the basis on which the Target Group calculated its LAT liabilities. If the LAT provisions the Target Group has made are substantially lower than the actual LAT amounts assessed by the PRC Government in the future, its results of operations and financial position would be materially and adversely affected.

The operating results of the Target Group are significantly affected by its property delivery schedule or other non-recurring items; they may not be indicative of the actual demand for its properties or the pre-sales or sales achieved during that period and may not be reliable for predicting its future performance

The Target Group will recognise proceeds from the sale of a property as revenue when the risk and rewards are transferred to the purchasers, that is when the construction of relevant properties has been completed, the properties have been delivered to the purchasers and the collectable of related receivables have been reasonably assured. Therefore, its revenue and profit during any given period reflects the GFA of properties delivered during that period and are significantly affected by any peaks or troughs in its property delivery schedule. Its operating results may not be indicative of the actual demand for its properties or the pre-sales or sales achieved during the relevant period. Its revenue and profit during any given period generally reflect property investment decisions made by purchasers at some time in the past, typically at least in the prior fiscal period, and hence may not be reliable for predicating the future performance of the Target Group.

The Target Group will be subject to legal and business risks if the TL WFOEs and the GQC WFOEs fail to obtain or renew the qualification certificates

Property developers in the PRC must obtain a valid qualification certificate in order to engage in property development in the PRC. According to 房地產開發企業資質管理規定 (Provisions on Administration of Qualification Certificates of Property Developers), newly established developers must first apply for 暫定資質證書 (Provisional Qualification Certificate) which can be renewed for a maximum of an additional two-year period, by which time 房地產開發企業資質證書 (Qualification Certificate for Real Estate Development Enterprise) must have been applied by the property developer under one of the four grades set forth in the above mentioned provisions. Property developers of different grades are subject to different limitations on scale of development in respect of its projects. For instance, grade 1 real estate developer is not restricted as to the scale of real estate project to be developed and may undertake a real estate development project anywhere in the country. A real estate developer of grade 2 or lower may undertake a project with a planned GFA of less than 250,000 sq. m. and the specific scope of business shall be as confirmed by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government. In reviewing such applications, the relevant authority generally considers the property developer's registered capital, property development investments, history of property development, quality of property construction, expertise of the developer's management, and whether the property developer has any illegal or inappropriate operations.

Each the TL WFOEs and the GQC WFOEs that engage in property development in the PRC is responsible for submitting its own application. If any property developer engages in development and sale of real estate without a Qualification Certificate, that company will be given a cure period within which it must rectify any insufficiency or non-compliance with such requirements, subject to a penalty of between RMB50,000 and RMB100,000. Failure to meet the requirements within the specified timeframe could result in the revocation of the business license of such company. Under the TL Acquisition Agreement and the GQC Acquisition Agreement, Neo Summit represented and warranted to Perfect Mark that it will use all its reasonable endeavours to assist Perfect Mark and the TL WFOEs and the GQC WFOEs to obtain within 12 months after the TL Completion Date and the GQC Completion Date the real estate developer qualifications.

As advised by the PRC legal adviser of the Company, according to the PRC laws and regulations, newly established real estate development enterprise shall obtain the Provisional Qualification Certificate first, and then apply to the real estate development authority for assessing the qualification grade within 1 month prior to the expiry date of the Provisional Qualification Certificate. Therefore, if applying the qualification grade now, the TL WFOEs and the GQC WFOEs will obtain the Provisional Qualification Certificates. As at the Latest Practicable Date, the TL WFOEs and the GQC WFOEs have not applied for the Provisional Qualification Certificate. It is of the opinion of the PRC legal adviser of the Company that, subject to the TL WFOEs and the GQC WFOEs' conforming to the applicable PRC laws and regulations, there is no material legal obstacles for the TL WFOEs and the GQC WFOEs to obtain the Provisional Qualification Certificates. Given the investment size and scale of the TL WFOEs and the GQC WFOEs, it is expected that the TL WFOEs and the GQC WFOEs should belong to grade 2 real estate developers.

Although the Target Group will use its best endeavour to obtain and/or renew the relevant qualification certificate in a timely manner, it cannot be assured that those certificates will be obtained by the Target Group in the future, in particular for those TL WFOEs and GQC WFOEs that have only provisional certificates where renewal and/or obtaining of the proper certificates are not certain.

The valuation in the property valuation report may materially differ from prices that can be achieved

The valuation of the Target Group's properties as at 30 June 2011, prepared by DTZ Debenham Tie Leung Limited, are based upon certain assumptions, which, by its nature, are subjective and uncertain and may differ materially from actual values. With respect to properties under development and properties held for future development, the valuations are based on the following assumptions: (i) the TL WFOEs and the GQC WFOEs have an enforceable title to respective properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted; and (ii) unless otherwise stated, the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect its values. These valuations are not a prediction of the actual value the Target Group may achieve from its properties in a public market transaction as at the date of valuation. Unforeseen changes in a particular property development or in general or local economic conditions, and other factors, could affect the value of its properties.

According to the legal opinion of the PRC legal adviser of the Company, the TL WFOEs have legally acquired the land use rights certificates of the TL Sites; whilst the GQC WFOEs will obtain the land use right certificates of the GQC Sites subject to the fully paid-up of land premium according to the State-owned Development Land Use Right Grant Contracts.

Volatility in the prices of construction materials could adversely affect the Target Group's business and financial performance

The results of operations and financial performance of the Target Group are affected by volatility in the prices of construction materials. The cost of construction materials constitutes a substantial proportion of the Target Group's construction costs. The cost of raw materials, including cement, iron, steel and other key building materials have been high and rising largely due to the booming Asian economies. Although, as part of its cost control measures, the Target Group will cap the prices of such materials in its construction contracts with contractors, it is still subject to long-term movements in the prices of construction materials as the capped price may be subject to adjustment due to a substantial price increase or decrease in construction materials. The Target Group cannot assure that the prices of raw materials will stabilise in the near future or that the prices of raw materials will be or remain at a relatively low level. If the prices of raw materials are increased and if the Target Group cannot pass any or all of the increased costs on to its customers, its profitability may be materially and adversely affected.

The Target Group may rely on external construction contractors

The TL WFOEs and the GQC WFOEs do not carry out the construction work for their property projects, but engage either the members of the Group or independent contractors with relevant qualifications, certified engineering supervisory companies, service providers and suppliers to provide the construction and related services and various types of construction materials and other services such as design and interior decoration. However, it cannot be assured that the services rendered by any of these independent contractors will always be satisfactory or match the Target Group's requirements on quality or that they can complete the development on time, or at all. If the independent contractors cannot deliver satisfactory services, the Target Group might incur additional costs for completing the relevant works, be liable to its purchasers for delays arising from contractors' delay or unsatisfactory quality and suffer reputable harm, which may have a material adverse effect on its business, financial condition and results of operation. To mitigate such risk, the TL WFOEs and the GQC WFOEs generally select contractors through public tenders. Each of the TL WFOEs and the GQC WFOEs invites selected contractors to tender bids according to their reputation for quality, timeliness, track record and references, and will supervise the construction progress once the contract is awarded.

The Target Group may not be able to complete its property development projects on time or at all

Property development projects require substantial capital expenditure prior to and during the construction period. The timing and costs involved in completing a development project can be adversely affected by many factors, including:

- delays in obtaining licenses, permits or approvals as required by government authorities;
- provisional government regulations or other requirements;
- relocation of existing site occupants;
- shortages of materials, equipment, contractors and skilled labour;
- labour disputes;
- construction accidents;
- disputes with or delays caused by its contractors or sub-contractors;
- delays in the construction of supporting infrastructure or completing land clearing work by the local government authorities;
- natural disasters, including earthquakes, typhoons, ice storms and other natural hazards; and
- adverse weather conditions.

Construction delays or the failure to complete the construction of a project according to its planned specifications, schedule or budget may result in increased costs, harm to its reputation, loss of or delay in recognising revenues and lower returns. If a pre-sold property development is not completed on time, the purchasers of the pre-sold units may be entitled to compensation for late delivery. If the delay extends beyond a certain period, the purchasers may even be entitled to terminate the pre-sale agreements and claim damages. Regulatory changes, competition, inability to procure governmental approvals or required certificates in project development practice could occur at any stage of the planning and development process. The Target Group may not be able to complete projects that the TL WFOEs and the GQC WFOEs are currently developing or plan to develop and it may find itself liable to purchasers of the pre-sold units for compensation.

The TL WFOEs and the GQC WFOEs may be liable to its customers for compensation if it fails to obtain individual Certificate of Real Estate Ownership for its customers in a timely manner

The TL WFOEs and the GQC WFOEs are typically required to obtain a general Certificate of Real Estate Ownership for each of its completed projects. In addition, the TL WFOEs and the GQC WFOEs are also generally required to assist its customers in obtaining the relevant individual Certificate of Real Estate Ownership of the sold or pre-sold units within a specified time frame after the delivery of the property as set forth in the relevant sale and purchase agreements. In general, the Target Group elects to specify the deadline for the delivery of the individual Certificate of Real Estate Ownership in the sale and purchase agreements to allow sufficient time for the application and approval processes. Under the current regulations, the Target Group is typically required to assist the customers to apply to the relevant real estate administrative bureau for the relevant individual property ownership certificates within 90 days after the delivery of the properties, by providing to the relevant real estate administrative bureau within 60 days of the delivery of the properties the relevant property sale and purchase agreements, the identification documents of the customers, the proof of payment of deed tax and the general property ownership certificate for the relevant real estate administrative bureau's review and issuance of the individual property ownership certificates in respect of the properties purchased by the respective customers. Delays by the various administrative authorities in reviewing and approving the applications involved, among other factors, may affect the timely issue of the general or individual Certificate of Real Estate Ownership. The Target Group may be liable to its customers for late delivery of the individual Certificate of Real Estate Ownership and the Target Group's business, financial condition or results of operations may be adversely affected if the Target Group cannot prove that the delays are due to delays in the administrative approval processes or any other reasons beyond its control. Nevertheless, the Target Group will use its best endeavor to prepare the application materials, maintain good relationship with real estate administrative bureau and obtain the individual certificate of Real Estate Ownership for its customers in a timely manner.

Target Group may be involved in legal and other proceedings arising out of its operations from time to time and may face significant liabilities as a result

Target Group may be involved in disputes with various parties involved in the development and the sale of its properties, including contractors, suppliers, purchasers and tenants. These disputes may lead to legal or other proceedings and may result in substantial costs and diversion of resources and management's attention. In addition, although there may not be any contractual obligation on the part of the Target Group, as the Target Group's projects comprise multiple phases, purchasers of its properties in earlier phases may claim against the Target Group if its subsequent planning and development of the projects are perceived to be inconsistent with the original plan. The Target Group may also have disagreements with regulatory bodies in the course of its operations, which may subject them to administrative proceedings and unfavorable decrees that result in pecuniary liabilities and cause delays to its property developments.

The TL WFOEs and the GQC WFOEs guarantee the mortgages provided to purchasers and consequently are liable to the mortgagee banks if the purchasers default on their mortgage payments

The TL WFOEs and the GQC WFOEs as developers assist the purchasers in arranging various domestic banks to provide mortgages to them. In accordance with market practice, domestic banks require developers to provide short-term guarantees for these mortgages. Substantially all of these guarantees are discharged upon the earlier of (i) the issuance of the Ownership Certificate of Real Estate that generally takes place within two to three years after the delivery of relevant properties to the purchasers, and the certificate of other rights of property to the mortgagee bank; or (ii) the settlement of the relevant mortgage loans between banks and purchasers of the properties. If a purchaser defaults under the mortgage loan and the bank calls on the guarantee, developers are required to repay all debts owed by the purchaser to the mortgagee bank under the loan, in which case typically the mortgagee bank will assign to developers its rights under the loan and the mortgage and the TL WFOEs and the GQC WFOEs will have full recourse to the purchase of the property. In line with industry practice, the TL WFOEs and the GQC WFOEs do not conduct independent credit checks on customers but rely instead on the credit checks conducted by the mortgagee banks, which may not be as extensive as credit checks conducted in other jurisdictions. There can be no assurance that these loans will not default or that the default rate will not increase significantly in the future. If a default occurs and the banks call the relevant guarantee by the TL WFOEs and the GQC WFOEs, the Target Group's business, results of operations and financial condition may be adversely affected to the extent that there is a material depreciation in the value of the relevant properties or if the Target Group is unable to sell the properties due to unfavourable market conditions or other reasons.

Potential liability for environmental problems could result in substantial costs

The Target Group is subject to a variety of laws and regulations concerning the protection of the environment and public health. The particular environmental laws and regulations which apply to any given project development site vary greatly according to the location and environmental condition of the site as well as the present and former uses of the site and adjoining properties. Environmental laws and conditions may result in delays, may cause the TL WFOEs and the GQC WFOEs to incur substantial compliance and other costs and can prohibit or severely restrict project development activity in environmentally-sensitive regions or areas. In addition, under the PRC law, each of its projects is required to undergo environmental assessments, and an environmental impact assessment document is required to be submitted to the relevant government authorities for approval before the commencement of construction. It cannot be assured that the Target Group will satisfy the environmental assessments for each, or any, of its projects in the future. Although the environmental investigations conducted to date have not revealed any environmental liability that would have a material adverse effect on the Target Group's business, financial condition or results of operations, it is possible that these investigations did not reveal all environmental liabilities, or that there are material environmental liabilities of which the Target Group is not aware of.

The Target Group's business is subject to extensive governmental regulation, including measures to slow down the property development sector's rate of growth in the future

The Target Group's business is subject to extensive governmental regulation. Similar to other PRC property developers, the TL WFOEs and the GQC WFOEs must comply with various requirements mandated by the PRC laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations. It cannot be assured that the Enlarged Group will not experience incidents of non-compliance in the future, which could subject to various administrative penalties or otherwise result in material adverse effects on the Enlarged Group's business, results of operations and financial condition. In particular, the PRC Government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development and restriction or other regulation of foreign exchange, property financing, taxation and foreign investment. Through these policies and measures, the PRC Government may restrict or reduce land available for property development, raise benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to property developers and property purchasers, impose additional taxes and levies on property sales and restrict foreign investment in the PRC property sector. Many of the property industry policies carried out by the PRC Government are unprecedented. Changes in political, economic and social factors may also lead to further adjustments of such policies. Such policies and their adjustment may not necessarily have a positive effect on operations or future business development of the Target Group. It cannot be assured that the PRC Government will not adopt additional and more stringent industry policies, regulations and measures in the future. If the Target Group fails to adapt its operations to new policies, regulations and measures that may come into effect from time to time with respect to the property industry, or such policy changes disrupt its business or cause it to incur additional costs, its business prospects, results of operations and financial condition may be materially and adversely affected. Over the past few years, property developers have invested heavily in the PRC, raising concerns that certain sectors of the property market have started to overheat. In response, the PRC Government has introduced an array of policies and measures intended to curtail the overheating of property development and discourage speculation in the residential property market such as the credit tightening measures imposed during April 2010. Moreover, in light of any changes in economic and market conditions or for other policy reasons, the PRC Government may adopt economic or other measures in the future to curtail investment in property development further, which could restrain the growth of the property development industry in general and adversely affect business operations of the Target Group by limiting its access to capital, reducing consumer demand for its properties and increasing its operating costs. Also, such policies may lead to changes in market conditions, including price instability and imbalance of supply and demand in respect of office, residential, retail and other properties, which may materially adversely affect the business, financial condition and results of operation of the Target Group.

Extensive government approvals are required over the course of the development of properties in the PRC, and the relevant government authorities may refuse to grant them the requisite approvals on a timely basis, or at all

The property development industry in the PRC is heavily regulated by the PRC Government. PRC property developers must comply with various requirements mandated by national and local laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to develop and complete a property development, a property developer must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of the property development, including among others, Planning permit for Use of Construction Land, Planning Permit for Construction Works, Commencement Permit for Construction Works, Pre-sale Permit for Commodity Property and Certificate of Real Estate Ownership. Each approval is dependent on the satisfaction of certain conditions. There is no assurance that the relevant the TL WFOEs and the GQC WFOEs will be able to obtain the above permits and certificates with respect to their projects in a timely manner, or at all. If they fail to do so, property projects under the Target Group may not be able to develop as planned, which would have a material adverse effect on the business, financial condition and results of operations and business prospects going forward.

It cannot be assured that the Target Group will not encounter material delays or other impediments in fulfilling the conditions precedent to the requisite approvals, or that the Target Group will be able to adapt itself to new laws, regulations or policies that may come into effect from time to time with respect to the real estate industry in general or the particular processes with respect to the granting of the approvals. There may also be delays on the part of the administrative bodies in reviewing its applications and granting approvals. If the Target Group fails to obtain, or encounter material delays in obtaining, the requisite governmental approvals, the schedule of development and sale of its developments could be substantially disrupted which would materially and adversely affect its business, results of operations and financial condition.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS AND THE PSHK ACQUISITION

The Acquisitions

The Group is principally engaged in building construction, civil engineering, electrical and mechanical installation, interiors and special projects, property development and investment, provision of construction/project management consultancy services, and provision of property and facility management services. During 2010, the Group achieved significant growth across its portfolio of business and recorded revenue of approximately HK$3,847.8 million and a profit attributable to shareholders of approximately HK$136.3 million for the year ended 31 December 2010. The overall performance of the Group is backed by the strengthening of its core building construction division and the transformation of its civil engineering division. In addition, the profits from property division were HK$45.0 million, registering a large increase from HK$20.4 million realised in 2009 and the major contributions of which were rental income derived from the office premise in Wanchai, with nearly 100% occupancy rate, and the profit realised from the sale of shop units of Wen Chang Pavilion in Guangzhou.

In the Third Session of Eleventh National People's Congress in March 2010, the PRC government's report included new policies of promoting urbanisation. The PRC government aims to promote the balanced development of towns and large, small and medium-sized cities. The report said the PRC government will strengthen county economies and improve infrastructure and environmental protection in county towns.

As it stands, China as a whole and virtually all major cities in the country are undergoing urbanisation of unprecedented scale. All key cities' urban areas are rapidly expanding into the fringe suburban areas and even rural areas. Typical illustrations are the cities of Beijing, Shanghai, Guangzhou and Shenzhen, which have been rapidly expanding urban areas and residents are moving out from the city centre, given more affordable home prices and better living environment in the outer areas. It is expected the major cities in close proximity to the TL Sites and the GQC Sites are of no exception and the forthcoming developments of intercity transportation systems will generate additional residential and retail demand in these sites from the local residents in the nearby cities.

The Directors believe that based on the new policies of promoting urbanisation as reported in the Third Session of Eleventh National People's Congress in March 2010 China's rapid urbanisation will continue for 15 to 20 years. Furthermore, specifically in relation to the GQC Acquisition, the Directors consider the GQC Sites are blessed with prized tourism resources such as Lushan (廬山) and Poyang Lakes (鄱陽湖), which will make a popular tourist destination for holiday homes or second homes, hotels, and other related entertainment and retail facilities. The Directors believe that Tieling and Gongqing Cheng are two emerging cities located in the high growth Shenyang Economic Region and Nanchang-Jiujiang Corridor and their developments will have a very sizeable catchment population and will be supported by strong economic fundamentals. The Directors are of the view that the TL Acquisition and GQC Acquisition represent an opportunity for the Group to ride the wave of urbanisation in the PRC and to develop trendy lifestyle hubs on the TL Sites and the GQC Sites focusing on the growing urban middle class market segment, which encompasses themed retail, food and beverage, entertainment, hospitality and trendy amenities.

Upon completion of the Acquisitions, the Target Group will be indirectly wholly owned by the Company and the financial results of the Target Group will be consolidated into the Group. To capitalise on its solid foundation in building construction and civil, mechanical and electrical installation services, the Directors believe the further diversification and emphasis upon its real estate development and property investment activities in the PRC, by means of the Acquisitions, will enable the Group to broaden its income source and to become a vertically integrated property developer, investor and construction service provider. It is expected the Acquisitions will result in significant synergies between the Group's existing business and the enlarged property development business and will be the initial key growth engines for the Enlarged Group's operations. There is neither any current intention for downsizing, nor any agreement, arrangement, understanding or negotiation, for the disposal or termination of the Group's existing business. The Directors, excluding the independent non-executive Directors who have expressed their views in the letter from the Independent Board Committee in this circular, are of the view that the Acquisitions which further develop the Group's business into the property sector, will further improve the profitability and facilitate the sustainable development of the Company in the long run, and that the terms of the TL Acquisition Agreement and the GQC Acquisition Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The PSHK Acquisition

PSHK has a team of senior executives who are highly competent and experienced and possess the requisite breadth and depth of experience in overseeing and managing development projects in the PRC. The biographical details of the management of PSHK are set out below:

Mr. Maximus LI Kai Man – President

Mr. Li brings with him 30 years of extensive management experience in both the public and private sectors. He has served in the Hong Kong Government Administrative Service holding various senior positions in the areas of district administration, social welfare, civil service management, and industry and technology development. His last public service appointment was Director of Administration & Finance in the Asia Pacific Economic Cooperation Secretariat. Since 1994, Mr. Li has held several senior positions such as Senior Vice President of China Investment Group, a subsidiary of the Henderson Group in Hong Kong, General Manager of Shui On Land Limited and subsequently promoted to Executive Director, and most recently as Executive Vice President of Pacific Star Group. Mr. Li graduated from the University of Hong Kong and was also educated at Leeds University, UC Berkeley, and Harvard University.

Ms. Karin LAU Shu Ya – Senior Vice President

Ms. Lau has over 13 years of work experience in both real estate and finance. Prior to joining PSHK, Ms. Lau has worked for leading developers such as Swire Properties Limited as Assistant Marketing Manager for about four years and Shui On Land Limited as Senior Marketing and Promotions Manager for about three years in both Hong Kong and the PRC. She has extensive property development and management experience and has worked in strategy, business development, branding, leasing as well as sales and marketing, with a focus in mixed-used development. Of her finance experience, Ms. Lau has worked as an associate for the corporate finance division of the Hongkong and Shanghai Banking Corporation Limited for one year on various merger and acquisition, corporate advisory and initial public offering assignments with a focus in finance and real estate industries. Ms. Lau's most recent role is Assistant Vice President (Leasing and Marketing) at Asia Pacific Land. Ms. Lau has a bachelor degree from University of British Columbia and an MBA from Cornell University.

Ms. Fanny LEE Wing Lan, AIA, HKIA, LEED AP® – Director of Planning and Design

Ms. Lee has over 20 years of professional architectural design and management experience in large-scale mixed use developments in the United States of America and Asia, including 15 years of China project experience. During her tenure as Senior Associate Principal at the renowned international design firm of Kohn Pederson Fox, Ms. Lee was involved in various landmark developments in China for prominent developers including the 480-meter International Commerce Centre in Hong Kong for Sun Hung Kai Properties Ltd., mixed-use commercial developments in the Shanghai Xintiandi precinct for Shui On Land Limited and the large scale residential and commercial mixed use master plan in Zhenru, Shanghai for Cheung Kong Holdings Limited. From 2008 to 2009, as Managing Director – China of Aedas Ltd., one of the largest architectural practices globally, Ms. Lee was responsible for managing its China operation with offices in Beijing, Shanghai, Chengdu, Shenyang and Shenzhen. Ms. Lee is a licensed architect in the United States of America and in Hong Kong, and is a LEED AP®. She is a past president of the Hong Kong Chapter of the American Institute of Architects and a member of the Executive Committee of the North Asia Council of the Urban Land Institute.

Having considered the facts that (i) the talent pool for PRC real estate development is generally very tight; (ii) the time required for the Company to start recruiting property development executives right on completion of the deal, i.e. end of October 2011; the earliest a team could be put in place would probably be April 2012 due to the Christmas and Lunar New Year holidays; (iii) a new team might take another 3 to 6 months to run in and get familiar with the project(s); (iv) there are uncertainties on performance of newly recruited team member; and (v) the engagement of external consultants to carry out the job throughout the duration of the development of the TL Sites and the GQC Sites will be costly and will likely be 2 to 2.5 times the staff costs for the same work to be carried out in-house, the Directors consider that it is beneficial for the Company to acquire PSHK who has been involved in many large-scale residential and commercial projects in the PRC and, most importantly, has been involved in master planning the TL Sites and the GQC Sites. The PSHK Acquisition will fully ensure a smooth transition and continuation of the management and development of both the TL Sites and the GQC Sites to the early project commencement for each project site.

The Directors, excluding the independent non-executive Directors who have expressed their views in the letter from the Independent Board Committee in this circular, are of the view that the PSHK Acquisition will strengthen the Group's existing property development arm and will ensure a smooth transition and continuation of the management and development of both the TL Sites and the GQC Sites to the early project commencement for each project site, and that the terms of the PSHK Acquisition Agreement are fair and reasonable, are of normal commercial terms and in the interests of the Company and the Shareholders as a whole.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The authorised share capital of the Company is HK$100,000,000 comprising 1,000,000,000 Shares, of which 677,499,662 Shares are in issue as at the Latest Practicable Date. As part of the terms of the Acquisitions, the Board proposes to increase the authorised share capital of the Company from HK$100,000,000 to HK$500,000,000 by the creation of an additional 4,000,000,000 unissued Shares which rank pari passu in all respects with the existing Shares in the capital of the Company. The increase in authorised share capital of the Company is conditional upon the passing of an ordinary resolution by the Independent Shareholders at the SGM.

THE SPECIFIC MANDATE TO ISSUE NEW SHARES

The Board proposes to seek a Specific Mandate from the Independent Shareholders at the SGM to issue not more than 1,900,000,000 new Shares, representing approximately: (i) 280.4% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) 155.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares; (iii) 110.3% of the issued share capital of the Company as enlarged by the allotment and issues of the Consideration Shares and the TL Conversion Shares; and (iv) 52.5% of the issued share capital of the Company as enlarged by the allotment and issues of the Consideration Shares, the TL Conversion Shares and the maximum number of new Shares under the Specific Mandate.

The major terms of the proposed Specific Mandate are as follows:

(1) to issue not more than 1,900,000,000 new Shares;

(2) the new Shares will be issued at a discount of not more than 20% to the higher of:

  (a) the closing price on the date of any relevant placing agreement or other agreement involving the proposed issue of securities under the Specific Mandate; and

  (b) the average closing price in the five trading days immediately prior to the earlier of:

    (i) the date of announcement of the placing or the proposed transaction or arrangement involving the proposed issue of securities under the Specific Mandate;

    (ii) the date of the placing agreement or other agreement involving the proposed issue of securities under the Specific Mandate; and

    (iii) the date on which the placing or subscription or exercise price is fixed;

(3) the grant of the Specific Mandate is to facilitate the completion of the Fund Raising Exercise, being one of the conditions precedent to the GQC Acquisition Agreement and conditional upon the passing of an ordinary resolution by the Independent Shareholders at the SGM approving such grant;

(4) the issue of the new Shares pursuant to the Specific Mandate will be conditional upon TL Completion; and

(5) the proposed Specific Mandate is for the period from the passing of the relevant resolutions at the SGM up to the earlier of: (a) 30 April 2012; or (b) the revocation or variation of the authority given under the relevant resolution(s) at the SGM by ordinary resolution(s) of the Independent Shareholders in a general meeting.

Depending on market conditions, the Directors may or may not exercise the proposed Specific Mandate, if granted, to issue new Shares and, where the proposed Specific Mandate is exercised, may issue less than 1,900,000,000 new Shares. It is currently intended that the Specific Mandate sought will cover new Shares to be issued pursuant to potential placing to be conducted by the Company and new Shares arising from the conversion or exercise of convertible securities or convertible bonds, subject to the then prevailing market conditions. Mr. Wong will abstain from voting in the Board meeting to approve the placing of new Shares pursuant to the Specific Mandate. If the Directors proceed to issue and place new Shares and/or convertible securities or convertible bonds pursuant to the proposed Specific Mandate, the new Shares and/or convertible securities or convertible bonds are expected to be placed to the Independent Third Parties. The Company will make (a) separate announcement(s) as required by the Listing Rules.

Depending on market conditions, the Directors intend to raise proceeds of approximately HK$2,900 million (based on the Issue Price) and apply such net proceeds from the potential placing (i) as to HK$800 million for GQC Completion; (ii) as to HK$500 million for the repayment of the Senior Loan Note; (iii) as to HK$1,100 million for the deployment of funding towards the development of the TL Sites and the GQC Sites; (iv) as to HK$400 million for bank financing incidental to the Acquisitions; and (v) the balance for the working capital of the Target Group. The proposed issue of new Shares and/or convertible securities or convertible bonds, under the potential placing, if executed and converted into new Shares (where applicable), will also enlarge each of the shareholder and capital bases of the Company and strengthen the financial position of the Enlarged Group.

Should the Directors, upon obtaining the proposed Specific Mandate, proceed to exercise the proposed Specific Mandate to issue any new Shares (including the new Shares arising from the conversion or exercise of convertible securities or convertible bonds), the Company will also apply to the Listing Committee for the listing of, and permission to deal in, the new Shares to be issued (including the new Shares arising from the conversion or exercise of convertible securities or convertible bonds) pursuant to the potential placing.

SHAREHOLDING STRUCTURES

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after TL Completion assuming no conversion of the TL Convertible Bonds; (iii) immediately after TL Completion, GQC Completion and issue of new Shares under the Fund Raising Exercise assuming no conversion of the TL Convertible Bonds; (iv) immediately after TL Completion, GQC Completion and issue of all new Shares under the Fund Raising Exercise assuming full conversion of the TL Convertible Bonds; and (v) immediately after TL Completion, GQC Completion and issue of new Shares under the Specific Mandate in full assuming full conversion of the TL Convertible Bonds.

Shareholders	As at the date of Latest Practicable Date		Immediately after TL Completion assuming no conversion of the TL Convertible Bonds		Immediately after TL Completion, GQC Completion and issue of new Shares under the Fund Raising Exercise assuming no conversion of the TL Convertible Bonds		Immediately after TL Completion, GQC Completion and issue of new Shares under the Fund Raising Exercise assuming full conversion of the TL Convertible Bonds		Immediately after TL Completion, GQC Completion and issue of new Shares under the Specific Mandate in full assuming full conversion of the TL Convertible Bonds	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Dr. David Chu Shu-ho (Deceased)	375,921,240	55.5	375,921,240	45.8	375,921,240	17.7	375,921,240	14.4	375,921,240	10.4
Mr. Wong	20,000,000	3.0	20,000,000	2.4	20,000,000	1.0	20,000,000	0.8	20,000,000	0.6
Other Directors	2,790,000	0.4	2,790,000	0.4	2,790,000	0.1	2,790,000	0.1	2,790,000	0.1
Neo Summit	–	–	143,000,000	17.4	548,228,758	25.8	1,044,444,444	39.8 *(Note)*	1,044,444,444	28.8
Public Shareholders										
Existing public Shareholders	278,788,422	41.1	278,788,422	34.0	278,788,422	13.1	278,788,422	10.6	278,788,422	7.7
Placees	–	–	–	–	900,000,000	42.3	900,000,000	34.3	1,900,000,000	52.4
Sub-total of public Shareholders	278,788,422	41.1	278,788,422	34.0	1,178,788,422	55.4	1,178,788,422	44.9	2,178,788,422	60.1
Total	**677,499,662**	**100.0**	**820,499,662**	**100.0**	**2,125,728,420**	**100.0**	**2,621,944,106**	**100.0**	**3,621,944,106**	**100.0**

Note: For illustration purposes only as the holder of the TL Convertible Bonds is subject to the conversion restriction of, amongst others, not triggering a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder of the TL Convertible Bonds.

FINANCIAL EFFECTS OF THE ACQUISITIONS AND THE PSHK ACQUISITION

Upon completions of the TL Acquisition, the GQC Acquisition and PSHK Acquisition, the TL Group, the GQC Group and the PSHK Group will become wholly-owned subsidiaries of the Company and their results will be consolidated into the Group's consolidated financial statements. The unaudited pro forma consolidated financial information of the Enlarged Group illustrating the financial impact of the Acquisitions and PSHK Acquisition on the results, assets and liabilities of the Group is set out in appendix III to this circular.

Based on the unaudited pro forma consolidated balance sheet of the Enlarged Group as set out in appendix III to this circular and assuming completions of the TL Acquisition and the PSHK Acquisition had taken place on 30 June 2011, as a result of the completions of the TL Acquisition and the PSHK Acquisition, (i) the total assets would be increased by approximately 89.2% from approximately HK$2,764.3 million to approximately HK$5,229.3 million; (ii) the total liabilities would be increased by approximately 90.9% from approximately HK$1,810.1 million to approximately HK$3,454.6 million; (iii) the net assets attributable to the Shareholders would be increased by approximately 99.0% from approximately HK$828.7 million to approximately HK$1,649.2 million. The Enlarged Group has deposit, cash and bank balances of approximately HK$729.0 million.

Based on the unaudited pro forma consolidated balance sheet of the Enlarged Group as set out in appendix III to this circular and assuming completions of the TL Acquisition, GQC Acquisition and the PSHK Acquisition had taken place on 30 June 2011, as a result of the completions of the TL Acquisition, GQC Acquisition and the PSHK Acquisition, (i) the total assets would be increased by approximately 157.7% from approximately HK$2,764.3 million to approximately HK$7,122.9 million; (ii) the total liabilities would be increased by approximately 89.5% from HK$1,810.1 million to approximately HK$3,429.3 million; (iii) the net assets attributable to the Shareholders would be increased by approximately 330.6% from approximately HK$828.7 million to approximately HK$3,568.1 million. The Enlarged Group has deposit, cash and bank balances of approximately HK$729.0 million.

Based on the unaudited pro forma consolidated income statement of the Enlarged Group as set out in appendix III to this circular and assuming completions of the TL Acquisition and the PSHK Acquisition had taken place on 1 January 2010, as a result of completions of the TL Acquisition and the PSHK Acquisition, (i) the total revenue would be increased by approximately 0.1% from approximately HK$3,847.8 million to approximately HK$3,850.8 million; and (ii) the net profit attributable to the Shareholders would be decreased by approximately 48.6% from HK$136.3 million to approximately HK$70.1 million. The decrease in the net profit attributable to the Shareholders is mainly due to the recognition of interests expenses on the HK$350 million and the HK$26 million bank borrowings to be drawn down for payment of the cash portion of the TL Consideration and the PSHK Consideration respectively, the TL Convertible Bonds and the Senior Loan Note of approximately HK$6.8 million, HK$41.0 million and HK$12.5 million respectively.

Based on the unaudited pro forma consolidated income statement of the Enlarged Group as set out in appendix III to this circular and assuming completions of the TL Acquisition, the GQC Acquisition and the PSHK Acquisition had taken place on 1 January 2010, as a result of completions of the TL Acquisition, the GQC Acquisition and the PSHK Acquisition, (i) the total revenue would be increased by approximately 0.1% from approximately HK$3,847.8 million to approximately HK$3,850.8 million; and (ii) the net profit attributable to the Shareholders would be decreased by approximately 43.9% from HK$136.3 million to approximately HK$76.5 million. Similar to above paragraph, the decrease in the net profit attributable to the Shareholders is mainly due to the recognition of interests expenses on the bank borrowings for payment of the cash portion of the TL Consideration, the TL Convertible Bonds and the Senior Loan Note. The above analysis has not taken into account the early repayment of the Senior Loan Note as a result of the Fund Raising Exercise which may reduce the interest expense on the Senior Loan Note by approximately HK$6.5 million.

Since the values of the assets and liabilities of the TL Companies, the GQC Companies and PSHK may be different at the TL Completion Date, the GQC Completion Date and the PSHK Completion Date respectively from their respective values used in the preparation of the unaudited pro forma financial information of the Enlarged Group, the actual amounts of the assets and liabilities of the TL Companies, the GQC Companies and PSHK to be recorded in the financial statements of the Group may be different from the estimated amounts shown in the unaudited pro forma financial information of the Enlarged Group.

LISTING RULES IMPLICATIONS

As one or more of the relevant percentage ratios applicable to the Company exceeds 100%, the Acquisitions constitute very substantial acquisitions for the Company under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, each of the Target Companies is wholly owned by Neo Summit and Neo Summit is owned as to approximately 28.9% by Pinnacle State Real Estate Limited, which is indirectly and wholly owned by Mr. Wong, the Director and the executive deputy chairman of the Company, and approximately 13.3% by Summit View Holdings Limited, which is owned as to 50.0% by Mr. Wong. Mr. Wong is therefore a substantial shareholder of each of the Target Companies. Mr. Wong is also a director of Neo Summit and the Director and the executive deputy chairman of the Company. Accordingly, the Acquisitions constitute connected transactions for the Company under Rule 14A.13(1)(a) of the Listing Rules and subject to the reporting, announcement and the Independent Shareholders' approval requirements.

Furthermore, as Mr. Wong is the ultimately beneficial owner and the sole director of PSG and is also the Director and the executive deputy chairman of the Company, the entering into of the PSHK Acquisition Agreement (including the transactions contemplated thereunder) constitutes a connected transaction for the Company under the Listing Rules. Given that the PSHK Acquisition is related to the Acquisitions which also involve Mr. Wong as vendor, the PSHK Acquisition has been aggregated with the Acquisitions and treated as if they were one transaction under Rules 14.22 and 14A.25 of the Listing Rules and is therefore subject to the reporting, announcement and the Independent Shareholders' approval requirements.

Mr. Wong and his associates, who held 20,000,000 Shares as at the Latest Practicable Date, will abstain from voting in respect of the resolution(s) approving the Acquisitions and the PSHK Acquisition at the SGM.

The Independent Board Committee comprising all of the three independent non-executive Directors, namely Hon. Jeffrey LAM Kin-fung, Hon. Abraham SHEK Lai-him and Mr. Alexander MAK Kwai-wing, has been constituted to advise the Independent Shareholders as regards the terms of the TL Acquisition Agreement, the GQC Acquisition Agreement and the PSHK Acquisition Agreement and the transactions contemplated thereunder and the proposed increase in authorised share capital of the Company and the Specific Mandate. Investec has been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

SGM

Set out on pages SGM – 1 to SGM – 3 is a notice convening the SGM to be held at 2nd Floor, Hsin Chong Center, 107-109 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong on 19 October 2011 (Wednesday) at 9:30 a.m. at which ordinary resolutions will be proposed to consider and, if thought fit, to approve the TL Acquisition Agreement, the GQC Acquisition Agreement and the PSHK Acquisition Agreement and the transactions contemplated thereunder, the proposed increase in authorised share capital of the Company and the Specific Mandate.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish. Voting on the proposed resolutions at the SGM will be taken by poll.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 64 to 65 of this circular and the letter from Investec on pages 66 to 97 of this circular which contains their advice to the Independent Board Committee and the Independent Shareholders regarding the terms of the TL Acquisition Agreement, the GQC Acquisition Agreement and the PSHK Acquisition Agreement and the transactions contemplated thereunder, the proposed increase in authorised share capital of the Company and the Specific Mandate.

The Directors consider that the terms of the TL Acquisition Agreement, the GQC Acquisition Agreement and the PSHK Acquisition Agreement and the transactions contemplated thereunder, the proposed increase in authorised share capital of the Company and the Specific Mandate are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the TL Acquisition Agreement, the GQC Acquisition Agreement and the PSHK Acquisition Agreement and the transactions contemplated thereunder, the proposed increase in authorised share capital of the Company and the Specific Mandate. You are advised to read the letter from the Independent Board Committee and the letter from Investec mentioned above before deciding how to vote on the resolutions to be proposed at the SGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board of
Hsin Chong Construction Group Ltd.
Barry John BUTTIFANT
Executive Director

The following is the text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the TL Acquisition Agreement, the GQC Acquisition Agreement and the PSHK Acquisition Agreement and the transactions contemplated thereunder, the proposed increase in authorised share capital of the Company and the Specific Mandate.

HSIN CHONG CONSTRUCTION GROUP LTD.

新昌營造集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00404)

30 September 2011

To the Independent Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITIONS AND CONNECTED TRANSACTIONS IN RELATION TO ACQUISITIONS OF TWO LAND SITES IN THE PEOPLE'S REPUBLIC OF CHINA INVOLVING THE ISSUES OF CONSIDERATION SHARES AND CONVERTIBLE BONDS AND ACQUISITION OF PS HONG KONG LIMITED

(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

AND

(3) SPECIFIC MANDATE TO ISSUE NEW SHARES

We refer to the circular of the Company dated 30 September 2011 (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise you on the terms of the TL Acquisition Agreement, the GQC Acquisition Agreement and the PSHK Acquisition Agreement and the transactions contemplated thereunder, the proposed increase in authorised share capital of the Company and the Specific Mandate. Investec has been appointed as the independent financial adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 66 to 97 of the Circular. Your attention is also drawn to the "Letter from the Board" in the Circular and the additional information set out in the appendices thereto.

* *for identification purposes only*

Having considered the terms of the TL Acquisition Agreement, the GQC Acquisition Agreement and the PSHK Acquisition Agreement and the transactions contemplated thereunder, the proposed increase in authorised share capital of the Company and the Specific Mandate, and taking into account the advice of Investec, in particular the principal factors, reasons and recommendation as set out in their letter, we consider that the entering into of the TL Acquisition Agreement, the GQC Acquisition Agreement and the PSHK Acquisition Agreement, and the proposed increase in authorised share capital of the Company and Specific Mandate are in the interests of the Group and the Independent Shareholders as a whole, and the terms of the TL Acquisition Agreement, the GQC Acquisition Agreement and the PSHK Acquisition Agreement and the transactions contemplated thereunder, the proposed increase in authorised share capital of the Company and the Specific Mandate are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. **We therefore recommend you to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the TL Acquisition Agreement, the GQC Acquisition Agreement and the PSHK Acquisition Agreement and the transactions contemplated thereunder, the proposed increase in authorised share capital of the Company and the Specific Mandate.**

Yours faithfully,
Independent Board Committee

Jeffrey LAM Kin-fung **Abraham SHEK Lai-him** **Alexander MAK Kwai-wing**
Independent non-executive Directors

Set out below is the text of the letter of advice from Investec to the Independent Board Committee and the Independent Shareholders prepared for inclusion in this circular.

Investec Capital Asia Ltd
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Tel/電話: (852) 3187 5000
Fax/傳真: (852) 2501 0171
www.investec.com

30 September 2011

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

(1) VERY SUBSTANTIAL ACQUISITIONS AND CONNECTED TRANSACTIONS IN RELATION TO ACQUISITIONS OF TWO LAND SITES IN THE PEOPLE'S REPUBLIC OF CHINA INVOLVING THE ISSUES OF CONSIDERATION SHARES AND CONVERTIBLE BONDS AND ACQUISITION OF PS HONG KONG LIMITED; (2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; AND (3) SPECIFIC MANDATE TO ISSUE NEW SHARES

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the TL Acquisition Agreement, the GQC Acquisition Agreement, the PSHK Acquisition Agreement, the proposed increase in authorised share capital of the Company and the Specific Mandate, details of which are set out in the "Letter from the Board" contained in the circular dated 30 September 2011 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

TL Acquisition

On 27 July 2011, Perfect Mark (as purchaser), a wholly-owned subsidiary of the Company, and Neo Summit (as vendor), among other parties, entered into the TL Acquisition Agreement pursuant to which Perfect Mark has conditionally agreed to acquire and Neo Summit has conditionally agreed to sell the entire issued share capital of each of the Target Co 1 and the Target Co 2 at the TL Consideration.

The principal assets of the Target Co 1 and the Target Co 2 are the Target Site 1 and the Target Site 2 respectively, which are located in Xintun Village and Dafanhe Village, Fanhe Town, Tieling County, Liaoning Province, the PRC.

GQC Acquisition

On the same date, Perfect Mark (as purchaser), Neo Summit (as vendor), among other parties, entered into the GQC Acquisition Agreement pursuant to which Perfect Mark has conditionally agreed to acquire and Neo Summit has conditionally agreed to sell the entire issued share capital of each of the Target Co 3, the Target Co 4 and the Target Co 5 at the GQC Consideration.

The principal assets of the Target Co 3, the Target Co 4 and the Target Co 5 are the Target Site 3, the Target Site 4 and the Target Site 5 respectively, which are located in Hetang Village and Zenglong Village, Jiangyi Town, Gongqing Cheng, Jiangxi Province, the PRC.

As one or more of the relevant percentage ratios applicable to the Company exceeds 100%, the Acquisitions constitute very substantial acquisitions for the Company under Chapter 14 of the Listing Rules.

As each of the Target Companies is wholly owned by Neo Summit and Neo Summit is owned as to approximately 28.9% by Pinnacle State Real Estate Limited, which is indirectly and wholly owned by Mr. Wong, the Director and the executive deputy chairman of the Company, and approximately 13.3% by Summit View Holdings Limited, which is owned as to 50.0% by Mr. Wong. Mr. Wong is therefore a substantial shareholder of each of the Target Companies. Mr. Wong is also a director of Neo Summit and the Director and the executive deputy chairman of the Company. Accordingly, the Acquisitions constitute connected transactions for the Company under Rule 14A.13(1)(a) of the Listing Rules and subject to the reporting, announcement and the Independent Shareholders' approval requirements.

PSHK Acquisition

In addition and on the same date, Perfect Mark (as purchaser), PSG (as vendor), among other parties, entered into the PSHK Acquisition Agreement pursuant to which Perfect Mark has conditionally agreed to acquire and PSG has conditionally agreed to sell the entire issued share capital of PSHK.

As Mr. Wong is the ultimately beneficial owner and the sole director of PSG and is also the Director and the executive deputy chairman of the Company, the entering into of the PSHK Acquisition Agreement (including the transactions contemplated thereunder) constitutes a connected transaction for the Company under the Listing Rules. Given that the PSHK Acquisition is related to the Acquisitions which also involve Mr. Wong as vendor, the PSHK Acquisition has been aggregated with the Acquisitions and treated as if they were one transaction under Rules 14.22 and 14A.25 of the Listing Rules and is therefore subject to the reporting, announcement and the Independent Shareholders' approval requirements.

Proposed increase in authorised share capital of the Company

As part of the terms of the Acquisitions, the Board proposes to increase the authorised share capital of the Company from HK$100,000,000 to HK$500,000,000 by the creation of an additional 4,000,000,000 unissued Shares which rank pari passu in all aspects with the existing Shares in the capital of the Company. The increase in authorised share capital of the Company is conditional upon the passing of an ordinary resolution by the Independent Shareholders at the SGM.

Specific Mandate

In addition, the Board proposes to seek a Specific Mandate from the Independent Shareholders at the SGM to issue not more than 1,900,000,000 new Shares.

Depending on market conditions, the Directors may or may not exercise the proposed Specific Mandate, if granted, to issue new Shares and, where the proposed Specific Mandate is exercised, may issue less than 1,900,000,000 new Shares. It is currently intended that the Specific Mandate sought will cover new Shares to be issued and/or arising from the conversion or exercise of convertible securities or convertible bonds pursuant to potential placing to be conducted by the Company, subject to the then prevailing market conditions.

If the Directors proceed to issue and place new Shares and/or convertible securities or convertible bonds pursuant to the proposed Specific Mandate, the new Shares and/or convertible securities or convertible bonds are expected to be placed to Independent Third Parties. The Company will make a separate announcement(s) as required by the Listing Rules.

The proposed Specific Mandate is for the period from the passing of the relevant resolutions at the SGM up to the earlier of: (i) 30 April 2012; or (ii) the revocation or variation of the authority given under the relevant resolution(s) at the SGM by ordinary resolution(s) of the Independent Shareholders in a general meeting.

II. THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of eight Directors, namely Dr. Kenneth CHU Ting-kin as non-executive chairman; Mr. Wilfred Wong Ying-wai (executive deputy chairman), Mr. Edmund Leung Kwong-ho (managing director), Dr. Catherine Chu and Mr. Barry John Buttifant as executive Directors; and Hon. Jeffrey Lam Kin-fung, Hon. Abraham Shek Lai-him and Mr. Alexander Mak Kwai-wing as independent non-executive Directors.

The Independent Board Committee comprising all the independent non-executive Directors, namely Hon. Jeffrey Lam Kin-fung, Hon. Abraham Shek Lai-him and Mr. Alexander Mak Kwai-wing, has been established to advise the Independent Shareholders, and Investec has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the TL Acquisition Agreement, the GQC Acquisition Agreement, the PSHK Acquisition Agreement and the respective transactions contemplated thereunder, the proposed increase in authorised share capital of the Company and the Specific Mandate are in the interests of the Company and the Shareholders as a whole; and (ii) whether the terms of the TL Acquisition Agreement, the GQC Acquisition Agreement, the PSHK Acquisition Agreement and the respective transactions contemplated thereunder, the proposed increase in authorised share capital of the Company and the Specific Mandate are fair and reasonable so far as the Independent Shareholders are concerned.

Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

III. BASIS OF OUR OPINION

In formulating our opinion, which is specifically related to the terms of the TL Acquisition Agreement, the GQC Acquisition Agreement, the PSHK Acquisition Agreement, the proposed increase in authorised share capital of the Company and the Specific Mandate, we have relied on the information and representations contained or referred to in the Circular and the information and representations provided to us by the Company and/or its management staff (the "**Management**") and/or the Directors. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Company and/or the Management and/or the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so at the date hereof.

We have no reason to believe that any information or representation relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading.

The Directors have confirmed that, having made all reasonable enquiries, to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We consider that we have reviewed sufficient information to enable us to form a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information provided, nor have we carried out any form of in-depth investigation into the business and affairs of the Company, Neo Summit, the Target Companies, PSG, PSHK and their respective subsidiaries or the prospects of the markets in which they respectively operate.

IV. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the terms of the TL Acquisition Agreement, the GQC Acquisition Agreement, the PSHK Acquisition Agreement, the proposed increase in authorised share capital of the Company and the Specific Mandate, we have taken into consideration the following principal factors:

1. Principal activities and business strategy of the Group

The Group is principally engaged in building construction, civil engineering, electrical and mechanical engineering installation, interiors and special projects, and property development and investment, provision of construction/project management consultancy services, and provision of property and facility management services.

Set out below is a summary of the operating results of the Group for (i) the two years ended 31 December 2010, extracted from the annual report of the Group for the year ended 31 December 2010 (the "**2010 Annual Report**"); and (ii) the six months ended 30 June 2011 (the "**Interim Period**"), extracted from the interim report of the Group for the Interim Period:

	For the six months ended 30 June	**For the year ended 31 December**	
	2011	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	(audited)	(audited)
Revenue			
– Building construction	1,569,738	2,273,288	1,567,807
– Civil engineering	235,039	550,388	150,913
– Electrical & mechanical	299,532	344,404	606,343
– Property & facility management	313,101	574,086	543,140
– Property investment	20,312	105,657	32,101
Total Group revenue	2,437,722	3,847,823	2,900,304
Profit for the period/year	86,026	157,403	119,054
Attributable to			
– Equity holders of the Company	71,111	136,346	109,107
– Non-controlling interests	14,915	21,057	9,947

For the six months ended 30 June 2011

Total Group revenue and profit for the Interim Period of the Group was approximately HK$2,437.7 million and HK$86.0 million for the Interim Period, respectively, representing an increase of approximately 37.9% and 102.3% respectively from the corresponding period last year.

The building construction segment continued to be the largest contributor to the Group's revenue for the Interim Period, with revenue of approximately HK$1,569.7 million, representing approximately 64.4% of the Group's revenue.

Geographically, revenue derived from Hong Kong accounted for approximately 77.4% of the Group's revenue (excluding revenue of jointly controlled entities) for the Interim Period. Revenue derived from Macau and the PRC both recorded notable percentage growth, although each of Macau and the PRC is still less significant in terms of revenue contribution when compared to Hong Kong.

For the year ended 31 December 2010

Total Group revenue and profit for the year of the Group was approximately HK$3,847.8 million and HK$157.4 million for the year ended 31 December 2010, respectively, representing an increase of approximately 32.7% and 32.2% respectively from the corresponding period last year.

The building construction segment continued to be the largest contributor to the Group's revenue for the year ended 31 December 2010, with revenue of approximately HK$2,273.3 million, representing approximately 59.1% of the Group's revenue.

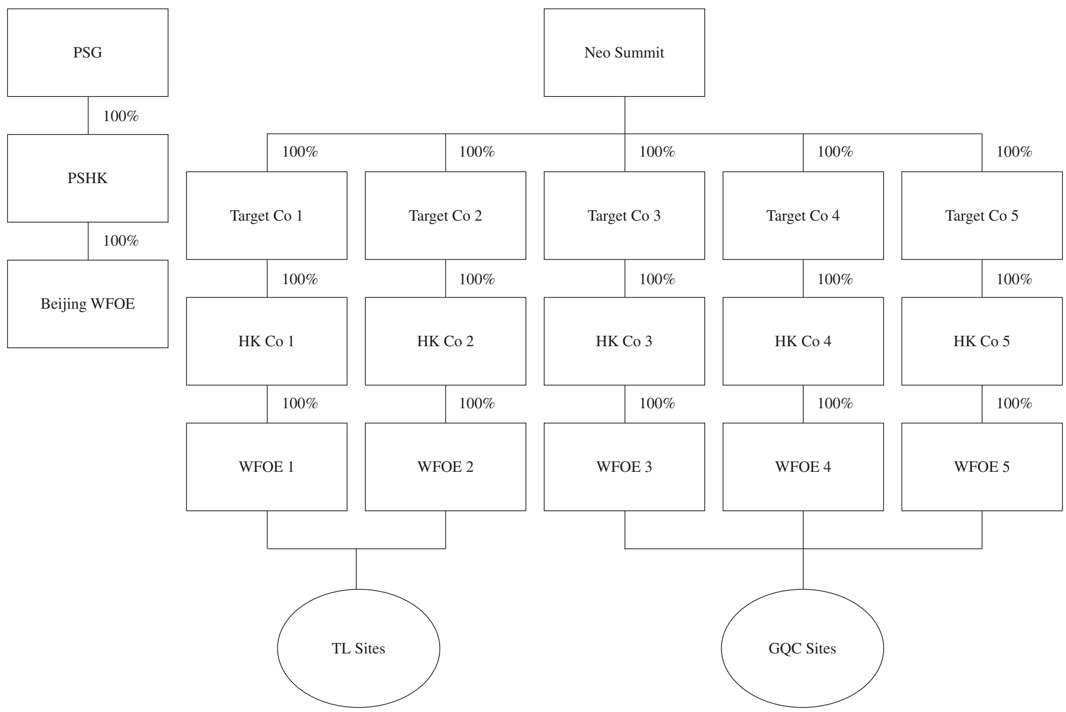
Geographically, Hong Kong was the major revenue contributor of the Group with revenue from the territory accounting for approximately 84.5% of the Group's revenue (excluding revenue of jointly controlled entities) for the year ended 31 December 2010. As set out in the 2010 Annual Report, for overseas business, it is the Group's intention to develop and expand its construction business in the PRC. For the year ended 31 December 2010, revenue derived from the PRC totalled approximately HK$101.8 million, representing a year-on-year increase of approximately 20.5%. In addition, the Group's non-current assets in the PRC increased by approximately 35.6 times from approximately HK$2.8 million as at 31 December 2009 to approximately HK$102.6 million as at 31 December 2010.

Whilst the Group has experienced strong growth in revenue, the profit margin of approximately 4.1% in 2010 remained at the same level as those attained in 2009. Recognising the cyclical nature of the construction industry and with the Group having benefited from the construction boom as a result of the proliferation of new casino and hotel developments in Macau in recent years, the Directors are conscious of the inherent uncertainties and vulnerability of the Group to any cyclical downturn in construction activities in Hong Kong and Macau.

Accordingly, the Board considers the Acquisitions to be an opportunity to mitigate its traditional dependence on the construction business and potentially transform the prospects of the Group. We also understand that the Board believes that the Group can leverage the expertise which it has gained from its long history and experience in construction and facility management of large scale projects to participate in the property developments contemplated under the Acquisitions.

2. Background of the Acquisitions and the PSHK Acquisition

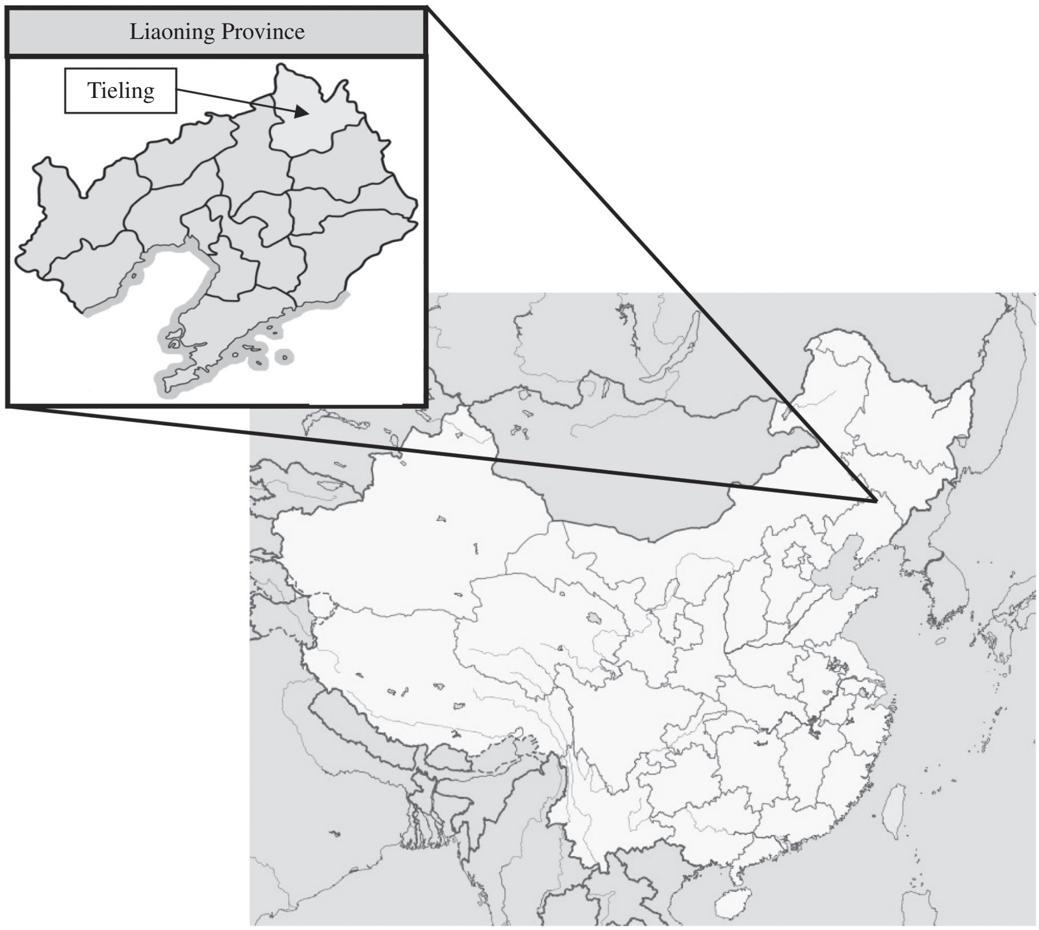
The following chart sets out the simplified shareholding structure of the Target Group and the PSHK Group as at the Latest Practicable Date.



As set out in the "Letter from the Board", upon completions of the Acquisitions and the PSHK Acquisition, the Target Group and the PSHK Group will become wholly-owned subsidiaries of the Company and their results will be consolidated into the Group's consolidated financial statements.

3. Background of the TL Sites

The TL sites are located in the southeast of Tieling new town*（鐵嶺新城）in Tieling. Tieling is a prefecture-level city*（地級市）in the northern part of Liaoning province, located in the northeast of the PRC.



As per data published by the National Bureau of Statistics of the PRC, the population of Liaoning as at the end of 2009 was approximately 43.2 million, of which the urban population accounted for approximately 26.1 million.

Tieling is part of the Greater Shenyang Economic Region with a total population of approximately 24 million and a combined annual gross domestic product of approximately RMB1,173 billion as at the end of 2010.

Based on a report titled "Publication on the Economic and Social Development Statistics of Liaoning Province 2010*"（2010年遼寧省國民經濟和社會發展統計公報）by the Liaoning Statistical Office*（遼寧省統計局）as set out in the website of the Provincial Government of Liaoning, the total investment in fixed assets*（全社會固定資產投資）amounted to approximately RMB1,604.3 billion in 2010, representing a year-on-year increase of approximately 30.5%. Property development related investments*（房地產開發投資）totalled to approximately RMB346.6 billion in 2010, representing a year-on-year increase of approximately 31.3%.

As set out in the "Letter from the Board", the overall site of Tieling new town to be master planned has approximately 13,000 mu. This site is basically bounded by the Beijing-Harbin Railway*（京哈鐵路）to the west, National Highway 102*（102國道）to the east, Fan River*（凡河）and Ganjiang Road*（贛江路）to the north, and the Shenhuan Expressway*

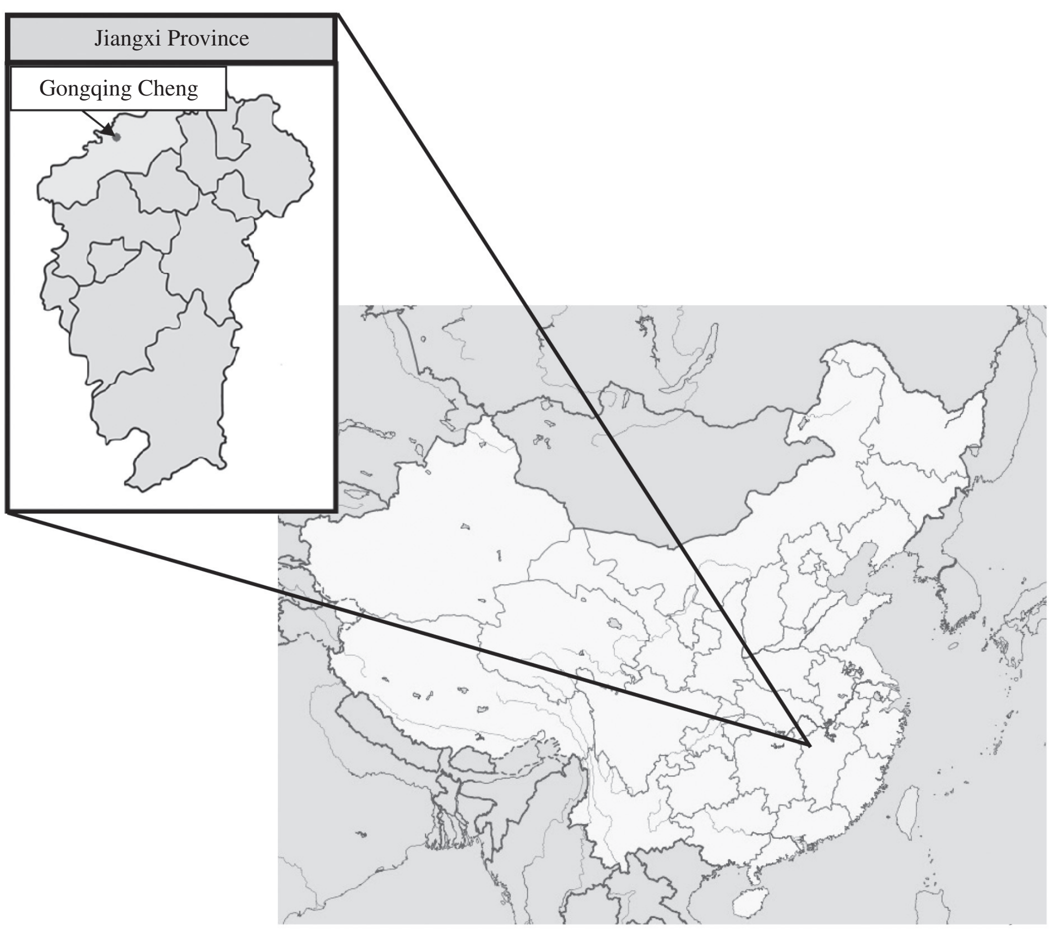
（瀋環高速）to the south. To the north of the site and across the Fan River is China Northeast Logistics City*（東北城）. Tieling new town is expected to be a comprehensive logistics and trading centre serving the Northeast China Region.

The Management advised that the TL Sites comprise 17 parcels of land with a total site area of approximately 1,804,165 sq. m. (approximately 2,706 mu). The TL Sites are designed to be developed into a mix-use development with a planned total gross floor area of approximately 3,000,000 sq. m.. Subject to the finalisation of master planning, it is expected that the total developable GFA of over 3,000,000 sq. m. will comprise different types of residential properties of about 2,000,000 sq. m. and a variety of commercial facilities of about 1,000,000 sq. m. including an outlet village, big box retail, shopping arcades, food and beverage outlets, entertainment centres, hotel, international school and office blocks.

It is currently scheduled that the project will be completed in six to eight years in multiple phases. The land use rights of the TL Sites have been granted for respective terms of 40 years for commercial use and 70 years for residential use.

4. Background of GQC Sites

The GQC sites are close to the South Lake, being part of the Poyang Lake*（鄱陽湖）, located in the south of Gongqing Cheng*（共青城）, which is located between Nanchang*（南昌）and Jiujiang*（九江）.



As set out in the "Letter from the Board", Nanchang and Jiujiang have a combined population of approximately 10 million.

Based on a report titled "Publication on the Economic and Social Development Statistics*"(國民經濟和社會發展統計公報) by the Jiangxi Statistical Office*(江西省統計局) as set out in the website of the Provincial Government of Jiangxi, the value of GDP in 2010 totaled to approximately RMB943.5 billion, representing a year-on-year increase of approximately 14.0%.

The total investment in fixed assets amounted to approximately RMB877.6 billion in 2010, representing a year-on-year increase of approximately 32.1%. Property development related investments totalled to approximately RMB70.7 billion in 2010, representing a year-on-year increase of approximately 11.4%.

As set out in the "Letter from the Board", the overall site to be master planned in Gongqing Cheng has 11,500 mu and is located in the southeast of the city. The approximately 5,500 mu land already secured is located at the north-eastern and western quadrant of the site. To the north of the site is a golf resort operated by an Independent Third Party, and to the west is a mega digital ecology project jointly invested by the Chinese and Finnish governments.

The GQC Sites comprise 41 parcels of land with a total site area of approximately 3,666,666.31 sq. m. (approximately 5,500 mu). It has lakeside area stretching 14 km. Current land use of the GQC Sites and nearby areas is mostly agricultural.

The GQC Sites are designed to be developed into a mixed-use development. Subject to the finalisation of master planning, it is expected that the total developable GFA of approximately 2,000,000 sq. m. will comprise different type of residential properties of about 1,300,000 sq. m. and a variety of commercial facilities of about 700,000 sq. m. including an outlet village, big box retail, town squares, food and beverage outlets, entertainment plazas, convention and resort centres, international schools and sports facilities.

5. Reasons for the Acquisitions

PRC property market and influential factors

PRC macro, monetary and property related policies

Throughout 2010 and the first half of 2011, the PRC government imposed a series of policies with a view to preventing the PRC real estate market from overheating. Such measures include but are not limited to, (i) increase in the one year deposit rate for financial institutions*(金融機構一年期存款基準利率); (ii) increase in the required reserve ratios*(法定存款準備金率) for banks; (iii) various measures to tighten the lending policies in relation to the purchase of residential properties; (iv) introduction of various property related taxes; and (v) plans to increase in the supply of residential properties.

We also noted that promotion of urbanisation remains one of the main objectives of the PRC government under its twelfth five year plan*(十二五規劃), which sets out the overall direction of PRC governmental policies from 2011 to 2015. Pursuant to the twelfth five year plan, the PRC government has set the target for the urbanisation rate by 2015 at 51.5%, an increase from approximately 47.5% recorded at the beginning of the twelfth five year plan. Certain regions in the PRC have been identified as focal points for urbanisation, including, among others, (i) the Bohai region*(環渤海地區), of which Liaoning Province forms part; and (ii) the middle reaches of the Yangtze River region*(長江中游地區), of which Jiangxi Province forms part.

The Management advised that the Group will continue to closely monitor the developments of the relevant PRC Government policies, actively manage the relevant risks, including those as set out under section headed "Risk factors" in the "Letter from the Board" and take necessary steps in adjusting its own pace of development so that it is synchronised with the prevailing PRC policies. Furthermore, the Management is of the view that if the Group's developments are managed judiciously, such actions would likely support the long run, stable development of the real estate industry in their respective region.

Recent developments in property activities in Liaoning and Jiangxi

According to the report titled "The status of commodity houses sales (area and amount) of Year 2010"*（商品房銷售面積和銷售額增長情況（2010年））published by the National Bureau of Statistics of the PRC in relation to the year ended 31 December 2010 (the "**Commodity Houses Sales Publication**"), approximately 1,043.5 million sq. m. of commodity houses was sold*（商品房銷售面積）in 70 major PRC cities, representing a year-on-year increase of approximately 10.1%, while the value of commodity house sales*（商品房銷售額）was approximately RMB5,247.8 billion, representing a year-on-year increase of approximately 18.3%.

Based on information of Liaoning set out in the Commodity Houses Sales Publication, approximately 68.0 million sq. m. of commodity houses was sold in Liaoning in 2010, representing a year-on-year increase of approximately 26.5%, while the value of commodity house sales was approximately RMB306.0 billion, representing a year-on-year increase of approximately 41.1%.

As set out in the Commodity Houses Sales Publication on Jiangxi, in 2010 approximately 24.7 million sq. m. of commodity houses was sold in Jiangxi, representing a year-on-year increase of approximately 8.3%, while the value of commodity houses sales was approximately RMB77.6 billion, representing a year-on-year increase of approximately 28.8%.

The Board considers the Acquisitions to be a unique opportunity for the Group to secure a meaningful business presence in the PRC, and to participate in the growth prospects of the State promoted urbanisation policy in growing PRC cities such as Liaoning and Jiangxi.

Corporate strategy of the Group

As set out in the 2010 Annual Report in respect of the Group's overseas business, the Group has set its focus on developing and expanding its construction business in the PRC. For the year ended 31 December 2010, the Group's building construction business continued to be the largest revenue contributor accounting for approximately HK$2,273.3 million, representing approximately 59.1% of the Group's revenue.

The Board is of the view that the Acquisitions represent a logical extension of the Group's construction activities and would enable the Group to broaden its income base. Furthermore, the Acquisitions represent an opportunity for the Group to become a vertically integrated property developer and investor in the PRC supported by its well established experience in construction and project management which the Board considers to be competitive strengths in the cost control and management aspects of the developments under the Acquisitions.

Strategic reasons behind the Acquisitions

As set out in the "Letter from the Board", the Management expects that significant synergies will arise between the Group's existing business and the enlarged property development business and will provide the impetuses and a key growth driver for the Enlarged Group's operations. In addition, the Acquisitions will allow the Group to secure the formation of a strategic alliance with Beijing Capital (Hong Kong) Limited (a wholly-owned subsidiary of Beijing Capital Co. Limited, a company listed on the Shanghai Stock Exchange which is principally engaged in treatment of waste water, water construction, real estate development and the manufacture and distribution of potable water), through Neo Summit.

6. Principal terms of the TL Acquisition Agreement, GQC Acquisition Agreement and PSHK Acquisition Agreement

TL Acquisition Agreement

(i) Subject matter

The entire issued share capital of Target Co. 1 and Target Co. 2

(ii) Consideration for the TL Acquisition

The TL Consideration shall be HK$1,828 million, which has been agreed after arm's length negotiation between Perfect Mark and Neo Summit.

Upon TL Completion, the TL Consideration is to be satisfied by Perfect Mark to Neo Summit by way of:

(a) HK$350,000,000 in cash;

(b) HK$500,000,000 by issue of the Senior Loan Note;

(c) HK$218,790,000 by allotment and issue of 143 million TL Consideration Shares at the issue price of HK$1.53 per TL Consideration Share by the Company; and

(d) the remaining HK$759,210,000 by issue of the TL Convertible Bonds in the same principal amount by the Company.

The cash portion of the TL Consideration is to be satisfied by Perfect Mark, which will be financed by obtaining new banking facilities and internally generated surplus funds of the Group.

GQC Acquisition Agreement

(i) Subject matter

The entire issued share capital of Target Co. 3, Target Co. 4 and Target Co. 5.

(ii) Consideration for the GQC Acquisition

The GQC Consideration shall be HK$1,420 million, which has been agreed after arm's length negotiation between Perfect Mark and Neo Summit.

Upon GQC Completion, the GQC Consideration is to be satisfied by Perfect Mark to Neo Summit by way of:

(a) HK$800,000,000 in cash; and

(b) HK$620,000,000 by the issue of GQC Consideration Shares (subject to adjustment) at the issue price of HK$1.53 per GQC Consideration Shares or the Placing Price (whichever is higher) by the Company.

The GQC Consideration is subject to downward adjustment in accordance with the following formula:

$A = (\text{RMB}1{,}578 \text{ million} - B) \times C$

where

A	=	the amount (in HK$) to be deducted from the GQC Consideration payable by Perfect Mark by procuring the Company to allot and issue to Neo Summit the GQC Consideration Shares
B	=	the valuation of GQC Sites (in RMB) upon GQC Completion provided that where the valuation exceeds RMB1,578 million there shall not be any adjustments to the GQC Consideration
C	=	1.20, being the exchange rate adjustment of RMB to HK$ for the purpose of adjustment of the GQC Consideration.

PSHK Acquisition Agreement

(i) Subject matter

The entire issued share capital of PSHK

(ii) Consideration for the PSHK Acquisition

The PSHK Consideration shall be HK$19,500,000 which has been agreed after arm's length negotiation between Perfect Mark and PSG.

Upon PSHK Completion, the PSHK Consideration is to be satisfied by Perfect Mark to PSG in cash, which will be financed by obtaining new banking facilities and internally generated surplus funds of the Group.

(iii) Other terms of the PSHK Acquisition Agreement

As set out in the "Letter from the Board", one of the conditions precedent pursuant to the PSHK Acquisition Agreement is the TL Acquisition Agreement having become unconditional. Accordingly, the Directors considered the PSHK Acquisition being part and parcel of the TL Acquisition.

7. Evaluation of the TL Consideration, GQC Consideration and PSHK Consideration

The TL Consideration, the GQC Consideration and the PSHK Consideration is HK$1,828 million, HK$1,420 million and HK$19,500,000, respectively.

As set out in the "Letter from the Board", the Board was aware of the original cost of the TL Group and GQC Group to Neo Summit, but the TL Consideration and GQC Consideration was negotiated on an arm's length basis respectively, having regard to current value attributable to the TL Group and the GQC Group, which is considered to be a normal market practice by the Board.

However, as the Company was not a party to the sale of the Target Group to Neo Summit, and save as disclosed in the "Letter from the Board", is not privy to further details of the negotiations between the parties. Accordingly, we are not in a position to comment on the terms of the acquisition of the Target Group by Neo Summit.

In assessing the merit of the Acquisitions, it is appropriate and necessary to focus on the respective independent valuation of the TL Sites and the GQC Sites, details of which are set out in Appendix V to the Circular, in comparison to the value of the respective considerations. We consider that it is fair and reasonable to focus on the respective independent valuation as well as our other analysis as set out later in this letter when assessing the reasonableness and fairness of the Acquisitions.

The TL Consideration has been agreed following arm's length negotiation between Perfect Mark and Neo Summit and determined with reference to, among other things, the net asset values of each of the Target Co 1 and the Target Co 2 after adjustment for (a) the valuation of the TL Sites as at 30 June 2011, using the direct comparison valuation method, in the amount of RMB2,030 million; and (b) the anticipated debt-free positions (save for intercompany shareholder loans) of each of the Target Co 1 and the Target Co 2 at TL Completion; and (c) the estimated potential tax liabilities of the TL Group resulting from the appreciation of the fair value of the TL Sites. The TL Consideration represents a discount of approximately 12.5% to the TL Adjusted NAV.

We also note from the "Letter from the Board" that in the event the TL Acquisition proceeds to completion, Neo Summit will enter into a tax indemnity in favour of the Target Companies and Perfect Mark on TL Completion, in which indemnity will be sought from Neo Summit in respect of the potential tax liabilities excluding any potential tax liabilities resulting from the appreciation of the fair value of the properties owned by the TL Group of which the potential net tax liabilities estimated for the TL Acquisition is approximately RMB290 million.

The GQC Consideration has been agreed after arm's length negotiation between Perfect Mark and Neo Summit. The GQC Consideration has been determined with reference to, among other things, the net asset values of each of the Target Co 3, the Target Co 4 and the Target Co 5 after adjusted for (a) the valuation of the GQC Sites as at 30 June 2011, using the direct comparison valuation method in the amount of RMB1,578 million; and (b) the anticipated debt-free positions (save for intercompany loans) of each of Target Co 3, the Target Co 4 and the Target Co 5 at GQC Completion; and (c) the estimated potential tax liabilities of the GQC Group resulting from the appreciation of the fair value of the GQC Sites. The final GQC Consideration shall be adjusted, by way of adjusting the number of the GQC Consideration Shares to be issued, based on the final valuation of the GQC Sites at GQC Completion when the land use rights certificates in respect of the GQC Sites have been granted by the relevant PRC governmental and regulatory authorities or agencies. The GQC Consideration represents a discount of approximately 14.4% to the GQC Adjusted NAV.

We also note from the "Letter from the Board" that in the event the GQC Acquisition proceeds to completion, Neo Summit will enter into a tax indemnity in favour of the Target Companies and Perfect Mark on GQC Completion, in which indemnity will be sought from Neo Summit in respect of the potential tax liabilities excluding any potential tax liabilities resulting from the appreciation of the fair value of the properties owned by the GQC Group of which the potential net tax liabilities estimated for the GQC Acquisition is approximately RMB195 million.

The PSHK Consideration shall be HK$19,500,000 which has been agreed after arm's length negotiation between Perfect Mark and PSG. The PSHK Consideration is based on the issued share capital of PSHK and has been determined with reference to, among other things, the anticipated net asset position of the PSHK Group as at 31 July 2011, the total amount of the continuing liabilities of PSHK that Mr. Wong guaranteed the total amount will not exceed HK$12,000,000 as at 31 July 2011, the indemnity given by Mr. Wong in respect of receivables that existed before PSHK Completion as mentioned above, the future prospects of the PSHK Group and the instrumental role that the PSHK Group will assume in contributing to the facilitation and implementation of successfully executing the overall master plans and project developments for each site, following the TL Completion and GQC Completion.

The Management also advised that in arriving at the PSHK Consideration, the Company has taken into account the history and experience of the PSHK team in the development of large scale property development projects (the biographical details of the management of PSHK are set out in the "Letter from the Board" under section headed "The PSHK Acquisition"), the expenses incurred in the research, identification and evaluation of suitable projects for the Company as a whole before settling on the TL Acquisition and GQC Acquisition. The Company also considers that through the PSHK Acquisition, the Company would have the benefit of retaining a team of professionals dedicated to the future development of the Sites, with the view to maintaining the continuity of this core project team upon which the Company can more effectively recruit additional staff, as and when required, to enhance PSHK's resources in contributing to the future developments of the Sites under the Acquisitions.

Following the PSHK Acquisition, PSHK will become a wholly owned subsidiary of the Group with all its staff becoming employees of the Group and would in turn be eligible to participate in the Company's employee incentive programs with PSHK's interest fully aligned with the interest of the Company. Further details of the Group's remuneration policy are set out in Appendix I to the Circular under paragraph headed "Human Capital Investment". The Company has also considered the alternative of outsourcing such work to outside parties and/ or recruiting a new team but concluded that this would be impracticable if not impossible, and to do so would be inherently risky given the complexities of the projects under the Acquisitions. A new team with no prior involvement in the developments may cause undue disruptions and delays in the implementation of the projects underway.

In view of the above-mentioned unique value proposition of PSHK, the Board considers the PSHK Acquisition to be as an integral part of the Acquisitions.

Furthermore, the Board has taken into consideration that (i) the talent pool for PRC real estate development is generally very tight; (ii) the time required for the Company to start recruiting property development executives right on completion of the deal, i.e. end of October 2011; the earliest a team could be put in place would probably be April 2012 due to the Christmas and Lunar New Year holidays; (iii) a new team might take another three to six months to run in and get familiar with the project(s); (iv) there are uncertainties on performance of newly recruited team member; and (v) the engagement of external consultants to carry out the job throughout the duration of the development of the TL Sites and the GQC Sites will be costly and will likely be 2 to 2.5 times the staff costs for the same work to be carried out in-house, and the Directors consider that it is beneficial for the Company to acquire PSHK who has been involved in many large-scale residential and commercial projects in the PRC and, most importantly, has been involved in master planning the TL Sites and the GQC Sites.

Given the substantial investment involved, the Management also considers it prudent to secure the continuity of the services of the PSHK team rather than assuming the inherent uncertainties involved with piecemeal outsourcing or the recruitment of a new project team. In the absence of any available alternative, we have no reason to challenge the Management's judgement in this respect and in this context, we concur that it is appropriate that to evaluate the PSHK Consideration in conjunction with the TL Acquisition as we further discussed later in this letter.

In addition to the above, we have also considered the following:

(i) Valuation of the TL Sites and the GQC Sites

The TL Sites and the GQC Sites have been valued by the DTZ Debenham Tie Leung Limited (the "**Valuer**") as at 30 June 2011 at an appraised value of RMB2,030 million and RMB1,578 million, respectively. In assessing the TL Consideration and the GQC Sites, we have reviewed and discussed with the Valuer the methodology of, and basis and assumptions adopted for, the valuation of the TL Sites and the GQC Sites as set out in the independent valuation report as set out in Appendix V to the Circular.

For the purpose of the valuation, the Valuer has adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market. We also note that the Valuer has prepared its valuation on the basis that transferable land use rights in respect of the subject properties for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We understand from the Valuer that the above-mentioned approach is a commonly adopted approach for valuation of the subject properties and we consider that the methodology used is generally in line with market practice and furnishes a reliable indication of value for the TL Sites and GQC Sites.

(ii) Comparison with TL Adjusted NAV

Pursuant to TL Acquisition Agreement, the Company will acquire the entire issued share capital of Target Co. 1 and Target Co. 2 at the TL Consideration. The TL Consideration represents a discount of approximately 12.5% to the TL Adjusted NAV.

Based on information provided by the Management, the TL Adjusted NAV is approximately HK$2,088.0 million, being the aggregate net asset values of each of the Target Co 1 and the Target Co 2 after adjusted for (i) the valuation of the TL Sites as at 30 June 2011, using the direct comparison valuation method, in the amount of RMB2,030 million (equivalent to approximately HK$2,436.0 million); and (ii) the anticipated debt-free positions (save for inter-company loans) of each of the Target Co 1 and the Target Co 2 at TL Completion; and (iii) the estimated potential tax liabilities (including land appreciation tax and corporate income tax) under the relevant PRC laws and regulations that may be payable by the TL WFOEs, being the difference of the potential net tax liability based on the TL Consideration and the total land premium for the TL Sites, which is calculated with reference to (aa) the prevailing tax rates; (bb) the projected sales proceeds from the sale of properties to be developed; and (cc) the projected allowable costs deductions.

(iii) Comparison with GQC Adjusted NAV

Pursuant to GQC Acquisition Agreement, the Company will acquire the entire issued share capital of Target Co. 3, Target Co. 4 and Target Co. 5 at the GQC Consideration. The GQC Consideration represents a discount of approximately 14.4% to the GQC Adjusted NAV.

Based on information provided by the Management, the GQC Adjusted NAV is approximately HK$1,659.6 million, being the aggregate net asset values of each of the Target Co 3, the Target Co 4 and the Target Co 5 after adjusted for (i) the valuation of the GQC Sites as at 30 June 2011, using the direct comparison valuation method, in the amount of RMB1,578 million (equivalent to approximately HK$1,893.6 million); and (ii) the anticipated debt-free positions (save for inter-company loans) of each of the Target Co 3, the Target Co 4 and the Target Co 5 at GQC Completion; and (iii) the estimated potential tax liabilities (including land appreciation tax and corporate income tax) under the relevant PRC laws and regulations that may be payable by the GQC WFOEs, being the difference of the potential net tax liability based on the GQC Consideration and the total land premium for the TL Sites, which is calculated with reference to (aa) the prevailing tax rates; (bb) the projected sales proceeds from the sale of properties to be developed; and (cc) the projected allowable costs deductions.

(iv) PSHK Acquisition

We note from the accountants' report of PSHK as set out in Appendix II F that as at 30 April 2011, the PSHK Group had an audited consolidated net liabilities value of approximately HK$4,699,752.

For the two years ended 31 December 2009 and 31 December 2010, the audited net losses (both before and after taxation and extraordinary items) of the PSHK Group were approximately HK$10,557,051 and approximately HK$12,038,075 as set out in Appendix II F, respectively. The net liabilities and net losses were attributable to, among others, consultancy fees, staff costs and incidental expenses incurred for developing the master plans of the TL Sites and the GQC Sites.

As mentioned earlier in this letter and given that the Directors consider the PSHK Acquisition to be an integral part of the TL Acquisition, the PSHK Consideration, should therefore be evaluated together with that of the TL Acquisition.

As set out under paragraph headed "(ii) Comparison with TL Adjusted NAV", the TL Adjusted NAV is approximately HK$2,088.0 million and the audited consolidated net liabilities value of PSHK as at 30 April 2011 was approximately HK$4,699,752. The aggregate value of the aforesaid balances is approximately HK$2,083.3 million (the "**Aggregate Adjusted NAV**").

We note that the TL Consideration and the PSHK Consideration is approximately HK$1,828.0 million and HK$19.5 million, respectively. The aggregate amount of the aforesaid totalled to approximately HK$1,847.5 million (the "**Aggregate Consideration**").

Based on the above information, the Aggregate Consideration represents a discount of approximately 11.3% to the Aggregate Adjusted NAV.

Furthermore, as set out in the "Letter from the Board", the Directors are of the view that PSHK Acquisition will strengthen the Group's existing property development arm and will ensure a smooth transition and continuation of the management and development of both the TL Sites and the GQC Sites.

In the event that the TL Acquisition, the GQC Acquisition and the PSHK Acquisition are all completed, the PSHK Acquisition, including the PSHK Consideration should be evaluated together with the TL Acquisition and the GQC Acquisition. In this regard, we note that the aggregate amount of the TL Consideration, GQC Consideration and the PSHK Consideration is approximately HK$3,267.5 million which represents a discount of approximately 12.7% to the aggregate amount of the TL Adjusted NAV, GQC Adjusted NAV and the audited consolidated net liabilities value of PSHK as at 30 April 2011, being approximately HK$3,742.9 million.

Settlement method of the TL Consideration

Pursuant to the terms of the TL Acquisition Agreement, the TL Consideration will be satisfied by a combination of cash, the issue of Senior Loan Note, the TL Consideration Shares and TL Convertible Bonds by the Company.

(i) Senior Loan Note

The Senior Loan Note will be issued by the Company for the purpose of the settlement of part of the TL Consideration and its principal terms have been set out in the "Letter from the Board".

In order to evaluate the terms of the Senior Loan Note, we have conducted a search of companies listed on the Main Board of the Stock Exchange which are principally engaged in a similar line of business as that of the Group, i.e. construction, property investment and/or development, for the period commencing 28 July 2010, being approximately twelve months immediately prior the date of the Announcement.

For the purpose of our analysis, we have sought to benchmark the Senior Loan Note with recent debt issues by companies which derived not less than 50% of their respective historical revenue from construction, property investment and/or development business activities. In this regard, we have identified two recent debt issues of Guangzhou R&F Properties Co. Limited, details of which are as follows:

Table A: Information on Debt Issue Comparables

Date	Company name (stock code)	Principal amount	Maturity	Interest rate
20 April 2011	Guangzhou R&F Properties Co. Ltd (2777) *(Note 1)*	CNY 2,612 million (equivalent to approximately HK$3,134 million)	3 years	7.0%
20 April 2011		USD 150 million (equivalent to approximately HK$1,170 million)	5 years	10.875%
Average				8.94%
Range				7.0% – 10.875%
The Senior Loan Note				4.0%

Source: Stock Exchange website

Note:

1. The debt issue is guaranteed by a wholly owned subsidiary and certain of its subsidiaries of the listed issuer but not directly issued by the listed issuer. The proceeds raised from the debt issue was immediately on-lent to a wholly owned subsidiary of the listed issuer in form of a loan.

We recognise that the principal amounts of the Debt Issue Comparables are greater than the Senior Loan Note and despite the considerable larger asset base of Guangzhou R&F Properties Co. Limited which has an established track record in property development activities, the interest rate of the Senior Loan Note is significantly lower than that of the Debt Issue Comparables. It is understandable that by enjoying a lower interest rate, lender would seek a shorter maturity which is evident in the case of the Senior Loan Note which has a maturity of two years as compared to the three and five years of the Debt Issue Comparables.

The Senior Loan Note also allows the Company to reduce its immediate cash outlay in connection with the TL Acquisition pending future re-financing either in part or in whole by the Company on any day if the Company raises new funds in equity or long term debt capital markets without incurring any penalty payments. As set out in the "Letter from the Board", depending on the market conditions, the Directors intend to raise proceeds from potential placing under the Specific Mandate for, among other things, to repay the Senior Loan Note of HK$500 million. Given the proposed Specific Mandate is for the period from the passing of the relevant resolutions at the SGM up to the earlier of 30 April 2012; or the revocation or variation of the authority given under the relevant resolution(s) at the SGM by ordinary resolution(s) of the Independent Shareholders in a general meeting, the Specific Mandate will expire before the maturity date of the Senior Loan Note.

(ii) TL Consideration Shares

Pursuant to the TL Acquisition Agreement, the Company will allot and issue to Neo Summit the TL Consideration Shares at the Issue Price of not less than HK$1.53 each. The Issue Price was arrived at after arm's length negotiations between the parties to the TL Acquisition Agreement and the GQC Acquisition Agreement after taking into account, among others, the prevailing market price of the Shares, the financial performance of the Group and current market conditions.

The TL Consideration Shares represent approximately 21.1% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 6.7% of the issued share capital of the Company as enlarged by the allotment and issue of Consideration Shares, the TL Conversion Shares and 900,000,000 new Shares, being the minimum number of new Shares required to be issued under the Fund Raising Exercise.

The TL Consideration Shares are to be issued by the Company under specific mandates and will rank pari passu in all respects with the Shares in issue as at the date of allotment and issue of the TL Consideration Shares.

Comparison of Issue Price with prevailing Share price and net asset value of the Group

The TL Consideration Shares and the GQC Consideration Shares will be issued at not less than HK$1.53 per Share, which:

(a) represents a discount of approximately 2.5% to the closing price of HK$1.57 per Share as quoted on the Stock Exchange on the Last Trading Date;

(b) represents a premium of approximately 1.3% over the average closing price of HK$1.51 per Share for the last five trading days up to and including the Last Trading Date;

(c) equals the average closing price of HK$1.53 per Share for the last ten trading days up to and including the Last Trading Date;

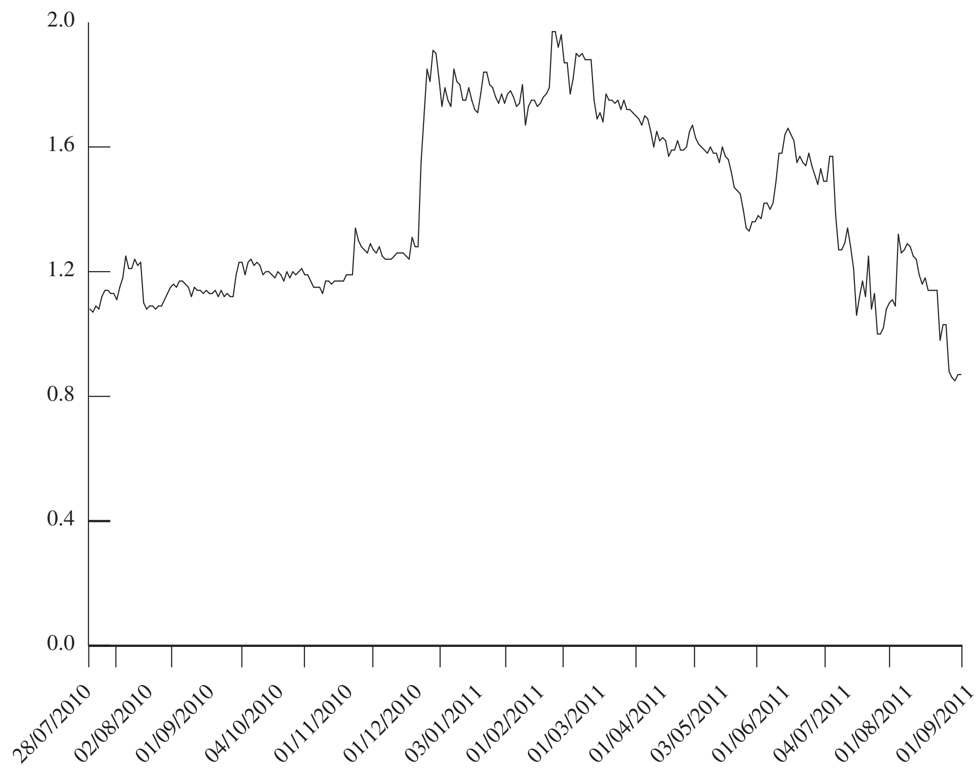
(d) represents a premium of approximately 75.9% over the closing price of HK$0.87 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;

(e) represents a premium of approximately 48.5% over the audited consolidated net assets value attributable to equity holders of the Company per Share of approximately HK$1.03 as at 31 December 2010;

(f) represents a premium of approximately 25.4% over the unaudited consolidated net assets value of the Group attributable to the Shareholders per Share as at 30 June 2011 of approximately HK$1.22.

Chart B sets out the daily closing price of the Shares as quoted on the Stock Exchange for the 12 months period prior the date of the TL Acquisition Agreement and GQC Acquisition Agreement commencing 28 July 2010 up to and including the Latest Practicable Date (the "**Share Price Review Period**"):

Chart B: Daily closing Share price



During the Share Price Review Period, the daily closing Share prices have been in the range of HK$0.85 per Share to HK$1.97 per Share. The average closing price of the Shares for the Share Price Review Period was approximately HK$1.41 per Share, lower than the issue price of the Consideration Shares of HK$1.53 per Share.

Since the commencement of the Share Price Review Period to the end of 2010, the daily closing Share prices have been in the range of HK$1.07 to HK$1.34 per Share with an average daily trading volume of approximately 1,570,000 Shares.

In 2011, the closing Share price increased from HK$1.28 per Share on 3 January to HK$1.97 on the 9 March and 10 March, respectively. We also note that the average daily trading volume increase notably from approximately 1,330,000 Shares for December 2010 to approximately 5,340,000 Shares for January 2011.

On 1 June 2011, rating agency Moody's downgraded Greece's credit rating from 'B1' to 'Caa1'. The closing price of the Shares decreased from HK$1.58 per Share on 1 June 2011 to HK$1.33 per Share on 17 June 2011. Subsequently, when news emerged that Greece was in talks on a second bailout in mid-June followed by bills enacted by the Greek Parliament on 30 June 2011, the closing Share price rebounded to reach approximately HK$1.66 per Share on 7 July 2011.

In early July 2011, the U.S. President and the U.S. Congress reopen negotiation regarding, among other things, spending cuts and the raise of the national debt limit. Such negotiation was ongoing as at the date of the Announcement casting uncertainties over the U.S. economy. During the aforesaid period, daily closing Share prices ranged between approximately HK$1.66 on 7 July 2011 and HK$1.48 on the 21 July 2011.

Since the resumption in trading of the Shares following the Announcement on 29 July 2011 up to and including the Latest Practicable Date, global equity markets have experienced considerable downturns as a result of uncertainties in the sovereign debts of certain European nations and concerns over the U.S. economy despite the resolution by the U.S. Congress on new national debt limits. During this period, the daily closing Share price has fallen from HK$1.38 on 29 July 2011 to HK$0.87 as at the Latest Practicable Date.

In light of the overall weakness in global equity markets which have adversely affected the price of the Shares, we note that the Shares based consideration at the issue price and convertible price of HK$1.53 is considerably above the closing price as at the Latest Practicable Date.

(c) TL Convertible Bonds

Pursuant to the TL Acquisition Agreement, a substantial proportion of the TL Consideration, being approximately HK$759,210,000 will be satisfied by the issue of the TL Convertible Bonds, which is convertible into 496.2 million Shares at the initial conversion price of HK$1.53 per Share (subject to adjustment) (the "**Initial Conversion Price**").

When allotted and issued, the TL Conversion Shares will represent approximately 73.2% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 18.9% of the issued share capital of the Company as enlarged by the allotment and issue of Consideration Shares, TL Conversion Shares and 900,000,000 new Shares, being the minimum number of new Shares required to be issued under the Fund Raising Exercise.

In the event that holder of the TL Convertible Bonds converts the TL Convertible Bonds, the issuance of the TL Convertible Bonds would not only enable the Group to reduce the immediate cash outlay required for the TL Acquisition but also increase the Company's equity base.

Comparison of Initial Conversion Price with prevailing Share price and net asset value of the Group

The TL Conversion Shares will be issued at not less than HK$1.53 per Share which:

(A) represents a discount of approximately 2.5% to the closing price of HK$1.57 per Share as quoted on the Stock Exchange on the Last Trading Date;

(B) represents a premium of approximately 1.3% over the average closing price of HK$1.51 per Share for the last five trading days up to and including the Last Trading Date;

(C) equals the average closing price of HK$1.53 per Share for the last ten trading days up to and including the Last Trading Date;

(D) represents a premium of approximately 75.9% over the closing price of HK$0.87 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(E) represents a premium of approximately 48.5% over the audited consolidated net assets value attributable to equity holders of the Company per Share of approximately HK$1.03 as at 31 December 2010; and

(F) represents a premium of approximately 25.4% over the unaudited consolidated net assets value of the Group attributable to the Shareholders per Share as at 30 June 2011 of approximately HK$1.22.

As set out in the "Letter from the Board", the Initial Conversion Price was arrived at after arm's length negotiations between the parties to the TL Acquisition Agreement after taking into account, among others, the prevailing market price of the Shares, the financial performance of the Group and the current market conditions.

In order to assess the fairness and reasonableness of the Initial Conversion Price, we set out the following informative analysis for illustrative purposes:

Review of historical Share prices

The average daily closing Share price as quoted on the Stock Exchange during the Share Price Review Period are as follows:

Table C: Average daily closing Share price

Month	**Average daily closing price** *HK$*
2010	
28-31 July	1.07
August	1.14
September	1.14
October	1.19
November	1.18
December	1.26
2011	
January	1.75
February	1.77
March	1.83
April	1.71
May	1.61
June	1.45
1 – 27 July *(Note 1)*	1.56
29 July *(Note 2)*	1.38
August	1.17
September *(Note 3)*	1.08
Average	1.41

Notes

(1) up to and including the Share prices on the Last Trading Date

(2) from 29 July 2011, being the date of which trading of Shares are resumed following the publication of the Announcement

(3) up to and including the Share prices on the date of the Latest Practicable Date

During the Share Price Review Period, the average daily closing price of the Shares as set out in Table C ranged from approximately HK$1.07 to HK$1.83 per Share. We also noted that the monthly average closing Share price increased from approximately HK$1.07 in July 2010 to approximately HK$1.83 in March 2011 before declining to approximately HK$1.45 in June 2011.

We also noted that the closing Share price as at the last trading date immediately prior to the date of the TL Acquisition Agreement was HK$1.57, and the closing Share price at the Latest Practicable Date to be HK$0.87.

Furthermore, we note that the Initial Conversion Price represents a premium of approximately 8.5% over the average closing Share price during the Share Price Review Period of approximately HK$1.41.

Comparison with other convertible bond issues

In assessing the reasonableness of the terms of the TL Convertible Bonds, we have identified, to the best of our knowledge, one convertible bonds issued by a listed issuer of the Main Board of the Stock Exchange which (i) derived not less than 50% of its historical revenue from construction, property investment and/or development for the latest full financial year based on its published annual report from the website of the Stock Exchange (ii) the principal amount of the convertible bonds issue represents over 50% of the company's market capitalization as at the Last Trading Day; and (iii) the convertible bond issue carries a zero coupon (the "**TL Convertible Bonds Comparable**"), such criteria have been set after considering the principal activities of the Company, its corporate strategy and the Acquisitions. Based on the above criteria, we are of the view that the identified TL Convertible Bonds Comparable to be a fair and representative sample. Such transaction represents issue announced within twelve months immediately prior the date of the Announcement and up to and including 28 July 2011, being the date of the Announcement. Details of the TL Convertible Bonds Comparable are summarised below:

Table D: TL Convertible Bonds Comparable

Listed issuer (stock code)	Market capitalisation as at the Last Trading Day *(HK$'million)*	Date of announcement	Principal amount *(HK$'million)*	Coupon rate per annum *(%)*	Maturity *Years*	Approximate premium of conversion price to the average closing share price of the last ten trading days up to and including the last trading day *(%)*
China Uptown Group Company Limited (2330)	392	3 December 2010	230	Nil	3	2.20
Company	1,063	28 July 2011	759	Nil	7.0	Nil

Source: Stock Exchange website

As set out in the Table D, we have only identified China Uptown Group Company Limited ("**China Uptown**"), of which the principal amount of the convertible bonds issue is, similar to that of the Company, i.e. representing a significant value to the size of its total market capitalization as at the Last Trading Day. Similar to that of the terms of the TL Convertible Bonds, the China Uptown convertible bonds carry a zero coupon rate of interest and a very low conversion premium of 2.20% to the average closing share price of the last ten trading days up to and including the last trading day, compared to the Initial Conversion Price which is equivalent to the average closing price per Share for the last ten trading days up to and including the Last Trading Date. As such, we are of the view that the Initial Conversion Price is in line with the identified TL Convertible Bonds Comparable. In terms of maturity, China Uptown has a three years maturity versus that of seven years in the case of the TL Convertible Bonds.

In assessing the terms of the TL Convertible Bonds, we have taken into account of the fact that the Company is undergoing a transformation and shall substantially be increasing its exposure to the PRC property market by virtue of the Acquisitions. Accordingly, the Initial Conversion Price is priced in the infancy of this transformation process. To the best of our knowledge, there are no comparable transactions involving companies similar to the Company in market capitalisation, corporate strategies, history and profile, which are also in infancy of their transformation process to a property developer in the PRC within twelve months immediately prior the date of the Announcement.

The Initial Conversion Price also (a) represents a premium of approximately 48.5% over the audited consolidated net assets value of the Group attributable to equity holders of the Company per Share of approximately HK$1.03 as at 31 December 2010; and (b) equals to the average closing price of HK$1.53 per Share for the last ten trading days up to and including the Last Trading Date.

Given the TL Convertible Bonds bear no coupon, the Company is not required to service the TL Convertible Bonds in terms of incurring interest payments to the holders of the TL Convertible Bonds. In addition, we also understand from the Management that the issue of the TL Convertible Bonds, which forms part of the TL Consideration, would allow the Group to lock in a long-term committed financing of up to seven years (assuming the holder of the TL Convertible Bonds do not exercise the put option on the fifth anniversary of the date of issue of the TL Convertible Bonds), and with the flexibility of early redemption from time to time at par at the Company's option.

Given the factors as set out above, the long term tenure and zero service cost of the TL Convertible Bonds, the flexibility of financing, the significant premium of the Initial Conversion Price over the audited consolidated net asset value per Share, the Initial Conversion Price represents a premium over the average closing Share price during the Share Price Review Period and among other things, the Directors consider the terms of the TL Acquisition Agreement, to be commercially acceptable, fair and reasonable and in the interest of the Company. We concur with this view.

Settlement method of the GQC Consideration

Pursuant to the terms of the GQC Acquisition Agreement, the GQC Consideration will be satisfied by a combination of cash and the issue of the GQC Consideration Shares by the Company.

In terms of (i) the ascribed value of the GQC Consideration Shares (which is based on the issue price of not less than HK$1.53 per Share as compared with the closing price of HK$0.87 as at the Latest Practicable Date); and (ii) the cash value under the GQC Consideration, the GQC Consideration represents a discount of approximately 14.4% to the GQC Adjusted NAV. On this basis, the Board considers that as the total monetary value of the GQC Consideration (as calculated above) is lower than the GQC Adjusted NAV, the GQC Consideration and the above-mentioned discount are fair and reasonable and the GQC Acquisition is in the interests of the Company.

We concur with the Board's view and would draw Shareholders' attention to the fact that the completion of the GQC Acquisition is conditional on, among other things, the completion of the Fund Raising Exercise, which forms part of the new Shares or convertible securities which may be issued under the Specific Mandate. The issue price of the new Shares or convertible securities under the Specific Mandate has not been determined and any placing of new Shares or convertible securities under the Specific Mandate shall be subject to market conditions and as stated in the section below headed "10. Specific Mandate" of this letter below, the issue price of the relevant new Shares or convertible securities to be issued in accordance with the pricing threshold prescribed by the Listing Rules.

We have discussed with the Company the parameters of pricing of the new Shares and convertible securities/bonds (the "**Commercial Parameters**") to be issued under the Specific Mandate at the relevant time. We have been advised that aside from compliance with the above-mentioned pricing threshold, which would comply with the relevant Listing Rules, the Board shall have regard to, among other things, the market conditions, the then trading level and liquidity of the Shares, and the total estimation of return that can be reasonably expected from the completion of the development of the TL Sites and the GQC Sites, and be satisfied that such expected return and the terms of the Fund Raising Exercise to be in the interest of the Company and its Shareholders as a whole. The Company has confirmed that Mr. Wong (being a party connected to the vendors of the Acquisitions) shall abstain from voting in the relevant Board meetings to be convened to consider any placing of new Shares and/or convertible securities or convertible bonds under the Specific Mandate.

8. Financial effects of the Acquisitions and the PSHK Acquisition to the Group

(i) Earnings

Based on the unaudited pro forma consolidated income statement of the Enlarged Group as set out in Appendix III to the Circular and assuming completions of the TL Acquisition and the PSHK Acquisition had taken place on 1 January 2011, as a result of the completions of the TL Acquisition and the PSHK Acquisition, (a) the total revenue would be increased by approximately 0.1% from approximately HK$3,847.8 million to approximately HK$3,850.8 million; and (b) the net profit attributable to the Shareholders would be decreased by approximately 48.6% from HK$136.3 million to approximately HK$70.1 million. The decrease in the net profit attributable to the Shareholders is mainly due to the recognition of interest expenses on the HK$350 million and the HK$26 million bank borrowings to be drawn down for payment of the cash portion of the TL Consideration and the PSHK Consideration respectively, the TL Convertible Bonds and the Senior Loan Note of approximately HK$6.8 million, HK$41.0 million and HK$12.5 million respectively.

Based on the unaudited pro forma consolidated income statement of the Enlarged Group as set out in Appendix III to the Circular and assuming completions of the TL Acquisition, the GQC Acquisition and the PSHK Acquisition had taken place on 1 January 2011, as a result of completions of the TL Acquisition, the GQC Acquisition and the PSHK Acquisition, (a) the total revenue would be increased by approximately 0.1% from approximately HK$3,847.8 million to approximately HK$3,850.8 million; and (b) the net profit attributable to the Shareholders would be decreased by approximately 43.9% from HK$136.3 million to approximately HK$76.5 million. Similar to above paragraph, the decrease in the net profit attributable to the Shareholders is mainly due to the recognition of interest expenses on the bank borrowings for payment of the cash portion of the TL Consideration, the TL Convertible Bonds and the Senior Loan Note. We note from the "Letter from the Board" that the above analysis has not taken into account the early repayment of the Senior Loan Note as a result of the Fund Raising Exercise which may reduce the interest expense on the Senior Loan Note by approximately HK$6.5 million.

In the event that the relevant interest expenses to be incurred by the Group in connection with the Acquisitions and the PSHK Acquisition are greater than the aggregate operating results of the Target Companies and PSHK, the short-term profitability of the Group may be adversely affected by the TL Acquisition, GQC Acquisition and the PSHK Acquisition.

Given that (a) the TL Sites and the GQC Sites are still at initial stage of development; (b) the property development business of the Group, enlarged by the Acquisitions and the PSHK Acquisition, is expected to be the initial key growth engines for the Enlarged Group's operations; and (c) the Acquisitions and the PSHK Acquisition which further develop the Group's business into the property sector, is expected to further improve the profitability and facilitate the sustainable development of the Company in the long run, the Management expects the Acquisitions and the PSHK Acquisition to have a long-term positive impact on the financial results Enlarged Group. We concur with the view of the Management based on the information provided to us by the Company.

(ii) Assets, liabilities and capital commitment

Shareholders' attention is drawn to the financial effects as set out in the "Letter from the Board" under the section headed "Financial Effects of the Acquisitions and the PSHK Acquisition" and financial information of the Enlarged Group as set out in Appendix III to this Circular.

Shareholders will note from the extracts referred to in the above that on a pro forma basis and assuming that the completion of (a) the TL Acquisition and the PSHK Acquisition; and (b) the TL Acquisition, the GQC Acquisition and the PSHK Acquisition, had taken place on 30 June 2011, there would be corresponding respective significant increases in the total assets, total liabilities, net assets as well as capital commitment by virtue of the Group taking up the capital commitment for property, plant and equipment of the Target Group outstanding as at 30 June 2011.

Furthermore, Shareholders' attention is drawn to the fact that under the financial effects as set out under Appendix III – Financial Information of the Enlarged Group, a hypothetical issue price of HK$1.22, representing 20% discount on HK$1.53 for the Fund Raising Exercise was adopted for illustrative purposes. Shareholders should note that the actual price may only be determined at the time that the Company has actually entered into relevant agreements in relation to the Fund Exercise Price and hence Shareholders are reminded to note this fact and to interpret the figures of the pro forma statement and intended financial effect with caution.

(iii) Working capital

As set out in the interim results announcement of the Group for the Interim Period , the Group has unrestricted deposits, cash and bank balances of approximately HK$731.6 million as at 30 June 2011.

The cash portion of the TL Consideration is HK$350 million, out of the total TL Consideration of HK$1,828 million, which will become payable upon completion of the TL Acquisition.

The cash portion of the GQC Consideration is HK$800 million, out of the total GQC Consideration of HK$1,420 million, which will become payable upon completion of the GQC Acquisition. As set out in the "Letter from the Board", the completion of the GQC Acquisition is conditional on, among others, the completion of the Fund Raising Exercise, of which the Company should raise not less than the cash portion of the GQC Consideration.

As such, having regard to the Group's liquidity position, the Directors are of the view that the cash outlay requirements as mentioned above would not have any material adverse impact on the Group's business.

9. Proposed increase in authorised share capital of the Company

The authorised share capital of the Company is HK$100,000,000 comprising 1,000,000,000 Shares, of which 677,499,662 Shares are in issue as at the Latest Practicable Date. As part of the terms of the Acquisitions, the Board proposes to increase the authorised share capital of the Company from HK$100,000,000 to HK$500,000,000 by the creation of an additional 4,000,000,000 unissued Shares which rank pari passu in all respects with the existing Shares in the capital of the Company.

Having considered that (i) Independent Shareholders' approval for the proposed increase in authorised share capital of the Company is one of the conditions precedent of the TL Acquisition Agreement and the GQC Acquisition Agreement; (ii) the proposed increase in authorised share capital of the Company would facilitate the issuance of new Shares and new Shares arising from the conversion or exercise of convertible securities or convertible bonds under the Specific Mandate; (iii) the information as set out under the paragraphs headed "Reasons for and benefits of the Acquisitions and the PSHK Acquisition" in the "Letter from the Board" and "Reasons for the Acquisitions" in this letter, respectively; and (iv) the Directors are of the view that the Acquisitions and the Specific Mandate are in the interests of the Company and the Independent Shareholders as a whole, we are of the view that the proposed increase in authorised share capital of the Company is in the interests of the Independent Shareholders as a whole.

10. Specific Mandate

Under the existing general mandate granted by the Shareholders at the annual general meeting of the Company held on 7 June 2011 (the "**Existing General Mandate**"), the Directors have been authorised to allot and issue new Shares of not exceeding 20% of the issued share capital of the Company as at 7 June 2011 (i.e. a maximum of 135,499,932 new Shares). As at the Latest Practicable Date, the number of issued Shares totalled 677,499,662 and remains unchanged since the last annual general meeting of the Company. The Existing General Mandate has not been utilised by the Company and no equity fund raising activities have been conducted by the Company during the past 12 months immediately preceding the Latest Practicable Date.

As set out in the "Letter from the Board", the major terms of the proposed Specific Mandate include:

(i) to issue not more than 1,900,000,000 new Shares, representing approximately 280.4% of the existing issued share capital of the Company as at the Latest Practicable Date;

(ii) the new Shares will be issued at a discount of not more than 20% to the higher of:

(a) the closing price on the date of any relevant placing agreement or other agreement involving the proposed issue of securities under the Specific Mandate; and

(b) the average closing price in the five trading days immediately prior to the earlier of:

(A) the date of announcement of the placing or the proposed transaction or arrangement involving the proposed issue of securities under the Specific Mandate;

(B) the date of the placing agreement or other agreement involving the proposed issue of securities under the Specific Mandate; and

(C) the date on which the placing or subscription or exercise price is fixed;

Depending on market conditions, the Directors may or may not exercise the proposed Specific Mandate, if granted, to issue new Shares and, where the proposed Specific Mandate is exercised, may issue less than 1,900,000,000 new Shares. It is currently intended that the Specific Mandate sought will cover new Shares to be issued and new Shares arising from the conversion or exercise of convertible securities or convertible bonds pursuant to potential placing to be conducted by the Company, subject to the then prevailing market conditions. Mr. Wong will abstain from voting in the Board Meeting to approve the placing of new Shares pursuant to the Specific Mandate. If the Directors proceed to issue and place new Shares and/or convertible securities or convertible bonds pursuant to the proposed Specific Mandate, the new Shares and/or convertible securities or convertible bonds are expected to be placed to Independent Third Parties. The Company will make (a) separate announcement(s) as required by the Listing Rules.

Depending on market conditions, the Directors intend to raise net proceeds of up to HK$2,900 million (based on the Issue Price) and apply such net proceeds from the potential placing for (a) as to HK$800 million for the GQC Completion; (b) as to HK$500 million for the repayment of the Senior Loan Note; (c) as to HK$1,100 million for the deployment of funding towards the development of the TL Sites and the GQC Sites; (d) as to HK$400 million for bank financing incidental to the Acquisitions; and (e) the balance for the working capital of the Target Group. The proposed issue of new Shares and/or convertible securities or convertible bonds, under the potential placing, if executed and converted into new Shares (where applicable), will also enlarge each of the shareholder and capital bases of the Company and strengthen the financial position of the Enlarged Group.

We note that the pricing threshold of the new Shares (including the new Shares to be issued from the conversion or exercise of the convertible securities or convertible bonds) proposed to be issued under the Specific Mandate is similar as the pricing threshold prescribed by the Listing Rules. Therefore, we consider the pricing mechanism of the Specific Mandate to be fair and reasonable.

Having considered that (a) the new issue threshold of 1,900,000,000 Shares under the Specific Mandate, if approved, will grant the Directors the authority but not the obligation to proceed with the fund raising exercise through the issuance new Shares and/or convertible securities or convertible bonds for the cash portion of the GQC Consideration, while still allowing the Directors to retain the option to conduct various type of fund raising exercises, including rights issues, open offer or debt issues; (b) the Specific Mandate provides a quicker fund raising alternative to rights issue and open offer through the placement(s) of new Shares and/or convertible securities or convertible bonds without subjecting to the need to identify and engage an underwriter who would underwrite the rights issue/open offer at a reasonable fee; (c) the issuance of new Shares and/or convertible securities or convertible bonds, once converted into new Shares, will enlarge the capital base of the Company and reduce the overall gearing of the Group; and (d) the existing Shareholders will suffer the same level of dilution in their respective shareholding upon the completion of the placement of new Shares and/or convertible securities or convertible bonds under the Specific Mandate to Independent Third Parties, we are of the view that the availability of the Specific Mandate is desirable and the terms of the Specific Mandate, including the considerations of the Commercial Parameters as mentioned above and the abstention of Mr. Wong from participation in the relevant Board decisions in the execution of placing of new Shares and/or convertible securities or convertible bonds under the Specific Mandate are fair and reasonable and in the interests of the Independent Shareholders as a whole.

V. RECOMMENDATION

Having considered the principal factors and reasons as set out in our letter, in particular,

(i) the reasons for the Acquisitions, the factors considered under paragraphs headed "PRC property market and influential factors", "Corporate strategy of the Group" and "Strategic reasons behind the Acquisitions", respectively;

(ii) the principal terms of the TL Acquisition Agreement, GQC Acquisition Agreement and PSHK Acquisition Agreement and analysis as set out under "7. Evaluation of the TL Consideration, GQC Consideration and PSHK Consideration" including,

(a) the valuation of the TL Sites and the GQC Sites by the Valuer as at 30 June 2011 at an appraised value of RMB2,030 million and RMB1,578 million, respectively;

(b) the TL Consideration represents a discount of approximately 12.5% to the TL Adjusted NAV and the GQC Consideration represents a discount of approximately 14.4% to the GQC Adjusted NAV;

(c) our analysis on the TL Convertible Bonds including the TL Convertible Bonds Comparable; and

(d) the PSHK Acquisition is an integral part of the Acquisitions and the Aggregate Consideration of the TL Consideration and the PSHK Consideration represents a discount of approximately 11.3% to the Aggregate Adjusted NAV.

(iii) the financial effects of the Acquisitions and the PSHK Acquisition to the Group including that,

(a) the property development business of the Group, enlarged by the Acquisitions and the PSHK Acquisition, is expected to be the initial key growth engines for the Enlarged Group's operations; and

(b) the Acquisitions and the PSHK Acquisition which further develop the Group's business into the property sector, is expected to further improve the profitability and facilitate the sustainable development of the Company in the long run,

we consider that the Acquisitions, the PSHK Acquisition, the proposed increase in authorised share capital of the Company and the Specific Mandate are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole and the Acquisitions and the PSHK Acquisition are in the ordinary and usual course of business of the Group even though the proposed increase in authorised share capital of the Company and the Specific Mandate do not fall within the ordinary and usual course of business of the Group.

Accordingly, we recommend the Independent Board Committee and the Independent Shareholders that the Independent Shareholders should vote in favour of the resolutions to be proposed at the SGM to approve the Acquisitions, the PSHK Acquisition and the respective transactions contemplated thereunder, as well as the proposed increase in authorised share capital of the Company and the Specific Mandate.

Yours faithfully
For and on behalf of
Investec Capital Asia Limited

Jimmy Chung
Executive Director

* *for identification purposes only*

1. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The Company is required to set out in this circular the financial information for the last three financial years and an interim period with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited statement of financial position together with the notes on the annual accounts for the last financial year for the Group.

The audited consolidated financial statements of the Group for the year ended 31 December 2010 has been set out in pages 63 to 136 of the annual report 2010 of the Company which was posted on 21 April 2011 on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the annual report 2010:

http://www.hkexnews.hk/listedco/listconews/sehk/20110421/LTN20110421256.pdf

The audited consolidated financial statements of the Group for the year ended 31 December 2009 has been set out in pages 78 to 153 of the annual report 2009 of the Company which was posted on 28 April 2010 on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the annual report 2009:

http://www.hkexnews.hk/listedco/listconews/sehk/20100428/LTN20100428812.pdf

The audited consolidated financial statements of the Group for the nine months period ended 31 December 2008 has also been set out in the comparative column on pages 78 to 153 of the annual report 2009 of the Company. Please refer to quick link to the annual report 2009 as above for more details.

2. UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENT OF THE GROUP

The unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2011 has been set out in pages 13 to 33 of the interim report 2011 of the Company which was posted on 8 September 2011 on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the interim report 2011:

http://www.hkexnews.hk/listedco/listconews/sehk/20110908/LTN20110908226.pdf

3. INDEBTEDNESS

As at 31 August 2011, being the latest practicable date for the purpose of ascertaining the indebtedness of the Enlarged Group prior to the printing of this circular, the Group had total outstanding unsecured bank borrowings of HK$478.4 million plus accrued interest, of which approximately HK$287.4 million are due after one year. PSHK had total secured outstanding bank borrowings of approximately HK$5 million. The TL Group and the GQC Group had no outstanding bank borrowings.

As at 31 August 2011, the Enlarged Group has given guarantees totaling approximately HK$267 million to various financial institutions for facilities granted to certain affiliated companies.

Save as disclosed in this section of this circular, the Enlarged Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

As at the Latest Practicable Date, the Directors have confirmed that there has been no material change in the indebtedness, except for those mentioned above, and any contingent liabilities or any guarantees of the Enlarged Group.

4. WORKING CAPITAL

Taking into account the expected completions of the Acquisitions and the PSHK Acquisition and the financial resources available to the Enlarged Group, including the internally generated funds and the available banking facilities, the Directors are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

5. RECONCILIATION STATEMENT

The statement below shows the reconciliation of the carrying value of the property interests owned by the Target Group as at 30 April 2011 as stated in the accountants' reports of the Target Co 1, the Target Co 2, the Target Co 3, the Target Co 4 and the Target Co 5 set out in appendices IIA, IIB, IIC, IID and IIE to this circular and the valuation of property interests owned by the Target Group as at 30 June 2011 as set out in appendix V to this circular:

	Target Co 1	Target Co 2	TL Group	Target Co 3	Target Co 4	Target Co 5	GQC Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Carrying value of the properties under development as at 30 April 2011	114,365	65,592	179,957	–	–	–	–
Prepayment for land use right	159,314	207,625	366,939	15,731	20,136	16,810	52,677
Capital commitment to be paid	–	–	–	145,073	194,458	157,937	497,468
Adjusted carrying value of the properties under development as at 30 April 2011	273,679	273,217	546,896	160,804	214,594	174,747	550,145
Increase in fair value in the sites not accounted for by the Target Group as per the accountants' reports set out in appendices IIA, IIB, IIC, IID and IIE to this circular			1,889,104				1,343,455
Fair value of the properties under development as at 30 June 2011 as set out in appendix V to this circular			2,436,000				1,893,600

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE GROUP

Set out below is the management discussion and analysis of the Group for nine months period ended 31 December 2008 and for the two years ended 2009 and 2010 and the six months ended 30 June 2011.

For the nine months ended 31 December 2008

Review of Business

Operating Results

The Group reported revenue of HK$1,836.7 million and gross profit of HK$231.8 million for the nine months ended 31 December 2008 (For the twelve months ended 31 March 2008: HK$2,494.7 million and HK$218.5 million respectively). The revenue and gross profit were mainly derived from the construction work and electrical and mechanical activities in Hong Kong, and the construction management business in Macau. Synergis of which the Group acquired a strategic controlling interest during the period and now included in the consolidated results of the Group, contributed revenue of HK$166.6 million and gross profit of HK$30.4 million for the period from 1 September to 31 December 2008. Meanwhile, general and administrative expenses incurred for the period was HK$126.9 million, including accrued non-cash share option staff benefits of HK$21.6 million and the consolidation of the overhead expenses of Synergis for HK$22.4 million following completion of the acquisition. Other income, mainly exchange gains, interest on deposits and recovery of overheads from jointly controlled entities and third parties, was at HK$26.2 million in the period. Other operating expenses and charges, totalling HK$104.5 million in the period, reflected fair value loss on forward exchange contracts, impairment provision made for the reduction of estimated saleable value of unsold property stock in the PRC, but most significantly, the impairment of goodwill and amortisation of intangible assets arising from the acquisition of Synergis. Taking into account the share of net loss from jointly controlled entities of HK$5.2 million for the period, overall, the Group reported profit of HK$5.8 million for the nine months ended 31 December 2008 (For the twelve months ended 31 March 2008: HK$121.0 million). Excluding the minority interests, a profit of HK$6.7 million was attributable to the equity holders of the Company (For the twelve months ended 31 March 2008: HK$123.9 million).

Segment Analysis

(1) Building construction and civil engineering

Revenue for the building construction and civil engineering business segment was HK$1,441.0 million for the nine months ended 31 December 2008 (For the twelve months ended 31 March 2008: HK$1,973.4 million). Profit after finance costs for the period was HK$98.1 million (For the twelve months ended 31 March 2008: HK$80.6 million), which reflected higher profit contributions from the construction management business in Macau and improved margins for completed construction projects in Hong Kong. Meanwhile, building construction and civil engineering activities undertaken through jointly controlled entities reported a net loss of HK$5.3 million for the period, resulting from the net effect of loss incurred in a building construction project and a write-back on losses previously booked in a major civil project.

In Hong Kong, the Group secured several new contracts in the period, of which the significant ones included (a) Proposed Commercial Development at Nos. 863–865 King's Road, Quarry Bay; (b) Construction of Choi Wan Road Site 2 Phase 2 (Domestic Portion), Site 3B Phase 2, District Open Space Site B and Local Open Space Site C from the Hong Kong Housing Authority; and (c) a renovation work contract at Wo Che Market from The Link Management Limited.

In Macau, the Group successfully completed Parcel 1 of the Venetian Cotai project (now known as The Venetian Macao - Resort - Hotel) and the first phase of Parcel 2 (Four Seasons Hotel Macao). The Group has continued to provide construction management services on Parcel 2 and Parcels 5 & 6 Phase I and II. These projects have been important profit contributors to the Group. In November 2008, the developer decided to suspend all construction works in Parcels 5 & 6. There is no indication as to when the works might resume. The Group will follow closely the development of work suspension and had implemented appropriate measures to mitigate losses and financial exposures of the Group. The suspension has minimal effect on the financial performance of the Group for the nine-month period under review but will have an impact in the new financial year. The Group has reduced construction management staff due to the suspension. In accordance with the construction management contracts, all payments in lieu of notice to retrenched staff had been recovered.

(2) Electrical and mechanical

As old projects were completed or approaching completion in the period while new projects have just commenced work, the electrical and mechanical segment reported reduced revenue of HK$184.1 million (For the twelve months ended 31 March 2008: HK$467.0 million) and profit after finance costs of HK$11.0 million (For the twelve months ended 31 March 2008: HK$22.0 million) for the nine months ended 31 December 2008. During the period under review, the Group secured several new contracts, including (a) Electrical and Mechanical Ventilation Installation work for HAECO (Hong Kong Aircraft Engineering Company Limited) Aircraft Maintenance Hangar No. 3A; (b) Plumbing and Drainage Installation work for Phase 2, Tai Wai Maintenance Centre Property Development, STTL No. 529, Tai Wai, Sha Tin; and (c) Fire Services and Plumbing and Drainage Installations Subcontracts for Proposed Shopping Centre at Discovery Bay North Development Lot No. R.P. of Lot 385 in DD 352 and Extension Discovery Bay, Lantau Island.

(3) Property development and rental

Revenue for the property development and rental segment was HK$45.0 million (For the twelve months ended 31 March 2008: HK$54.3 million), of which HK$20.7 million was derived from the sale of a small number of the remaining residential units of Wen Chang Pavilion in Guangzhou, PRC (97% of the residential units had been disposed of as at the last financial year end) which accounted for 46% of the segment revenue in the period. In the meantime, Hsin Chong Construction (Property Development) Limited, a wholly owned subsidiary of the Group, was established to spearhead all future property development activities of the Group in China. At present, the Group will focus its resources in Southern China and an office in Guangzhou, the PRC was set up as a platform to undertake feasibility studies and explore profitable business opportunities in the region.

Rental income, representing the remaining 54% of the segment revenue, was derived from Hsin Chong Center; No. 3 Lockhart Road; and the unsold car parks at Lung Mun Oasis, Tuen Mun. At 31 December 2008, No. 3 Lockhart Road was fully let (100% occupancy).

Overall, the property development and rental segment reported profit after finance costs of HK$10.3 million for the nine months period (For the twelve months ended 31 March 2008: HK$22.1 million).

(4) Property management and facility management services

On 29 August 2008, the Group completed its acquisition of 66.4% of the issued share capital of Synergis, which is engaged in the provision of property and facility management services and listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Through the mandatory unconditional cash offer to acquire all the remaining Synergis Shares made in September 2008 pursuant to the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong; the Group had received Synergis Shares tendered for acceptance of the general offer such that the total acquisition increased to 96.0% of the entire issued share capital of Synergis for a total net consideration of HK$499.0 million in end September 2008. Thereafter, the Company distributed in specie part of the Synergis Shares owned by it to its shareholders (other than overseas shareholders whose entitlements to the distribution were satisfied in cash) of HK$228.7 million and reduced its shareholding interest in Synergis to approximately 50.9% in November 2008.

Through this strategic acquisition of Synergis, the Company and Synergis are executed to undertake new phase of growth and development with integration of property development, property construction and property management services capabilities, generating new business synergies and enhancing competitiveness under a common Chinese brand name "新昌", to deliver greater value to the shareholders of both companies. In future, the Mission Hills Group, a leading property developer and leader in the leisure industry in China which now owns a controlling interest in the Group, will lead the two companies to further expand their businesses in the areas of property development, property construction and property management.

Synergis contributed revenue of HK$166.6 million for the period from 1 September to 31 December 2008.

The share price of Synergis has decreased by 64.0% to HK$0.55 per Synergis Share as of 31 December 2008, compared to the Group's net general offer price of HK$1.528 per Synergis Share. According to Hong Kong Accounting Standard 36, "Impairment of Assets", such a significant decrease in market capitalisation of Synergis constituted an "impairment indicator" to the goodwill and intangible assets resulting from the acquisition as at 31 December 2008. And as a result of impairment assessments of the goodwill and intangible assets, the directors of the Company are of the opinion that there was an impairment on goodwill of HK$73.9 million as at 31 December 2008.

Taking into account the amortisation of intangible assets of HK$4.7 million, the property management and facility management services segment reported a loss after finance costs of HK$67.8 million for the period from 1 September to 31 December 2008.

(5) Other operations

Other operations mainly reflected a sharing of residual profit from inactive associated companies. Profit for the period of HK$0.2 million mainly represented the fair value gain on an investment property.

Operational Review On Contracts

Subsidiaries

During the nine months period under review, the Group's building construction arm received new contracts of HK$1,743.5 million, mainly comprising (a) Proposed Commercial Development at 863-865 King's Road, Quarry Bay; (b) a building contract for Construction of Choi Wan Road Site 2 Phase 2 (Domestic Portion), Site 3B Phase 2, District Open Space Site B and Local Open Space Site C from the Hong Kong Housing Authority; and (c) a renovation work at Wo Che Market from The Link Management Limited. Taking into account of the additional works to the existing projects and adjustment for completed construction work in Hong Kong and Macau, total contract sums received were HK$1,961.9 million.

The electrical and mechanical arm received new contracts of HK$244.4 million, mainly comprising (a) Electrical and Mechanical Ventilation Installation work for HAECO (Hong Kong Aircraft Engineering Company Limited) Aircraft Maintenance Hangar No. 3A; (b) Plumbing and Drainage Installation work for Phase 2, Tai Wai Maintenance Centre Property Developments, STTL No. 529, Tai Wai, Sha Tin; and (c) Fire Services and Plumbing and Drainage Installations Subcontracts for Proposed Shopping Centre at Discovery Bay North Development Lot No. R.P. of Lot 385 in DD 352 and Extension Discovery Bay, Lantau Island.

Contracts totalling HK$1,598.5 million were completed with HK$1,380.0 million derived from the building construction arm, mainly for a renovation work contract at Cheung Fat Shopping Centre, Tsing Yi, New Territories; a construction contract for the Extension to Canossa Hospital (Caritas) at No. 1 Old Peak Road; and the construction management contract for Parcel 1 of the Venetian Cotai Development Project in Macau (now known as The Venetian Macao — Resort — Hotel). In addition, a civil engineering contract of HK$14.2 million from The Hong Kong Jockey Club for the Re-construction of Main Sewers from Grandstand 2 to Mafoo Quarter at Sha Tin Racecourse was also completed in the current period.

Electrical and mechanical contracts totalling HK$204.3 million were completed, mainly for the subcontract works of Retail Centre at Union Square, MTR Kowloon Station and the Hong Kong side of Passenger Terminal Building at Shenzhen — Hong Kong Western Corridor.

Following the successful completion of the above contracts, consolidated orders on hand at 31 December 2008 amounted to HK$6,333.2 million, an increase of 10.6% from the last financial year end.

The breakdown of incomplete contracts of the Group's construction subsidiaries is as follows:

	As at 31 March 2008	Contracts received	Contracts completed	As at 31 December 2008
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*
Building Construction/Construction Management	4,331.5	1,961.9	(1,380.0)	4,913.4
Civil Engineering	203.5	(1.3)	(14.2)	188.0
Electrical and Mechanical	1,191.7	244.4	(204.3)	1,231.8
	5,726.7	2,205.0	(1,598.5)	6,333.2

The split of incomplete contracts as at 31 December 2008 is as follows:

	Amount *HK$ Million*	%
Government	3.7	0.1
Hong Kong Housing Authority	835.0	13.2
Private Developers	5,494.5	86.7
	6,333.2	100.0

Building Construction and Civil Engineering

Total revenue and outstanding orders for the nine months period were HK$1,441.0 million and HK$5,101.4 million. Profit margins reported at 6.8%.

Major contracts received during the nine months period include:

Contract	**Location**	**Type**	**Amount** *HK$ Million*
Proposed Commercial Development at Nos. 863–865 King's Road	Quarry Bay, Hong Kong	Commercial	883.0
Construction of Choi Wan Road Site 2 Phase 2 (Domestic Portion), Site 3B Phase 2, District Open Space Site B and Local Open Space Site C	Choi Wan Road, Kowloon	Residential	835.0
Renovation works at Wo Che Market	Sha Tin	Commercial	16.1

Major contracts completed during the nine months period include:

Contract	**Location**	**Type**	**Amount** *HK$ Million*
Venetian Cotai Parcel 1	Cotai, Macau	Commercial	1,259.6
Cheung Fat Shopping Centre	Tsing Yi, Hong Kong	Commercial	39.3
Extension to Canossa Hospital (Caritas)	1 Old Peak Road, Hong Kong	Hospital	15.0
Reconstruction of Main Sewers from Grandstand 2 to Mafoo Quarter at Sha Tin Racecourse	Sha Tin	Civil Work	14.2

Electrical and Mechanical

Total revenue and outstanding orders for the nine months period were HK$184.1 million and HK$1,231.8 million. Profit margins reported at 6.0% this period.

Major contract received during the nine months period include:

Contract	**Location**	**Type**	**Amount** *HK$ Million*
HAECO (Hong Kong Aircraft Engineering Company Limited) Aircraft Maintenance Hangar No. 3A	Lantau Island	Electrical and Mechanical Ventilation Installation Work	131.4
Phase 2, Tai Wai Maintenance Centre Property Development, STTL No. 529	Tai Wai, Sha Tin	Plumbing and Drainage Installations	61.2
Proposed Shopping Centre at Discovery Bay North Development Lot No. R.P. of Lot 385 in DD 352 and Extension	Lantau Island	Fire Services and Plumbing and Drainage Installations	23.5

Major contracts completed during the nine months period include:

Contract	**Location**	**Type**	**Amount** *HK$ Million*
The Hong Kong side of Passenger Terminal Building at Shenzhen — Hong Kong Western Corridor	Shenzhen, PRC	Electrical and mechanical	141.3
Retail Centre at Union Square, MTR Kowloon Station	Yau Ma Tei, Kowloon	Plumbing and Drainage Installation	49.0

Jointly controlled entities

Contracts received totalling HK$363.4 million reflected the increase in estimated contract sum as a result of increase in price fluctuation indices over the nine months period. The breakdown of incomplete contracts of the Group's construction jointly controlled entities is as follows:

	As at 31 March 2008 *HK$ Million*	**Contracts received** *HK$ Million*	**Contracts completed** *HK$ Million*	**As at 31 December 2008** *HK$ Million*
Hsin Chong – Yau Lee Joint Venture	1,654.3	–	–	1,654.3
MBH Joint Venture	1,649.0	(5.0)	–	1,644.0
Maeda – Hitachi – Yokogawa – Hsin Chong Joint Venture	3,211.1	368.4	–	3,579.5
	6,514.4	363.4	–	6,877.8

Note: The amounts shown above are gross figures and do not reflect the Group's net attributable share.

Construction Related Property Development

(1) Lung Mun Oasis, Tuen Mun, Hong Kong

During the nine months ended 31 December 2008, the Group sold 20 car parking spaces in Lung Mun Oasis, Tuen Mun, Hong Kong leaving 237 car parking spaces remained unsold with carrying value of HK$20.3 million, net of impairment provision of HK$28.5 million. Those unsold car parking spaces are currently available for rental income either on a monthly or hourly basis.

(2) No. 3 Lockhart Road, Wan Chai, Hong Kong

The development is a 26-storey office building. The Group has a 20-year freely-assignable master lease for the 11th–30th floors, comprising approximately 77,000 square feet. The residual lease term is around 5 years. Occupancy rate attained 100% in the nine-month period (For the twelve months ended 31 March 2008: 100%). Current carrying value stands at HK$67.0 million.

(3) Wen Chang Pavilion, Guangzhou, PRC

The project comprises a total site area of 18,215 square metres (approximately 196,000 square feet) bound on the East by Wen Chang Road North and on the South by Yao Hua Jie North, Guangzhou City, PRC. The Group has an effective 42% interest in the project.

Total revised saleable floor area of Phase I was approximately 41,400 square metres with 102 car parks. At 31 December 2008, provision was made for 50% of car parks as the area was reserved as air-raid shelter. The Group is preparing to strive for converting non-saleable car parks into saleable in nature. The remaining 50% of car parks and commercial units are classified as stock on sale with a carrying value of HK$36.3 million, net of impairment provision of HK$20.5 million. All the residential units had been sold by period end date.

(4) Hsin Chong Center, Kwun Tong, Hong Kong

This property (which has approximately 107,000 square feet of space) has been used as headquarters of the Group since April 1999. Following the acquisition of a controlling stake in Synergis, Hsin Chong Center is now fully occupied by the group companies. Accordingly, the area previously leased to Synergis in its capacity as an independent third party and classified as investment property is now reclassified under property, plant and equipment and prepaid premium for land lease. In summary, at 31 December 2008, the head office building is carried at restated cost less accumulated depreciation and impairment of HK$144.2 million.

Financial Position

Debt-to-equity ratio was 41.3% as at 31 December 2008 (31 March 2008: debt free). The increase in gearing ratio was mainly due to the increase in bank borrowings of HK$220.0 million carried at weighted average interest rates of 3.1% per annum. As of 31 December 2008, net working capital amounted to HK$188.8 million (31 March 2008: HK$372.0 million) with the quick ratio decreasing to 1.0 as at 31 December 2008 (31 March 2008: 1.2). Cash balances and current portion of held-to-maturity financial assets were 5.7% higher at HK$685.8 million compared with the last financial year end (HK$648.9 million) with 98% (31 March 2008: 90%) as cash and cash equivalents.

Bank loans

	As at 31 December 2008 *HK$'000*	As at 31 March 2008 *HK$'000*
Bank loans, wholly payable within five years		
– secured fixed-rate loans	160,000	–
– unsecured floating rate loans	60,000	–
	220,000	–
The repayment schedule of bank loans is as follows:		
(i) within one year		
– short term bank loan, secured	10,000	–
– short term bank loans, unsecured	60,000	–
(ii) in the second year		
– long term bank loan, secured	60,000	–
(iii) in the third to fifth years, inclusive		
– long term bank loan, secured	90,000	–
	220,000	–

The bank loans of the Group were denominated in Hong Kong dollar and carried at weighted average interest rate at 3.1% per annum.

The bank loans are secured by the way of first floating charge over all property, assets and rights of the Company.

The carrying amounts of bank loans approximate their fair value.

Deposits, cash and bank balances

	As at 31 December 2008 *HK$'000*	As at 31 March 2008 *HK$'000*
Cash at bank and in hand	78,133	77,568
Short term bank deposits *(note i)*	595,699	509,457
	673,832	587,025
Time deposits over three months	–	41,719
Unrestricted deposits, cash and bank balances	673,832	628,744
Restricted bank deposits *(note ii)*	3,889	6,938
	677,721	635,682

Deposits, cash and bank balances are denominated in the following currencies:

	As at 31 December 2008	As at 31 March 2008
	HK$'000	*HK$'000*
Hong Kong dollar	457,278	307,803
United States dollar	1,695	155,740
Renminbi	135,571	120,717
Macau pataca	68,678	38,675
Singapore dollar	9,066	9,726
Other	5,433	3,021
	677,721	635,682

Notes:

(i) The short term bank deposits of the Group has original maturities of three months or less.

(ii) Restricted bank deposits represent:

– Proceeds received from the sale of residential properties in PRC where the fund is confined to the usage of construction work until the right of the whole development is properly obtained by the Group.

– A deposit given to a bank for providing guarantee to the Government of Macau SAR in obtaining labour agency licence in Macau by a subsidiary.

– A deposit given to a bank in favour of Inland Revenue Authority of Singapore for Goods and Services Tax registration.

The maximum exposure to credit risk at the reporting date is the carrying value of the deposits, cash and bank balances mentioned above.

Financial Focus

Return on Equity

The Group pays a close attention to return on equity for both current businesses and new investment opportunities. The Group appreciates just being more profitable than other companies in the same industry may not be good enough for some investors. As a manager of public shareholders' capital, the Group aims to generate risk-adjusted returns on capital that are systematically acceptable to investors taking into account that construction is a cyclical industry. Due to the impairment on goodwill arising from the acquisition of Synergis during the period, current period's return on equity decreased to 1.7%; however stripping out the financial impact from the impairment of goodwill of HK$73.9 million, the return on equity would be 19.0%.

Capital Structure

The Group has historically adhered to a policy of conservative capital management. A strong balance sheet affords more opportunities upon an industry upturn, and instills greater confidence amongst its clients, bankers, sub-contractors, suppliers and employees. Furthermore, since progress payments in the construction business inherently create high operating leverage, an overlay of high financial leverage over any extended period would not be prudent.

Financial Hedging and Other Financial Instruments

The Group's net borrowings and cash balances are primarily denominated in Hong Kong dollars, Renminbi and Macau Pataca. By means of proper synchronisation of receipts and payments in different operating currencies, the Group has no significant exposure to foreign currency fluctuations. In addition, the Group adopts hedging policies for mitigate exchange rate risks and interest rate risks associated with respective assets or liabilities, and rights or obligations. Such policies ensure effective cost controls on construction costs as early as the tendering stage and controllable borrowing costs for operation and investment needs.

Interest rate risk and exchange rate risk are risks to earnings or capital, arising from movement of respective rates. The former mainly arises from bank borrowings by the Group and the latter comprises exposure due to currency needs from normal business operations for material procurement and services requirements. The Group has established policies and procedures to the assessment, booking and monitoring of all such financial instruments under limits approved by the Board. The controls and procedures governing such activities were considered overall to be adequate.

Gains or losses arising from relevant hedging transactions will be booked as a profit or loss associated with the underlying assets or liabilities. At 31 December 2008, the Group has outstanding forward exchange contracts to hedge HK$17.9 million mainly against GBP and Euro. Subsequent to period end, a total HK$16.4 million of those forward exchange contracts were closed and a new interest rate swap contract for a nominal sum of HK$150.0 million has been entered into for hedging the Group's long term borrowings.

Material Acquisition

On 29 August 2008, the Group acquired 66.4% interest in Synergis at a net consideration of HK$338,372,000. Synergis is principally engaged in the provision of property management and facility management services in Hong Kong, China and Macau.

In September 2008, the Group further acquired 29.6% interest in Synergis at a net consideration of HK$160,600,000. After the acquisition, the Group held 96.0% interest in Synergis.

In November 2008, the Company distributed in specie part of the Synergis Shares owned by it to its shareholders (other than overseas shareholders whose entitlements to the distribution were satisfied in cash) of HK$228,698,000 and reduced its shareholding interest in Synergis to approximately 50.9%.

The share price of Synergis has decreased by 64.0% to HK$0.55 per Synergis Share as of 31 December 2008, compared to the Group's net general offer price of HK$1.528 per Synergis Share. According to Hong Kong Accounting Standard 36, "Impairment of Assets", such a significant decrease in market capitalisation of Synergis constituted an "impairment indicator" to the goodwill and intangible assets resulting from the acquisition as at 31 December 2008. As a result of the impairment assessments of the goodwill and intangible assets, the directors of the Company are of the opinion that there was an impairment on goodwill of HK$73,865,000 as at 31 December 2008.

The acquired business contributed revenue of HK$166,621,000 and net loss after impairment of goodwill of HK$69,713,000 to the Group for the period from 1 September 2008 to 31 December 2008. If the acquisition of 50.9% had occurred on 1 April 2008, Group revenue would have been HK$2,020,660,000 and profit attributable to equity holders of the Company would have been HK$8,900,000.

Human Capital Investment

As at 31 December 2008, the Group employed a total of 5,934 full time staff, which included 4,697 full time staff employed by Synergis.

The remuneration policy described below is therefore adopted by the Group other than members of the Synergis Group (referred hereinbelow as the "HCCG Group").

The HCCG Group sets its remuneration policy by reference to the prevailing market conditions and a performance-based reward system. It is to ensure that the HCCG Group is able to attract, retain and motivate executives of the highest caliber, essential to the successful leadership and effective management of the HCCG Group. The performance measures are balanced between financial and industrial comparatives. The components of remuneration package are consisted of base salary, allowances, benefits-in-kind, fringe benefits including medical insurance and contributions to pension funds, as well as incentives like discretionary bonus, participation in share option and share subscription schemes, and long-term rewards.

The remuneration packages of the directors of the Company are recommended by the remuneration committee and determined by the Board (and in the case of directors' fees, subject to shareholders' approval in general meeting) except that no director or any of his associates is allowed to make recommendation on or determine his own remuneration package. Director's remuneration is determined by reference to each director's duties and responsibilities in the Group as well as the overall performance of the Company and the Group and the prevailing market situation.

The remuneration packages of the senior management are recommended by the managing director of the Company and determined by the remuneration committee by reference to their respective responsibilities and accountability, target achievements, business results and market competitiveness of the Group. The remuneration packages of the managerial and support staff are determined by the managing director of the Company.

Incentive bonus scheme for each major business segment is set up for senior management staff and employees with significant contributions to the business objectives. The scheme is business result oriented and performance based. Share options are granted to the directors, senior management and other employees based on individual performance and overall contributions to the Group. The number and terms of share options granted to each grantee are proposed by the executive directors (except for options granted to their own), reviewed by the remuneration committee and approved by the Board.

The Group has sought to make the remuneration policy more transparent and well communicated to its staff. Details of the remuneration payable to each director of the Company for the nine months ended 31 December 2008 are set out in note 11 to the consolidated financial statements on pages 113 to 114 of the Company's 2008 annual report.

Staff costs

	For nine months ended 31 December 2008	**For year ended 31 March 2008**
	HK$'000	*HK$'000*
Wages, salaries and allowances (including directors' emoluments)	623,538	600,804
Write back of annual leave provision	(3,018)	(1,264)
Termination benefits	39,342	3,368
Long service payment	2,932	—
Contributions to retirement scheme	20,299	18,065
Share-based compensation	21,604	11,438
	704,697	632,411
Charged to cost of sales	(613,995)	(550,539)
	90,702	81,872

Contingent liabilities

In the normal course of its business, the Group is subject to various claims under its construction contracts. At 31 December 2008, the Group had various liquidated damages claims on certain contracts for which the Group has filed extension of time claims with the customers. The amount of the ultimate liquidated damages, if any, cannot be ascertained but the Directors are of the opinion that any resulting liability would not materially affect the financial position of the Group.

For the year ended 31 December 2009

Business Review

Operating Results

The Group reported revenue of HK$2,900 million (Nine months ended 31 December 2008: HK$1,837 million) and gross profit of HK$362 million for the year (Nine months ended 31 December 2008: HK$232 million). The increment was mainly derived from the rise in electrical and mechanical activities in Hong Kong, together with the full-year consolidation of the financial results from Synergis following its acquisition in August 2008. These positive effects had adequately relieved impact from the suspension of work in Macau Venetian Cotai project.

General and administrative expenses increased to HK$205 million for the year (Nine months ended 31 December 2008: HK$127 million). The increase was mainly due to the full-year consolidation of general and administrative expenses from Synergis of HK$67 million.

Other income for the year decreased to HK$10 million as a result of lower interest income and exchange gain. Other operating expenses were HK$33 million for the year mainly due to full year amortisation cost of intangible assets of HK$15 million arising from the acquisition of Synergis and fair value loss of HK$3.4 million on an investment property in Hong Kong. An impairment of goodwill of HK$74 million arising from the acquisition of Synergis and impairment provision of HK$11 million for stocks of unsold properties in Chinese Mainland were included in the other charges of the last reporting period. These unsold stocks of properties in Chinese Mainland recorded a reversal of the impairment loss of HK$1.9 million in the current year. Finance costs increased 2.5 times to HK$6.3 million due to the full-year impact of a bank loan drawn in 2008.

Overall, the Group reported consolidated net profit of HK$119 million for the year (Nine months ended 31 December 2008: HK$6 million). Profit of HK$109 million was attributable to the equity holders of the Company (Nine months ended 31 December 2008: HK$7 million).

Segment Analysis

(1) Building construction and civil engineering

Despite the global financial crisis, the division maintained a steady level of income with the contribution of improved margins of construction projects in Hong Kong. In 2009, revenue for the building construction and civil engineering business segment was HK$1.7 billion (Nine months ended 31 December 2008: HK$1.4 billion). The revenue from Hong Kong projects compensated the impact from Macau segment as a result of the suspension of all construction works in Parcels 5 & 6 of the Venetian Cotai project. Profit after finance costs was HK$82 million, a decrease of 21% compared with the last nine months reporting period, mainly due to a larger percentage of Hong Kong construction projects with inherently lower margin, as compared with that from the construction management business in Macau.

During 2009, the Building Division has strategically secured a wide spectrum of works comprising traditional high end residential, mega public housing, industrial and institution buildings, Grade A commercial office tower, of which the significant ones included (a) High End Residential Development at 5A, 5B, 6, 6A, 7 and 7A Ying Fai Terrace and 9A-9H, Seymour Road, Hong Kong; (b) Student Hostels for The Chinese University of Hong Kong; (c) Product Customisation and Consolidation Centre in Tai Po Industrial Estate; (d) Luxury villas on the Peak, 54 Mount Kellett Road; and (e) Grade A Office Development at Nos. 50-59 Connaught Road Central, Central. In addition, the Group was awarded a mega size building contract in jointly controlled entity with another renowned construction company for the construction of Public Rental Housing Development at Kai Tak Site 1B of the Kai Tak Development. The Group continues to pursue strategic opportunities to effectively apply the proven experience and skills of the Building Division in high quality building projects.

With the rapid expansion of the Civil Engineering Division during the 2nd half of 2009, the Group secured several new contracts: (a) Excavation and Lateral Support, Pile Cap, Basement and Ground Slab W Proposed Residential Development at TPTL No. 188, Pak Shek Kok, Tai Po, New Territories; (b) Landslip Preventive Works on Government Slopes and Retaining Walls in Hong Kong Island and Kowloon; and (c) Excavation, Lateral Support, Pile Caps and Basement Structure Works at West Kowloon Reclamation Area, Kowloon. In addition, the Civil Engineering Division has been actively pursuing several projects related to MTRC Express Rail.

The growth of fitting out, renovation, addition and alteration works business in 2009 is encouraging. The Group has secured several new major contracts including (a) North Kowloon Magistracy Building for New SCAD Campus; (b) Kee Wah New Factory at Tai Po; (c) Siu Sai Wan Shopping Centre (Phase 1); and (d) Phase 2 Renovation Works at Cheung Fat Shopping Centre. The Group will continue to focus not only in the Hong Kong market but will also look for new opportunities to extend our business to the Chinese Mainland.

In Macau, although the construction works of The Venetian Cotai project was suspended in 2008, the Group has continued to provide construction management services on the project, at a reduced level of resources, pending to re-start in 2010.

During the year, the Group entered into construction management services agreements with China Railway Corporation (HK) Limited for a key Metro project in Saudi Arabia. These agreements involve the provision of design and construction management services for the system aspects of the Metro system. It showed that the Group has successfully applied their construction management capabilities and skill sets for ongoing expansion into other regions. The Group will continue the alliance with appropriate strategic partners in the railway industry to capture upcoming opportunities arising in Hong Kong and the Chinese Mainland.

(2) Electrical and mechanical

The Group's electrical and mechanical business reached a new peak during 2009. The E & M Division reported revenue of HK$606 million (Nine months ended 31 December 2008: HK$184 million) and the profit after finance costs was HK$37 million (Nine months ended 31 December 2008: HK$12 million). During the year, it had been awarded several contracts, including (a) Supply and Installation of Air-Conditioning System for the New Civil Aviation Department (CAD) Headquarters at Chek Lap Kok; (b) HVAC & Electrical Installation Sub-contract for Hong Kong Science Park Building 20 at Pak Shek Kok, Tai Po, TPTL No. 182; (c) Electrical Installation work for Redevelopment of Li Shu Fan Site Phase 1 at Nos. 5-7 Sassoon Road, Pokfulam; and (d) the Air-Conditioning Infrastructure Upgrade at Shatin Racecourse of The Hong Kong Jockey Club.

(3) Property management and facility management services

The Group acquired Synergis on 29 August 2008. Through this strategic acquisition, the Group expanded its business into the property and facility management services. During 2009, revenue from Synergis was HK$543 million (Period from 29 August to 31 December 2008: HK$167 million). After an impairment of goodwill of HK$74 million was made in accordance with Hong Kong Accounting Standard 36 during 2008, no further impairment was required as of 31 December 2009. Profit net of amortisation of intangible assets of HK$14 million was HK$16 million.

In 2009, Synergis managed a total of 357 sites in Hong Kong, 29% higher than the previous reporting period. This significant increment was mainly contributed by the three car park management contracts from The Link Management Limited (the "Link") were awarded in June 2009. These contracts cover 116 car parks with a total of 49,621 car park spaces. However, as the Link has adopted a policy of using internal resources for their shopping centers, our managed portfolio in this area has shrunk as a consequence in this reporting year. On the other hand, Synergis has successfully obtained facility management contracts from new clients including Hong Kong Wetland Park and MTR Corporation Limited. In addition, Synergis was awarded a five-year contract from CLP Power Hong Kong Limited to manage their five power stations in Hong Kong starting from January 2010. The sites have a total gross floor area ("GFA") of approximately 2,000,000 square metres. This was a remarkable milestone for Synergis after successfully demonstrating our well established service platform and ability to meet the highest standard requirements from the largest electricity investor-operators in the Asia Pacific region.

In Chinese Mainland, since May 2009, Synergis has provided management services for Channel 1 in Shanghai, a six-storey shopping mall with an underground car park amounting to a GFA of 42,000 square metres. In Beijing, a two year asset management services contract for ECMall and Metropolis Tower, Beijing was awarded in July 2009. Synergis also started providing property management consultancy services for a large-scale commercial complex named West Centre in Hefei.

(4) Property development and rental

Revenue for the property development and rental segment was HK$32 million (Nine months ended 31 December 2008: HK$45 million), the decrease was mainly due to the sale of the residential units of Wen Chang Pavilion in Guangzhou, PRC was recorded in the last reporting period. Income was mainly derived from rentals in No. 3 Lockhart Road and the unsold car parks at Lung Mun Oasis, Tuen Mun and Wen Chang Pavilion in Guangzhou. At 31 December 2009, No. 3 Lockhart Road was fully let (100% occupancy). Profit after finance costs was HK$21 million (Nine months ended 31 December 2008: HK$11 million). The increase was mainly due to the absence of impairment provision of HK$11 million made for unsold stocks of properties in the Chinese Mainland reflected in the last reporting period.

Operational Review On Contracts

Subsidiaries

(a) Building Construction

During the year the building construction division received new contracts of HK$1.2 billion after adjusting for the inter-company subcontract works and variation orders received on the current contract. Contracts completed for the year was HK$617 million. Total revenue of building construction for the year reported at HK$966 million.

Major contracts received and completed during the year include:

Contract	**Location**	**Type**
Received:		
Student Hostels for The Chinese University of Hong Kong*	Shatin, Hong Kong	University
Proposed Residential Development at 5A, 5B, 6, 6A, 7 and 7A Ying Fai Terrace and 9A-9H Seymour Road	Mid-Levels, Hong Kong	Residential
Proposed Office Development at Nos. 50-59 Connaught Road Central*	Central, Hong Kong	Office
Product Customisation and Consolidation Centre in Tai Po Industrial Estate	Tai Po, Hong Kong	Industrial
Proposed Residential Development at 54 Mount Kellett Road, R.B.L. No. 532	The Peak, Hong Kong	Residential
Completed:		
Atrium Hotel at Pacific Place	88 Queensway, Hong Kong	Hotel

* *Part of the contract has been sub-contracted to electrical and mechanical business*

(b) Civil Engineering

The civil engineering division received new contracts of HK$362 million. Total contract completed for the year was HK$127 million and the revenue reported at HK$151 million.

Major contracts received and completed during the year include:

Contract	**Location**	**Type**
Received:		
ELS, Pile Cap, Basement and Ground Slab Works for Proposed Residential Development at TPTL No. 188, Pak Shek Kok	Tai Po, Hong Kong	Civil Works
Landslip Preventive Works on Government Slopes and Retaining Walls	Hong Kong Island and Kowloon	Civil Works
Excavation, Lateral Support, Pile Caps and Basement Structure Works at KIL 11073, Junction of Hoi Wang Road, Yan Cheung Road and Yau Cheung Road	West Kowloon Reclamation Area, Hong Kong	Civil Works
Completed:		
Proposed Redevelopment of Hennessy Centre	Causeway Bay, Hong Kong	Civil Works

(c) Renovation and Fitting-Out

The renovation and fitting-out team expanded the business in the year and received contracts amounted to HK$334 million. Contract completed for the year was HK$45 million and the revenue achieved at HK$118 million.

Major contracts received and completed during the year include:

Contract	**Location**	**Type**
Received:		
Kee Wah's New Factory	Tai Po, Hong Kong	Alterations and Additions Works
Siu Sai Wan Shopping Centre (Phase 1)	Chaiwan, Hong Kong	Asset Enhancement Works
North Kowloon Magistracy Building for New SCAD Campus	Sham Shui Po, Hong Kong	Alteration and Addition Works
Phase 2 Renovation Works at Cheung Fat Shopping Centre	Tsing Yi, Hong Kong	Renovation Works
Completed:		
Wo Che Market	Shatin, Hong Kong	Renovation Works

(d) Construction Management Services

The Group extended the construction management services business overseas in the year and was awarded a new construction management services contract by China Railway Construction (HK) Limited for a key Metro project in Saudi Arabia. Contract completed during the year was HK$16 million. The Venetian Cotai project was suspended in November 2008, the impact on suspension has been mitigated by continued provision of construction management services for the remaining works by the Group. Total revenue of construction management services for the year was HK$484 million.

(e) Electrical and Mechanical

Contract received during the year was HK$479 million including inter-company sub-contract works. Completed contracts for the year amounted to HK$626 million and revenue reported at HK$606 million.

Major contracts received and completed during the year include:

Contract	**Location**	**Type**
Received:		
New Civil Aviation Department Headquarters on Airport Island	Lantau Island, Hong Kong	Air-Conditioning Works
Hong Kong Science Park Building 20 at Pak Shek Kok	Tai Po, Hong Kong	HVAC and Electrical Installation
Li Shu Fan Site, Phase I of The University of Hong Kong	Pokfulam, Hong Kong	Electrical Installation
Proposed Air-Conditioning Infrastructure Upgrade at Sha Tin Racecourse*	Shatin, Hong Kong	Air-Conditioning Works
Completed:		
Proposed Office Development on KTIL 242, 102 How Ming Street	Kwun Tong, Hong Kong	MVAC Installation
Hong Kong Science Park Phase 2, Area A2 at TPTL No. 182 (Laboratory Buildings)	Tai Po, Hong Kong	HVAC and Electrical Installation
HAECO (Hong Kong Aircraft Engineering Company Limited) Aircraft Maintenance Hangar No. 3A	Lantau Island, Hong Kong	Electrical and Mechanical Ventilation Installation
Redevelopment of Lido Complex	Repulse Bay, Hong Kong	MVAC, Electrical, Fire Services and Plumbing & Drainage Installation
Proposed Air-Conditioning Infrastructure Upgrade at Sha Tin Racecourse*	Shatin, Hong Kong	Air-Conditioning Works

* *Part of the contract has been sub-contracted to renovation and fitting-out business*

Overall, the consolidated orders on hand at 31 December 2009 amounted to HK$7,393 million, an increase of 16.7% from the last financial period end.

A summary of incomplete contracts of the Group's construction subsidiaries is as follows:

	As at 1 January 2009	Contracts received	Contracts completed	As at 31 December 2009
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*
Building Construction	2,355	1,197	(617)	2,935
Civil Engineering	188	362	(127)	423
Renovation and Fitting-Out	58	334	(45)	347
Construction Management Services	2,500	119	(16)	2,603
Electrical and Mechanical	1,232	479	(626)	1,085
	6,333	2,491	(1,431)	7,393

Jointly controlled entities

During the year, Yau Lee–Hsin Chong Joint Venture, in which the Group has 40% interest, was awarded a building construction contract by The Hong Kong Housing Authority for Construction of Public Rental Housing Development at Kai Tak Site 1B. Taking into account of the variation orders received on and contract price fluctuation adjustments for two jointly controlled entities projects, total contracts received from our construction jointly controlled entities amounted to HK$2,868 million. The Maeda-Hitachi–Yokogawa–Hsin Chong Joint Venture, in which the Group has 20% interest, completed a civil engineering contract of Stonecutters Bridge from Highways Department.

The summary of incomplete contracts of the Group's construction jointly controlled entities is as follows:

		The Group's share
	HK$ Million	*HK$ Million*
As at 1 January 2009	6,878	1,872
Contracts received	2,868	1,153
Contracts completed	(3,537)	(707)
As at 31 December 2009	6,209	2,318

The Group

Contracts received:

		The Group's share
	HK$ Million	*HK$ Million*
For the year ended 31 December 2009		
– Wholly owned projects	2,491	2,491
– Jointly controlled entities' projects	2,868	1,153
Total	5,359	3,644

The split of incomplete contracts as at 31 December 2009 is as follows:

	Amount *HK$ Million*	%
Government and Public, Charitable or Non-Profit Institutions	1,630	16.8
Hong Kong Housing Authority	1,994	20.5
Private Developers	6,087	62.7
Total	9,711	100.0

Construction Related Property Development

(1) Lung Mun Oasis, Tuen Mun, Hong Kong

During the year ended 31 December 2009, the Group sold 18 car parking spaces in Lung Mun Oasis, Tuen Mun, Hong Kong leaving 219 car parking spaces remained unsold with carrying value of HK$19 million, net of impairment provision of HK$26 million. Those unsold car parking spaces are currently available for rental income either on a monthly or hourly basis.

(2) No. 3 Lockhart Road, Wan Chai, Hong Kong

The development is a 26-storey office building. The Group has a 20- year freely-assignable master lease for the 11th – 30th floors, comprising approximately 77,000 square feet. The residual lease term is around 4 years. Occupancy rate attained 100% in the year (2008: 100%). Current carrying value was HK$64 million.

(3) Wen Chang Pavilion, Guangzhou, PRC

The project comprises a total site area of 18,215 square metres (approximately 196,000 square feet) bound on the East by Wen Chang Road North and on the South by Yao Hua Jie North, Guangzhou City, PRC. The Group has an effective 42% interest in the project.

Total revised saleable floor area of Phase I was approximately 41,400 square metres with 102 car parks. At 31 December 2009, provision was made for 50% of car parks as the area was reserved as air-raid shelter. The Group is preparing to strive for converting non-saleable car parks into saleable in nature. The remaining 50% of car parks and commercial units are classified as stock on sale with a carrying value of HK$38 million, net of impairment provision of HK$19 million. All the residential units had been sold by last period end date.

(4) Hsin Chong Center, Kwun Tong, Hong Kong

The property with approximately 107,000 square feet of space has been used as headquarters of the Group since April 1999. Following the acquisition of Synergis in last year, the property is classified as property, plant and equipment and prepaid premium for land lease, and carried at restated cost less accumulated depreciation and impairment. At 31 December 2009, the carrying value of the property amounted to HK$136 million.

Financial Position

Debt-to-equity ratio was 31% at 31 December 2009 (2008: 41%). The decrease in gearing ratio was mainly due to repayment of bank borrowings of HK$30 million, leaving a balance of bank borrowing of HK$190 million as of 31 December 2009 (2008: HK$220 million), of which HK$90 million (2008: HK$150 million) is long-term debt due after one year. These borrowings are charged at a spread to HIBOR with a weighted average interest rate of 3.2% per annum, taking into account the effect of interest rate hedging transactions entered into. As of 31 December 2009, net current assets amounted to HK$203 million (2008: HK$189 million) with the quick ratio 1.0 at 31 December 2009 (2008: 1.0). Cash and bank balances totaled HK$711 million (2008: HK$678 million).

Bank loans

	As at 31 December 2009	**As at 31 December 2008**
	HK$'000	*HK$'000*
Bank loans, wholly payable within five years		
– secured fixed-rate loans	150,000	160,000
– unsecured floating rate loans	40,000	60,000
	190,000	220,000
The repayment schedule of bank loans is as follows:		
(i) within one year		
– short term bank loan, secured	–	10,000
– short term bank loans, unsecured	40,000	60,000
– current portion of long term bank loan, secured	60,000	–
(ii) in the second year		
– long term bank loan, secured	90,000	60,000
(iii) in the third to fifth years, inclusive		
– long term bank loan, secured	–	90,000
	190,000	220,000

The bank loans of the Group was denominated in Hong Kong dollar and carried at weighted average interest rate of 3.2% (2008: 3.1%) per annum.

The bank loans are secured by way of a first floating charge over the assets of the Company and a subsidiary of the Company.

The carrying amounts of bank loans approximate their fair value.

Deposits, cash and bank balances

	As at 31 December 2009 HK$'000	As at 31 December 2008 HK$'000
Cash at bank and in hand	124,275	78,133
Short term bank deposits *(note i)*	584,491	595,699
Unrestricted deposits, cash and bank balances	708,766	673,832
Restricted bank deposits *(note ii)*	2,147	3,889
	710,913	677,721

Deposits, cash and bank balances are denominated in the following currencies:

	As at 31 December 2009 HK$'000	As at 31 December 2008 HK$'000
Hong Kong dollar	558,678	457,278
United States dollar	1,576	1,695
Renminbi	111,919	135,571
Macau pataca	18,289	68,678
Singapore dollar	18,312	9,066
Other	2,139	5,433
	710,913	677,721

Notes:

(i) The short term bank deposits of the Group has original maturities of three months or less.

(ii) As at 31 December 2009, restricted bank deposits represent:

- Proceeds received from the sale of residential properties in PRC where the funds are confined to the usage of construction work until the right of the whole development is properly obtained by the Group.
- A deposit given to a bank for providing a guarantee to the Government of Macau SAR in obtaining a labour agency licence in Macau by a subsidiary.

In addition to above, restricted bank deposits as at 31 December 2008 also included:

- A deposit given to a bank in favour of the Inland Revenue Authority of Singapore for Goods and Services Tax registration.

The maximum exposure to credit risk at the reporting date is the carrying value of the deposits, cash and bank balances mentioned above.

Financial Focus

Return on Equity

The Group pays close attention to the return on equity for both current businesses and new investment opportunities. The Group appreciates that just being more profitable than other companies in the same industry may not be good enough for some investors. As a manager of public shareholders' capital, the Group aims to generate risk-adjusted returns on capital that are systematically acceptable to investors taking into account that construction is a cyclical industry. Current year's return on equity increased to 24.3% (2008: 1.7% after taking into account the impairment on goodwill of HK$74 million arising from the acquisition of Synergis in last reporting period).

Capital Structure

The Group has historically adhered to a policy of conservative capital management. A strong balance sheet affords more opportunities upon an industry upturn, and instills greater confidence amongst its clients, bankers, sub-contractors, suppliers and employees. Furthermore, since progress payments in the construction business inherently create high operating leverage, an overlay of high financial leverage over any extended period would not be prudent.

Financial Hedging and Other Financial Instruments

The Group's net borrowings and cash balances are primarily denominated in Hong Kong dollars, Renminbi and Macau Pataca. By means of proper synchronisation of receipts and payments in different operating currencies, the Group has no significant exposure to foreign currency fluctuations. In addition, the Group adopts hedging policies to mitigate exchange rate risks and interest rate risks associated with respective assets or liabilities, and rights or obligations. Such policies ensure effective cost controls on construction costs as early as the tendering stage and controllable borrowing costs for operation and investment needs.

Interest rate risk and exchange rate risk are risks to earnings or capital, arising from movement of respective rates. The former mainly arises from bank borrowings by the Group and the latter comprises exposure due to currency needs from normal business operations for material procurement and services requirements. The Group has established policies and procedures to the assessment, booking and monitoring of all such financial instruments under limits approved by the Board. The controls and procedures governing such activities were considered to be adequate overall.

Gains or losses arising from relevant hedging transactions will be booked as a profit or loss associated with the underlying assets or liabilities. At 31 December 2009, the Group has an outstanding forward exchange contract to hedge HK$2.2 million against Euro and also fully hedged its long term bank borrowing of HK$150 million in respect of the HIBOR element by interest rate swap agreement with unexpired tenure of 2 years. No further forward exchange contracts or other financial hedging arrangement has been entered into subsequent to year end.

Human Capital Investment

As at 31 December 2009, the Group employed a total of 6,393 full time staff, which included 5,280 full time staff employed by Synergis.

Staff costs

	Year ended 31 December 2009	For nine months ended 31 December 2008
	HK$'000	*HK$'000*
Wages, salaries and allowances (including directors' emoluments)	784,432	623,538
Write back of annual leave provision	(2,858)	(3,018)
Termination benefits	17,518	39,342
Long service payment	539	2,932
Contributions to retirement scheme	29,027	20,299
Share-based compensation	7,492	21,604
	836,150	704,697
Charged to cost of sales	(692,254)	(613,995)
	143,896	90,702

Remuneration Policy of the Group

The Group sets its remuneration policy by making reference to the prevailing market conditions and a performance-based reward system. It is to ensure that the Group is able to attract, retain and motivate executives of the highest caliber, essential to the successful leadership and effective management of the Group. The performance measures are balanced between financial and industrial comparatives. The components of remuneration package are consisted of base salary, allowances, benefits-in-kind, fringe benefits including medical insurance and contributions to pension funds, as well as incentives like discretionary bonus, participation in share option and share subscription schemes, and long-term rewards.

The remuneration packages of the directors are recommended by the respective remuneration committees and determined by the respective boards of directors of the Company and Synergis (and in the case of directors' fees, subject to respective shareholders' approval in general meetings) except that no director or any of his associates is allowed to make recommendation on or determine his own remuneration package. Director's remuneration is determined by reference to each director's duties and responsibilities in the Group as well as the overall performance of the respective company and the Group and the prevailing market situation and competitive in the industry.

The remuneration packages of the senior management are recommended by the managing directors of the respective company and determined by the respective remuneration committees by reference to their respective responsibilities and accountability, target achievements, business results and market competitiveness of the Group. The remuneration packages of the managerial and support staff are determined by the managing directors.

Incentive bonus scheme for each major business segment is set up for senior management staff and employees with significant contributions to the business objectives. The scheme is business result oriented and performance based. Share options are granted to the directors, senior management and other employees based on individual performance and overall contributions to the Group. The number and terms of share options granted to each grantee are proposed by the respective executive directors (except for options granted to their own), reviewed by respective remuneration committees and approved by respective boards of directors.

The Group has sought to make the remuneration policy more transparent and well communicated to its staff. Details of the remuneration payable to each director of the Company for the year ended 31 December 2009 are set out in note 10 to the consolidated financial statements on pages 113 to 114 of the Company's 2009 annual report.

Contingent liabilities

In the normal course of its business, the Group is subject to various claims under its construction contracts. At 31 December 2009, the Group had various liquidated damages claims on certain contracts for which the Group has filed extension of time claims with the customers. The amount of the ultimate liquidated damages, if any, cannot be ascertained but the Directors are of the opinion that any resulting liability would not materially affect the financial position of the Group.

For the year ended 31 December 2010

Business Review

Operating Results

During 2010, the Group achieved significant growth across its portfolio of businesses. The reported revenue of HK$4,258 million (2009: HK$3,482 million) and gross profit of HK$445 million (2009: HK$368 million), represented 22.3% and 20.9% increase respectively.

In addition, the Group was awarded new orders totaling HK$8.1 billion (2009: HK$3.6 billion) and, as a result, the outstanding value of contracts on hand amounted to HK$10.0 billion as at 31 December 2010 (2009: HK$5.6 billion).

These new records are backed by our commitment to be a leader of the construction industry. The growth was mainly derived from the strengthening of our core building construction division and the transformation of our civil engineering division. In addition, there is the resumption of construction works in the Venetian Cotai project in Macau, the further penetration of our interiors and special projects division, as well as the expansion of both the construction management and property management businesses in the Chinese Mainland. The Group achieved steady growth for the year and has built a solid foundation to sustain further successes for the coming future.

With the property prices in the Chinese Mainland surpassing the previous peak, the Group sold the remaining units in its Guangzhou property development project during the year.

At the same time as growing its business volume, the Group has managed to improve its earnings during the year. The profit attributable to shareholders in 2010 was HK$136 million (2009: HK$109 million) and the basic earnings per share was HK cents 20.3 (2009: HK cents 16.3), representing increase of 24.8% and 24.5% respectively as compared with the last year.

Segment Analysis

(i) Building construction

Revenue and segment result of the division were HK$2,588.3 million (2009: HK$2,054.2 million) and HK$128.4 million (2009: HK$86.1 million) respectively.

a) Building division in Hong Kong, being the Group's traditional core business, recorded growth in all three key performance indicators: new orders awarded, revenue and segment profit results. During 2010, the division strategically secured a wide spectrum of new contracts in both public and private sectors totaling HK$4.1 billion (2009: HK$2.3 billion). With the successful experience in the Choi Wan Road public housing development project, two public housing developments at Shatin Area 4C and at Ex-Shatin Married Quarters were awarded during the year. Under the 3-3-4 New Academic Structure, the division was awarded several university projects from The Chinese University of Hong Kong, the Baptist University and the City University of Hong Kong. From the private sector, a high end residential development at Tsing Lung Road and a Grade A office development at 28 Hennessy Road were awarded, following the successful completion of the Grade A office building at 863-865 King's Road.

   The division continued to deliver quality projects based on our strength in services delivery capability, advanced engineering and project management skills. It will continue to pursue strategic opportunities, riding on our strength in design and build projects and based on our proven track records in high quality commercial buildings, mass scale government housing and buildings, hospitals, and data centres.

b) Interiors and special projects division made good progress in delivering existing projects during the year, enabling the division to enhance skill-sets and to seek new project opportunities.

   The renovation project of the North Kowloon Magistracy Building for the New SCAD Campus was successfully completed, with widespread appreciations from the Government, SCAD Foundation (Hong Kong) Ltd. and the public. Following this, two revitalisation projects at Pak Tsz Lane in Central and Burrows Street in Wanchai were awarded during the year. Furthermore, the division won two substantial renovation contracts in Beijing, achieving a new milestone in the Group's business development. The first one was the refurbishment of two residential tower blocks of serviced apartments located at the old downtown area near the 2nd Ring Road at the eastern district of Beijing. Another one was the fitting out of a block of commercial development located at Xuanwu District, near the 3rd Ring Road at the western district of Beijing.

c) Following Macau Venetian's resumption of construction works in the first half of 2010, our construction management services division officially exited the doldrums in that market caused by the 2008/09 financial crisis. The current phases of Venetian Cotai project are due to be completed within the next two years, and thereafter we wish to deploy our very experienced project management team to explore opportunities in Macau, Hong Kong, the Chinese Mainland and other strategic regions, for example, certain markets in the Middle East.

d) As reported last year, the Group provided construction management services to China Railway Corporation (HK) Limited for the metro-rail project in Saudi Arabia. This construction management support services contract was largely completed during the year, demonstrating our delivery capability in challenging projects and difficult operating environments.

The Group has resumed developing its construction business in the Chinese Mainland for international companies and Hong Kong property developers looking for quality contract management service and delivery execution. Subsequent to the year end, a building construction contract for Huawei Hang Zhou Production Plant (Phase II) has been awarded.

(ii) Civil engineering

The Group started to expand the civil engineering business since 2009. During 2010, the division achieved significant progress in entering this expanding market segment. The civil engineering division secured three mega-sized MTR Express Rail Link contracts, namely Nam Cheong property foundation removal/reprovisioning, construction of Huanggang to Mai Po Tunnels through a jointly controlled entity with China Railway Construction Corporation Limited and China Railway 15 Bureau Group Corporation, and Express Rail Link Contract 810B – West Kowloon Terminus Station South through a jointly controlled entity with Laing O'Rourke Construction Hong Kong Limited and Paul Y. Construction Company, Limited. In addition, the division also received a new contract for site formation and slope stabilisation works for a residential development at Cotai, Macau.

In 2010, the division invested in human resources and innovative construction methods to grasp the expanding business opportunities. During the year, it secured new contracts totaling HK$2.1 billion (2009: HK$0.4 billion). And it recorded HK$645.2 million revenue (2009: HK$246.7 million), representing an increase of 1.6 times. Despite the investment in additional resources to achieve growth, the division continued to make a positive operating result of HK$7.4 million, but after net of overhead allocation, the segment's loss was HK$1.2 million in 2010 (2009: gain of HK$6.4 million).

The division will continue to build its capabilities to tap into the growing civil engineering works under the Ten Mega Infrastructure projects plan implemented by the Hong Kong SAR Government.

(iii) Electrical and mechanical (E&M)

The E&M division reported a segment profit of HK$12.1 million (2009: HK$37.3 million) from a revenue of HK$344.4 million in 2010 (2009: HK$606.3 million). The reduction was mainly caused by a series of delays in some of major projects. During the year, the division has successfully completed the Mechanical and Electrical Package (MEP) installations of the Prince of Wales Hospital, which were handed over for full operation in the 4th quarter of 2010. The project has received widespread appreciation. It signaled the division's goal to outperform our competitors and be a leader of the market at large.

The division's new order flow remains healthy. During 2010, in association with the building division, it secured several institutional and university MEP contracts including campus development at Baptist University, Academic and Administration Building at City University of Hong Kong and the Redevelopment of Hong Kong Sports Institute.

For 2011 and the years ahead, the division will participate actively in various new MTR projects, including the Express Railway Link, South Island Line and all other new railways on the drawing board. It has also formed strategic partnerships with renowned overseas specialists to bid for environmental projects ranging from sewage plants projects of Drainage Services Department to other environmental projects opportunities in other government and private projects. With the expansion of the Hong Kong International Airport, the division will also seek opportunities in 2011 and 2012. The future development of the Kai Tak area which will house various HKSAR government office buildings, housing estates, commercial complexes, hospitals, etc, will also be our business development focus. The division has plan to continue to review and upgrade project execution, stress emphasis on sustainability and green issues as well as conserving energy within projects.

(iv) Property and facility management services

The property and facility management services provided by Synergis, a separately listed subsidiary, recorded a 5.7% increase in segment revenue to HK$574.1 million (2009: HK$543.1 million). However, due to the start up costs for expansion in Chinese Mainland, and the keen competition in the industry and labour cost pressure in Hong Kong, the segment profit declined to HK$9.0 million (2009: HK$15.6 million).

Revenue was improved with the awards of several new facility management contracts in Hong Kong, including MTR Corporation Limited, Hong Kong Police Headquarters and CLP Power Hong Kong Limited together with the new contracts awarded by Huawei Technologies Co., Ltd. for its R&D Centre and the Hong Kong Pavilion at the World Exposition 2010 Shanghai. The increase in revenue from these new contracts was partly set off by the expiration of the shopping centres management contracts from The Link Management Limited. Synergis has expanded its assets management business in the Chinese Mainland including leasing, consulting services and mall operations in addition to property management and made significant progress in obtaining remarkable consulting and management service contracts from renowned developers in Shanghai, Hunan, Guangzhou and Qingdao during the year. Management is deploying the division's strong management team and proven expertise to capitalise upon the strong economic and property market growth in the Chinese Mainland.

(v) Property development and investment

Profits from the property division were HK$45.0 million, registering a large increase from HK$20.4 million realised in 2009. The major contributions were rental income derived from the office premise at No. 3 Lockhart Road, Wan Chai, with nearly 100% occupancy rate, and the profit realised from the sale of shop units of Wen Chang Pavilion in Guangzhou.

During the year, the Group invested HK$100 million in a HK$300 million company with Pacific Star Land Limited, which is a subsidiary of Pacific Star China Pte. Ltd. whose principal business is in real estate investments in Asia. The company made its first investment to acquire a commercial tower property in Xuanwu District, Beijing for approximately HK$100 million, of which the Group's interiors and special projects division is negotiating details of the final contract to provide construction services to the tower and the shopping mall.

Operational Review On Contracts

(i) Building Construction

(a) Building division received new contracts of HK$4.1 billion during the year. Major contracts received include:

Contract	Location
Construction of Sha Tin Area 4C	Shatin, Hong Kong
Construction of Development at Ex-Shatin Married Quarter	Shatin, Hong Kong
Campus Development for Hong Kong Baptist University*	Kowloon Tong, Hong Kong
Student Hostels for The Chinese University of Hong Kong	Shatin, Hong Kong
Superstructure Works for Academic and Administration Building for City University of Hong Kong*	Kowloon Tong, Hong Kong
Redevelopment of Hong Kong Sports Institute*	Shatin, Hong Kong
Proposed Residential Development at Tsing Lung Road, Siu Lam	Tuen Mun, Hong Kong
Development of 28 Hennessy Road	Wan Chai, Hong Kong

* *Part of the contract has been sub-contracted to the Group's electrical and mechanical division*

(b) During the year, interiors and special projects division received new contracts of HK$0.6 billion, including:

Contract	Location
Prince's Building Podium Arcade Enhancement	Central, Hong Kong
Proposed New Energy Centre at Sha Tin Racecourse#	Shatin, Hong Kong
Refurbishing of serviced apartments of East Gate Plaza	Beijing, PRC

Subcontract awarded from the Group's electrical and mechanical division

(c) Overseas business

Total contracts received for the year mainly including construction management services provided for the Venetian Cotai project which was resumed in 1st half of 2010.

(ii) Civil Engineering

The civil engineering division received new contracts of HK$2.1 billion. Major contracts received include:

Contract	Location
Nam Cheong Property Foundation Removal/Reprovisioning	Sham Shui Po, Hong Kong
Site Formation and Slope Stabilisation Works for the Proposed Residential Development	Cotai, Macau
Provision of Interception Facilities at Jordan Valley Box Culvert	Kowloon City, Hong Kong
Huanggang to Mai Po Tunnels of Express Rail Link (30%)	Huanggang, PRC to Mai Po, Hong Kong
West Kowloon Terminus Station South of Express Rail Link (22.5%)	West Kowloon, Hong Kong

(iii) Electrical and Mechanical

During the year, total contracts received was HK$0.7 billion and the major ones were:

Contract	Location
Air-Conditioning Infrastructure Upgrade for Proposed New Energy Centre at Sha Tin Racecourse*	Shatin, Hong Kong
MVAC Installation at 3 Connaught Road Central	Central, Hong Kong
ACMV Installation at Centralised General Research Lab Complex of The Chinese University of Hong Kong	Shatin, Hong Kong
Term Maintenance Contract of Air-Conditioning and Ventilation Systems for Hong Kong Housing Authority Estates, Area and Buildings	Kowloon East, Wong Tai Sin, Tsing Yi, Tsuen Wan, Islands, Kwai Chung, Tuen Mun and Yuen Long
MVAC, Electrical and Fire Installation for Campus Development of Hong Kong Baptist University#	Kowloon Tong, Hong Kong
Building Services Installation for Academic and Administration Building for City University of Hong Kong#	Kowloon Tong, Hong Kong
Plumbing and Drainage Installation for the Redevelopment of Hong Kong Sports Institute#	Shatin, Hong Kong

* *Part of the contract has been sub-contracted to the Group's interiors and special projects division*

\# *Subcontract awarded by the Group's building division*

New contracts of construction business received during the year and the outstanding value of contracts on hand as at 31 December 2010 are summarised as follows:

	New contracts received		Outstanding value of contracts on hand	
	For the year ended 31 December 2010	For the year ended 31 December 2009	As at 31 December 2010	As at 31 December 2009
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*
Subsidiaries				
Building	4,106.2	1,196.7	4,655.9	2,156.1
Interiors and special projects	641.6	334.0	476.9	265.2
Construction management services	566.5	119.4	843.7	842.3
Building construction	5,314.3	1,650.1	5,976.5	3,263.6
Civil engineering	881.9	361.5	833.0	485.6
Electrical and mechanical	687.6	478.8	929.5	553.0
Total	6,883.8	2,490.4	7,739.0	4,302.2
Jointly controlled entities				
100% share				
Building	–	2,868.0	2,678.0	3,219.5
Civil engineering	5,011.5	–	4,752.4	128.0
Total	5,011.5	2,868.0	7,430.4	3,347.5
Group's attributable interest				
Building	–	1,152.8	1,071.2	1,320.1
Civil engineering	1,254.4	–	1,176.7	25.6
Total	1,254.4	1,152.8	2,247.9	1,345.7
The Group				
100% share	11,895.3	5,358.4	15,169.4	7,649.7
Group's attributable interest	8,138.2	3,643.2	9,986.9	5,647.9

The split of outstanding value of contracts on hand at 31 December 2010 is as follows:

	As at 31 December 2010 *HK$ Million*	%
Government and public, charitable or non-profit institutions	**3,255.5**	32.6
Hong Kong Housing Authority	**2,095.9**	21.0
Private developers	**4,635.5**	46.4
	9,986.9	100.0

Property Development and Investment

(1) Lung Mun Oasis, Tuen Mun, Hong Kong

During 2010, the Group sold 58 car parking spaces in Lung Mun Oasis, Tuen Mun, Hong Kong leaving 161 car parking spaces remained unsold with carrying value of HK$14.9 million, after netting impairment provision of HK$18.2 million. Those unsold car parking spaces are currently available for rental income either on a monthly or hourly basis.

(2) No. 3 Lockhart Road, Wan Chai, Hong Kong

The development is a 26-storey office building. The Group has a 20-year freely-assignable master lease for the 11th – 30th floors, comprising approximately 77,000 square feet. The residual lease term is around 3 years. Occupancy rate nearly attained 100% in the year (2009: 100%). Current carrying value was HK$56.5 million.

(3) Wen Chang Pavilion, Guangzhou, PRC

The project comprises a total site area of 18,215 square metres (approximately 196,000 square feet) bound on the East by Wen Chang Road North and on the South by Yao Hua Jie North, Guangzhou City, PRC. The Group has an effective 42% interest in the project.

Due to the property prices in the Chinese Mainland surpassing the previous peak, the Group sold the remaining units of Wen Chang Pavilion during the year. At 31 December 2010, 12 units of stocks of car park remained unsold with carrying value of HK$1.8 million.

(4) Hsin Chong Center, Kwun Tong, Hong Kong

The property with approximately 107,000 square feet of space has been used as headquarters of the Group since April 1999. At 31 December 2010, the Group adopted the revaluation model under Hong Kong Accounting Standard 16 and the carrying value of Hsin Chong Centre was revalued to HK$269 million.

(5) Co-investment with Pacific Star

In early July 2010, the Group invested HK$100 million in a HK$300 million company with Pacific Star Land Limited, which is a subsidiary of Pacific Star China Pte. Ltd. whose principal business is in real estate investments in Asia. The company made its first investment to acquire a commercial tower property in Xuanwu District, Beijing for approximately HK$100 million, of which the Group's interiors and special projects division is negotiating a construction services contract to the tower and the shopping mall.

Financial Position

Management aims to optimise shareholders' value through proper deployment of its financial resources to support the Group's business strategies, while maintaining a healthy balance sheet to support the operation.

As at 31 December 2010, debt-to-equity ratio was 53% (2009: 31%). Total bank borrowings amounted to HK$430 million (2009: HK$190 million), of which 70% (2009: 47%) is due after one year. These borrowings are charged at a spread to HIBOR. The increase in bank borrowings was mainly attributable to the increase in working capital as a direct result of a much larger outstanding order book balance. But after netting the Group's year-end deposits, cash and bank balances of HK$647 million (2009: HK$711 million), there was no net borrowing.

The Group's relationship with its banks has grown substantially during 2010. Its credit facilities expanded to a total of HK$2,009 million as of 31 December 2010 (2009: HK$1,028 million) and were actively used to support its growing business, with details as follows (in HK$ Million):

Types of Credit Facilities	**Available**	**Drawn**	**Undrawn**
Loan	$792	$430	$362
Performance bonds	$1,182	$570	$612
Import	$35	$25	$10

The Group's net current assets as of 31 December 2010 was reported as HK$130 million (2009: HK$113 million), reflecting a current ratio of 1.1 (2009: 1.1). However, should the long-term portion of the bank loans be excluded from reclassification as current liabilities under a new accounting rule, HK Interpretation 5, the net current assets should be HK$427 million, and the current ratio was 1.3.

With the current portfolio of businesses, management expects that the Group's financing requirements for the remainder of the current financial year will be met by available cash, cash generated from operations, as well as banking facilities.

Bank loans

	As at 31 December 2010 *HK$'000*	As at 31 December 2009 *HK$'000*
Bank loans, wholly payable within five years		
– secured	90,000	150,000
– unsecured	340,000	40,000
	430,000	190,000
The repayment schedule of bank loans is as follows:		
Short term bank loans		
– secured	–	–
– unsecured	40,000	40,000
	40,000	40,000
Portion of bank loans due for repayment within one year		
– secured	90,000	60,000
– unsecured	2,353	–
	92,353	60,000
Portion of bank loans due for repayment after one year which contain a repayment on demand clause		
(i) in the second year		
– secured	–	90,000
– unsecured	19,743	–
(ii) in the third to fifth years, inclusive		
– secured	–	–
– unsecured	277,904	–
	297,647	90,000
	430,000	190,000

Notes:

(a) The bank loans of the Group was denominated in Hong Kong dollars and carried weighted average interest rate of 2.9% (2009: 3.2%) per annum.

(b) The bank loans are secured by way of a first floating charge over the assets of the Company and a subsidiary of the Company.

(c) The carrying amounts of bank loans approximate their fair value.

Deposits, cash and bank balances

	As at 31 December 2010 HK$'000	As at 31 December 2009 HK$'000
Cash at bank and in hand	147,354	124,275
Short term bank deposits *(note i)*	499,664	584,491
Unrestricted deposits, cash and bank balances	647,018	708,766
Restricted bank deposits *(note ii)*	291	2,147
	647,309	710,913

Deposits, cash and bank balances are denominated in the following currencies:

	As at 31 December 2010 HK$'000	As at 31 December 2009 HK$'000
Hong Kong dollar	458,852	558,678
United States dollar	1,924	1,576
Renminbi	132,282	111,919
Macau pataca	35,689	18,289
Singapore dollar	14,848	18,312
Other	3,714	2,139
	647,309	710,913

Notes:

(i) The short term bank deposits of the Group has original maturities of three months or less.

(ii) As at 31 December 2010, restricted bank deposits represent a deposit given to a bank for providing a guarantee to the Government of Macau SAR in obtaining a labour agency licence in Macau by a subsidiary.

In addition to the above, restricted bank deposits as at 31 December 2009 also included proceeds received from the sale of residential properties in PRC where the funds are confined to the usage of construction work until the right of the whole development is properly obtained by the Group. During the year, the Group obtained the occupation permit for the whole property, and the restricted bank deposits were released.

The maximum exposure to credit risk at the reporting date is the carrying value of the deposits, cash and bank balances mentioned above.

Financial Risks Management

Interest rate risk and exchange rate risk are risks to earnings or capital, arising from movement of respective rates. The former mainly arises from bank borrowings and the latter comprises exposure due to currency needs from normal business operations for material procurement and services requirements. The Group has established policies and procedures to the assessment, booking and monitoring of all such financial risk.

The Group's cash balances are primarily denominated in Hong Kong dollars, Renminbi and Macau Patacas. The borrowings are entirely denominated in Hong Kong dollars, and interest rates are usually fixed upon roll-over of theses loans. By means of proper synchronisation of receipts and payments in different operating currencies, the Group has no significant exposure to foreign currency fluctuations. In addition, the Group adopts appropriate hedging policies to mitigate exchange rate risks and interest rate risks associated with respective assets or liabilities, and rights or obligations. Such policies ensure effective cost controls on construction costs as early as the tender award stage and aim to minimise borrowing costs for operation and investment needs.

Gains or losses arising from relevant hedging transactions will be booked as a profit or loss associated with the underlying assets or liabilities. At 31 December 2010, the Group has an outstanding forward exchange contract to hedge HK$0.4 million against Great Britain Pound and also hedged its long term borrowings of HK$90.0 million in respect of the HIBOR element by interest rate swap agreement with unexpired tenor of one year. Management continuously monitors the economic environment in relation to hedging costs to determine whether additional hedging would be required on the remaining bank borrowings. No forward exchange contracts or other financial hedging arrangement has been entered into subsequent to year end.

It is the Group's policy not to enter into derivative transactions for speculative purposes. It is also the Group's policy not to invest liquidity in financial products, including hedge funds or similar vehicles, with significant underlying leverage or derivative exposure.

Cash Management

The Group operates centralised cash management for all of its subsidiaries. The Group's cash position is mainly placed in deposits with a diversified portfolio of licensed banks in Hong Kong.

Human Capital Investment

As at 31 December 2010, the Group employed a total of 7,485 full time staff, which included 5,749 full time staff employed by Synergis.

Staff costs

	For the year ended 31 December 2010 *HK$'000*	**For the year ended 31 December 2009** *HK$'000*
Wages, salaries and allowances (including directors' emoluments)	921,289	784,432
Provision/(write back of provision) for annual leave	4,125	(2,858)
Termination benefits	1,308	17,518
Long service payment	691	539
Contributions to retirement scheme	36,798	29,027
Share-based compensation, net	5,154	7,492
	969,365	836,150
Charged to cost of sales	(790,423)	(692,254)
	178,942	143,896

Remuneration Policy of the Group

The Group sets its remuneration policy by making reference to the prevailing market conditions and a performance-based reward system. It is to ensure that the Group is able to attract, retain and motivate executives of the highest caliber, essential to the successful leadership and effective management of the Group. The performance measures are balanced between financial and industrial comparatives. The components of remuneration package are consisted of base salary, allowances, benefits-in-kind, fringe benefits including medical insurance and contributions to pension funds, as well as incentives like discretionary bonus, participation in share option and share subscription schemes and long-term rewards.

The remuneration packages of the directors are recommended by the respective remuneration and nomination committees and determined by the respective boards of directors of the Company and Synergis (and in the case of directors' fees, subject to respective shareholders' approval in general meetings) except that no director or any of his associates is allowed to make recommendation on or determine his own remuneration package. Director's remuneration is determined by reference to each director's duties and responsibilities in the Group as well as the overall performance of the respective company and the Group and the prevailing market situation and competitive in the industry.

The remuneration packages of the senior management are recommended by the managing directors of the respective company and determined by the remuneration and nomination committees by reference to their respective responsibilities and accountability, target achievements, business results and market competitiveness of the Group. The remuneration packages of the managerial and support staff are determined by the managing directors.

Incentive bonus scheme for each major business segment is set up for senior management staff and employees with significant contributions to the business objectives. The scheme is business result oriented and performance based. Share options are granted to the directors, senior management and other employees based on individual performance and overall contributions to the Group. The number and terms of share options granted to each grantee are proposed by the respective executive directors (except for options granted to their own), reviewed by respective remuneration and nomination committees and approved by respective boards of directors.

The Group has sought to make the remuneration policy more transparent and well communicated to its staff.

Contingent liabilities

In the normal course of its business, the Group is subject to various claims under its construction contracts. At 31 December 2010, the Group had various liquidated damages claims on certain contracts for which the Group has filed extension of time claims with the customers. The amount of the ultimate unprovided liquidated damages, if any, cannot be ascertained but the Directors are of the opinion that any resulting liability would not materially affect the financial position of the Group.

For the six month ended 30 June 2011

Business Review and Financial Highlights

The Group's strong performance during the first six months of 2011, a continuance of the momentum extended from 2010, was a direct result of the Group's strategic market positioning and disciplined execution. As at 30 June 2011, the Group's total outstanding contracts value approximated HK$11.2 billion (as at 31 December 2010: HK$10.0 billion). On a weighted-average basis by contract value, it is estimated that this outstanding order book balance will be realised as revenue over the next 1.75 years.

Contracts		*HK$ billion*
New contracts received (including share of jointly controlled entities)		
For the six-month ended	30 June 2011	3.3
	30 June 2010	2.1
Outstanding value of contracts on hand		
As at	30 June 2011	11.2
	31 December 2010	10.0

During the six months ended 30 June 2011, the Group obtained new orders totaling HK$3 billion. There was further broadening of its business base with the award of a contract equivalent to HK$2 billion to construct a production plant in Hangzhou for Huawei Group. This milestone achievement was built on the Group's proven track records in Hong Kong as well as the successful experience in building the Huawei Headquarter in Shenzhen in 2005. It signifies not only a recognition of the Group's capability but also publicises the Group's brand name and competence in the PRC, following the strategic market decisions and actions to expand progressively on selected projects outside of Hong Kong.

The Civil Engineering Division won a contract from Water Supplies Department of the Hong Kong Government for replacement and rehabilitation of water mains. This, together with the Provision of Interception Facilities at Jordon Valley Box Culvert contract from Drainage Services Department of the Hong Kong Government, demonstrated the division's capability to undertake a wide range of civil engineering projects. Furthermore, the Interiors and Special Projects Division secured a refurbishment contract to renovate Sincere Insurance Building in Wanchai and a construction contract to build a factory building for Cafe de Coral in Tai Po.

Profitability (in HK$ million)	**For the six-month ended 30 June**			**Change**	
	2011	**2010**	**2009**	**2011 vs 2010**	**2011 vs 2009**
Net profit after taxation	86.0	42.5	35.2	102%	144%
Profit attributable to the Shareholders	71.1	42.2	29.9	68%	138%
Basic Earning per share (in Hong Kong cents)	10.5	6.3	4.5	67%	133%

The financial results for the six months ended 30 June 2011 continued to show improvements. Significant increases were recorded in all indicators as shown in the table above since 2009, when the implementation of the business transformation began.

Business volume (in HK$ million)	**For the six-month ended 30 June**		
	2011	**2010**	**Change**
Revenue*			
Construction: Building, Civil, Electrical and Mechanical ("E&M")	2,315.2	1,820.1	↑ 27%
Property and Facility Management, Property Investment	333.4	289.3	↑ 15%
Gross profit*			
Construction: Building, Civil, E&M	168.2	130.1	↑ 29%
Property and Facility Management, Property Investment	76.1	57.5	↑ 32%
Gross profit margin			
Construction: Building, Civil, E&M	7.3%	7.1%	
Property and Facility Management, Property Investment	22.8%	19.9%	

* including share of jointly controlled entities

After obtaining a new record of outstanding order book during 2010, the Group demonstrated its execution ability during the first six months of 2011, resulting in significant increase of 27% in turnover and 29% in gross profit.

The overall average gross margin remained rather stable as compared with last year's. As each project continues its own project cycle, the final gross margin is subject to various factors, including the inflation adjustment index in government related contracts, award of variation orders (if any), delivery time table extension (if any), and cost management in an inflationary environment.

Altogether, the brand name the Group's non-construction business, mainly property and facility management under the brand name "Synergis", reported an increase of 15% in turnover and 32% in gross profit over the last interim period. This also included rental income from the office premise at No. 3 Lockhart Road, Wanchai with nearly 100% occupancy rate from the Group's property investment division. Synergis is a leading property and facility management company in Hong Kong and has recently expanded its assets management business to the Chinese cities including leasing, consulting services and mall operation.

The Group's proven strategy of investing high quality key staff has resulted in over 53% growth in new orders received, and over 30% growth in gross profit compared to the interim period of 2010. The increase of 18% in overhead expense mainly represented the annualised effect of the growth in all divisions during 2010. Quality human resources are the pillars of the Group's business model. The expansion of the Group's human capital during the last two years has resulted in significant revenue growth, as a trend the expense ratio to turnover ratio is dropping.

Overhead	**For the six-month ended 30 June**		
	2011	**2010**	**Change**
General and administrative expenses/ Revenue (including share of jointly controlled entities) (as %)	5.4%	5.8%	↓ 0.4%

Following the launch of several new infrastructure projects, the Group aims to continue to equip itself to achieve a sustainable market share of the construction market. The Group senior management will continue to be vigilant in striking a balance between maximising project profitability and controlling overhead costs for the benefit of the Shareholders.

Operational Review on Contracts

New contracts of construction business received during the period and the outstanding value of contracts on hand as at 30 June 2011 are summarised as follows:

	New contracts received For the six-month ended 30 June		**Outstanding value of contracts on hand**	
			As at 30 June	**As at 31 December**
	2011	**2010**	**2011**	**2010**
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*
Subsidiaries				
Building construction	2,681	1,036	7,206	5,977
Civil engineering	437	485	1,044	833
Electrical and mechanical	102	113	750	929
Total	3,220	1,634	9,000	7,739
Jointly controlled entities				
Group's attributable interest				
Building construction	–	–	1,048	1,071
Civil engineering	–	515	1,050	1,177
Electrical and mechanical	78	–	75	–
Total	78	515	2,173	2,248
The Group				
Group's attributable interest	3,298	2,149	11,173	9,987

The split of outstanding value of contracts on hand as at 30 June 2011 is as follows:

	As at 30 June 2011 HK$ Million	%
Government and public, charitable or non-profit institutions	**3,158**	28.3
Hong Kong Housing Authority	**1,854**	16.6
Private developers	**6,161**	55.1
	11,173	100.0

Subsequent to period end and up to 31 August 2011, the Group has secured several new contracts worth HK$984 million, mainly including residential development in Sai Wan Terrace, excavation and lateral support works in Pak Shek Kok, and supplementary agreement due to variation order worth HK$444 million for foundation removal and reprovisioning work in Nam Cheong.

Financial Position

Liquidity *(in HK$ million)*	**As at 30 June 2011**	**As at 31 December 2010**
Bank and cash balances	735.5	647.3
Bank borrowings	495.0	430.0
Net cash position	240.5	217.3
Net current assets – exclude borrowings due after 1 year	529.1	427.4

Gearing	**As at 30 June 2011**	**As at 31 December 2010**
Debt to equity ratio	52%	53%
Current ratio	1.1	1.1
Current ratio – exclude borrowing due after 1 year	1.4	1.3

Bank borrowings are charged at a spread to HIBOR. The increase was directly attributable to the increase in working capital to support a higher outstanding order book balance. After netting bank and cash balances, there were no net borrowings. As at 30 June 2011, total loan facilities available to the Group amounted to HK$961 million with an undrawn balance of HK$466 million.

Bank loans

	Unaudited As at 30 June 2011 HK$'000	Audited As at 31 December 2010 HK$'000
Bank loans, wholly payable within 5 years		
Secured	–	90,000
Unsecured	495,000	340,000
	495,000	430,000
The repayment schedule of bank loans is as follows:		
Short term bank loans	195,000	40,000
Portion of bank loans due for repayment within one year	11,061	92,353
Portion of bank loans due for repayment after one year which contain a repayment on demand clause		
(i) in second year	28,395	19,743
(ii) in third to fifth years, inclusive	260,544	277,904
	288,939	297,647
	495,000	430,000
Available loan facilities	961,000	792,000

With regard to the current portfolio of businesses, the management expects that the Group's financing requirements for the remainder of the current financial year will be met by available cash, cash generated from operations, as well as banking facilities.

Financial Risks Management

Interest rate risk and exchange rate risk are risks to earnings or capital, arising from movement of respective rates. The former mainly arises from bank borrowings and the latter comprises exposure due to currency needs from normal business operations for material procurement and services requirements. The Group has established policies and procedures to the assessment, booking and monitoring of all such financial risks.

The Group's cash balances are primarily denominated in Hong Kong dollar, Renminbi, and Macau Patacas, directly in relation to its business portfolio. All borrowings are denominated in Hong Kong dollar, and interest rates are usually fixed upon roll-over of these loans. For any material exposure, the Group adopts appropriate hedging to mitigate financial risks.

Gains or losses arising from relevant hedging transactions will be booked as a profit or loss associated with the underlying assets or liabilities. As at 30 June 2011, the Group has an outstanding interest rate swap agreement amounted to HK$60 million with unexpired tenor of six months. No forward exchange contracts or other financial hedging arrangement has been entered into subsequent to period end.

It is the Group's policy not to enter into derivative transactions for speculative purposes. It is also the Group's policy not to invest liquidity in financial products, including hedge funds or similar vehicles, with significant underlying leverage or derivative exposure.

Cash Management

The Group operates a central cash management for all of its subsidiaries. The Group's cash position is mainly placed in deposits with a diversified portfolio of licensed banks in Hong Kong and the PRC.

Human Capital investment

At 30 June 2011, the Group employed a total of 8,086 (as at 31 December 2010: 7,485) full time staff.

The Group adopts sound policies of management incentives and competitive remuneration, which aligns the interests of management, employees and shareholders. The main asset of the Group remains the skills and expertise of its loyal staff and the Group has strategically invested much time and effort in the selection, training and personal improvement of the Group's staff.

The Group sets its remuneration policy by reference to the prevailing market conditions and a performance-based reward system so as to ensure that the Group is able to attract, retain and motivate people of the highest caliber, essential to the successful leadership and effective management of the Group. The performance measurement of executives is linked to a set of key performance indicators including financial achievements, process enhancement and people development. The components of the remuneration package consist of base salary, allowances, benefits-in-kind, fringe benefits including medical insurance and contributions to pension funds, as well as incentives like discretionary bonus, participation in share options and share subscription schemes and long-term rewards.

The Group has been awarded the Manpower Developer Award for 2011 to 2013 by the Employee Retaining Board. This award is to acknowledge the Group having demonstrated outstanding accomplishments in manpower training and development as a Manpower Developer.

7. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In 2010, the Group has demonstrated the stability and strong results by implementation of the Group's strategies in repositioning the Group's portfolio of construction businesses and property related services in Hong Kong, Macau, the PRC and overseas.

The construction market is buoyant and the Group intends to continue to be a top tier player in the Group's chosen field. The Finance Committee of the Legislative Council of Hong Kong has approved construction projects of over HK$11 billion. With the launch of various infrastructure projects and new MTR projects including West Island Line, Express Rail Link, South Island Line, Kwun Tong Line Extension and Shatin to Central Link, there is a great number of potential business opportunities to the Group.

As the Group enters a new era of growth, it continues to recruit and retain top professionals to explore upcoming opportunities in both traditional and new markets. The Group's mission remains with its tradition of execution and delivery of projects to meet the highest standards of quality and service.

However, with these booming prospects, the construction industry is facing the challenge arising from a shortage of competent professionals and skilled labour. In facing up to this challenge, the Group's remuneration policies have thus far been effective in retaining talented manpower. The Group's senior management will continue to review such policies regularly to maintain the Group's competitiveness in the market.

During the first half of 2011, the Hong Kong economy continued its mild growth momentum against a backdrop of continuous adjustments of the global economy. Despite the many uncertainties in the macro-economic environment, the Group's current strategy is to maximise the execution of current projects on hand and be selective in matching new business opportunities with the Group's competence and available resources. The management of the Group remains confident with the prospects of the foreseeable future, mainly due to Hong Kong's commitment for infrastructural build and investments, as detailed in the Hong Kong Government's published policies.

On 28th July 2011, the Group announced very substantial acquisitions and connected transactions to acquire two land sites in the PRC for property development over multiple years, subject to fulfillment of certain conditions, including approval by the Independent Shareholders at the SGM. Upon the successful completion of these acquisitions, the Group will become a fully integrated property company comprised of development, construction and management under an experienced professional management team with substantial proven track records. In line with the trend of urbanisation in the PRC, the Group will make its initial investments in mix-use developments in selected second and third tier cities.

The following is the text of a report on Target Co 1 received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

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30 September 2011

The Directors
Hsin Chong Construction Group Ltd.

Dear Sirs,

We report on the financial information of Rosy China Investments Limited (the "Target Co 1") and its subsidiaries, namely Far Capital Limited (the "HK Co 1") and Liaoning Huisheng Property Investment Limited (the "WFOE 1") (together, the "TL Group 1") which comprises the consolidated balance sheets of the TL Group 1 as at 31 December 2010 and 30 April 2011 and the balance sheet of the Target Co 1 as at 30 April 2011, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flow of the TL Group 1 for the period from 24 September 2010 (date of incorporation of the HK Co 1) to 31 December 2010 and for the four months period ended 30 April 2011 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of Hsin Chong Construction Group Ltd. (the "Company") and is set out in Sections I to III below for inclusion in Appendix II A to the circular of the Company dated 30 September 2011 (the "Circular") in connection with the proposed acquisition of the TL Group 1 by the Company (the "Acquisition").

As at the date of this report, the Target Co 1 has direct and indirect interests in the subsidiaries as set out in Note 19 of Section II below.

The Target Co 1 was incorporated in British Virgin Islands on 7 January 2011 as a company with limited liability under the BVI Business Companies Act, 2004. Pursuant to a group reorganisation as described in Note 1(b) of Section II headed "Reorganisation" below, the Target Co 1 became the holding company of the subsidiaries now comprising the TL Group 1 (the "Reorganisation").

No audited financial statements have been prepared by the Target Co 1 as it is newly incorporated. The Target Co 1 has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The audited financial statements of the HK Co 1 have been prepared in accordance with the relevant accounting principles generally accepted in Hong Kong. The statutory auditor of the HK Co 1 is Klis & Associates CPA Limited. No audited financial statements have been prepared by the WFOE 1 as it is newly incorporated.

The directors of the respective companies comprising the TL Group 1 are responsible for the preparation of the respective companies' financial statements that give a true and fair presentation of the respective companies' financial statements, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") or the Accounting Standards for Business Enterprises of the People's Republic of China, where applicable, and for such internal control as the directors determine is necessary to enable the preparation of the respective companies' financial statements that are free from material misstatement, whether due to fraud or error.

The financial information has been prepared based on the previously issued audited financial statements or, where appropriate, unaudited financial statements of the companies comprising the TL Group 1, on the basis set out in Note 2 of Section II below, after making such adjustments as are appropriate.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the audited annual consolidated financial statements of the Company for the year ended 31 December 2010 and the new accounting standards introduced that are effective for the four months period ended 30 April 2011, where applicable.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the TL Group 1 as at 31 December 2010 and 30 April 2011 and of the Target Co 1 as at 30 April 2011 and of the TL Group 1's results and cash flows for each of the Relevant Periods then ended.

I FINANCIAL INFORMATION OF THE TL GROUP 1

The following is the financial information of the TL Group 1 prepared by the directors of the Company as at 31 December 2010 and 30 April 2011 and for each of the periods from 24 September 2010 (date of incorporation of the HK Co 1) to 31 December 2010 and 1 January 2011 to 30 April 2011, presented on the basis set out in Note 2 of Section II below:

(A) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	**1.1.2011 to 30.4.2011** HK$	**24.9.2010 to 31.12.2010** HK$
General and administrative expenses	7	(16,866)	(8,950)
Finance costs	8	(2,656,714)	(445,902)
Loss for the period		(2,673,580)	(454,852)
Other comprehensive income			
Exchange differences		(2,261)	(4,838)
Other comprehensive income for the period		(2,261)	(4,838)
Total comprehensive income for the period		(2,675,841)	(459,690)

(B) CONSOLIDATED BALANCE SHEETS

	Note	30.4.2011 HK$	31.12.2010 HK$
ASSETS			
Current assets			
Properties under development	11	114,364,759	–
Prepayments	12	159,313,534	54,670,306
Cash and cash equivalents		2,298	–
Total assets		273,680,591	54,670,306
EQUITY			
Capital and reserves			
Share capital	15	8	8
Capital reserve	15	(7)	(7)
Exchange reserve		(7,099)	(4,838)
Accumulated losses		(3,128,432)	(454,852)
Shareholder's deficits		(3,135,530)	(459,689)
LIABILITIES			
Current liabilities			
Other payables and accruals		4,455,988	4,571
Amount due to then ultimate holding company	13	23,613	55,125,424
Amount due to a related company	14	272,336,520	–
Total liabilities		276,816,121	55,129,995
Total equity and liabilities		273,680,591	54,670,306
Net current liabilities		(3,135,530)	(459,689)
Total assets less current liabilities		(3,135,530)	(459,689)

(C) BALANCE SHEET

	Note	30.4.2011 HK$
ASSET		
Non-current asset		
Investment in subsidiaries	19	–
Total asset		–
EQUITY		
Capital and reserves		
Share capital	15	8
Capital reserve	15	(8)
Accumulated losses		(6,084)
Shareholder's deficits		(6,084)
LIABILITY		
Current liability		
Amount due to then ultimate holding company	13	6,084
Total liability		6,084
Total equity and liability		–
Net current liability		(6,084)
Total asset less current liability		(6,084)

(D) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Share capital HK$	Capital reserve HK$	Exchange reserve HK$	Accumulated losses HK$	Shareholder's deficits HK$
Issue of share	15	8	(7)	–	–	1
Loss for the period from 24 September 2010 to 31 December 2010		–	–	–	(454,852)	(454,852)
Other comprehensive income Exchange differences		–	–	(4,838)	–	(4,838)
Total comprehensive income		–	–	(4,838)	(454,852)	(459,690)
At 31 December 2010		8	(7)	(4,838)	(454,852)	(459,689)
Loss for the period from 1 January 2011 to 30 April 2011		–	–	–	(2,673,580)	(2,673,580)
Other comprehensive income Exchange differences		–	–	(2,261)	–	(2,261)
Total comprehensive income		–	–	(2,261)	(2,673,580)	(2,675,841)
At 30 April 2011		8	(7)	(7,099)	(3,128,432)	(3,135,530)

(E) CONSOLIDATED STATEMENTS OF CASH FLOW

	1.1.2011 to 30.4.2011 HK$	24.9.2010 to 31.12.2010 HK$
Cash flows from operating activities		
Loss for the period	(2,673,580)	(454,852)
Finance costs	2,656,714	445,902
Operating loss before working capital changes	(16,866)	(8,950)
Increase in other payable and accruals	–	4,500
Increase in amount due to then ultimate holding company	19,164	4,449
Net cash generated from/(used in) operating activities	2,298	(1)
Cash flow from financing activity		
Issue of share	–	1
Net cash generated from financing activity	–	1
Net increase in cash and cash equivalents	2,298	–
Cash and cash equivalents at the beginning of the period	–	–
Cash and cash equivalents at the end of the period	2,298	–

II NOTES TO THE FINANCIAL INFORMATION OF TL GROUP 1

1 The principal activities and reorganisation

(a) Principal activities

The Target Co 1 is a limited liability company incorporated in British Virgin Islands under the BVI Business Companies Act, 2004 on 7 January 2011. The registered address of the Target Co 1 is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. This financial information comprises the Target Co 1 and its subsidiaries. The TL Group 1 is primarily involved in the property investment and development. Details of the activities of subsidiaries of the Target Co 1 are set out in Note 19.

(b) Reorganisation

(i) Setting up the Target Co 1 *and a wholly-owned foreign enterprise*

Prior to 2011, there was only one entity, the HK Co 1, within the TL Group 1. The HK Co 1 was set up on 24 September 2010 and was wholly owned by Outlet (China) Limited ("Outlet China") as at 31 December 2010. The HK Co 1 is principally involved in investment holding.

For the purpose of the rationalisation of the TL Group 1's structure, the Target Co 1 and the wholly-owned foreign enterprise, the WFOE 1, were incorporated/established on 7 January 2011 and 3 March 2011 respectively. Upon the incorporation of the Target Co 1, Outlet China transferred its entire interest in the HK Co 1 to the Target Co 1 at cost. The Target Co 1 settled the consideration by way of the issuance of its shares to Outlet China. Upon completion, the Target Co 1 became a wholly owned subsidiary of Outlet China. Upon its establishment, the WFOE 1 became a wholly owned subsidiary of the HK Co 1.

(ii) The reorganisation subsequent to the Relevant Periods

For the purpose of the Acquisition, Outlet China transferred its entire interest in the Target Co 1 to Neo Summit on 27 July 2011, the proposed seller in the Acquisition. Accordingly, in the opinion of the directors of the Target Co 1, the immediate holding company of the Target Co 1 is Neo Summit as at the date of this report.

2 Basis of presentation

For the purpose of this report, the financial information has been prepared to present the consolidated balance sheets, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flow of the companies comprising the TL Group 1 for the Relevant Periods or since the respective dates of incorporation/establishment, whichever is the shorter period, as if the Target Co 1 has always had interest in its subsidiaries. Immediately prior to and after the Reorganisation, the property investment and development business is held by the HK Co 1. Pursuant to the Reorganisation, the Target Co 1 was established to hold the HK Co 1. The Target Co 1 has not been involved in any other business and does not meet the definition of a business. The directors of the Target Co 1 consider it merely a capital reorganisation of the HK Co 1 with no change in management of such business and the ultimate owners of the property investment and development business remain the same, with details set out in Note 1(b)(i) above. Accordingly, the consolidated financial information of the companies comprising the TL Group 1 is presented using the carrying values of the property investment and development business held under the HK Co 1.

3 Summary of significant accounting policies

The significant accounting policies applied in the preparation of the financial information are set out below. These policies have been consistently applied to all the Relevant Periods presented, unless otherwise stated. The financial information is presented in Hong Kong dollars.

(a) Basis of preparation

The financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial information has been prepared under the historical cost convention.

The preparation of financial statements 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in Note 5.

The TL Group 1 has net current liabilities of HK$3,135,530 and shareholder's deficits of the same amount as at 30 April 2011. The immediate holding company, Neo Summit has confirmed its intention to provide continuing financial support to the TL Group 1, up to the date of the completion of the Acquisition. After the Acquisition, the Company will replace Neo Summit in providing continuing financial support to the TL Group 1. This support will enable the TL Group 1 to meet its liabilities as and when they fall due and to continue its operations for the foreseeable future. The directors believe that the TL Group 1 will continue as a going concern. Consequently, the directors have prepared the financial information on a going concern basis.

The following standards are effective for the periods beginning on or after 1 January 2012 and are relevant to the TL Group 1's operations. They have not been early adopted by the TL Group 1:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	July 2012
HKAS 27 (as amended in 2011)	Separate Financial Statement	January 2013
HKFRS 9	Financial Instruments	January 2013
HKFRS 10	Consolidated Financial Statement	January 2013
HKFRS 12	Disclosure of Interests in Other Entities	January 2013
HKFRS 13	Fair Value Measurement	January 2013

Management is in the process of making an assessment of the impact of the adoption of the above standards, but is not yet in a position to state whether they would have any significant changes to the TL Group 1's results of operations and financial position.

(b) Consolidation

(i) Acquisition method of accounting

Except for the Reorganisation as disclosed in Note 2, the TL Group 1 uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the TL Group 1. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the TL Group 1 recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the TL Group 1.

(ii) Subsidiaries

Subsidiaries are all entities over which the TL Group 1 has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the TL Group 1 controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the TL Group 1. They are de-consolidated from the date that control ceases.

In the Target Co 1's balance sheet, in the case of reorganisation, the cost of investment in subsidiary is the net asset value of the subsidiary acquired at date of completion. Where the net asset value of the subsidiary acquired at date of completion is negative, the cost of investment is recorded at nil. For business combination accounted for using the acquisition method, the cost of investment is being the amount of the fair value of the consideration for the subsidiary acquired at date of completion.

The results of subsidiaries are accounted by the Target Co 1 on the basis of dividend income.

(iii) Transactions with non-controlling interests

The TL Group 1 treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Target Co 1.

(c) Impairment of investments in subsidiaries and non-financial assets

Assets that have indefinite useful lives are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(d) Payables

Payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturity of three months or less from the date of investment.

(f) Properties under development

Properties held under development comprise costs for acquisition of land use rights, development expenditure and borrowing costs capitalised, and are carried at the lower of cost and net realisable value. Properties under development included in the current assets are expected to be realised in, or is intended for sale in the TL Group 1's normal operating cycle. No depreciation is provided.

(g) Prepayments

Prepayments are deposits paid for the acquisition of land use rights. They are stated at the cost, and are reclassified as properties under development upon obtaining the land use rights.

(h) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the TL Group 1 operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(i) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the TL Group 1 are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency and presentation currency of each entity within the TL Group 1 are Renminbi and Hong Kong dollars, where applicable. The functional currency of Target Co 1 is Renminbi. The consolidated financial statements are presented in Hong Kong dollars to facilitate financial analysis by shareholders.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(j) Borrowings

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 the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(k) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit or loss in the period in which they are incurred.

4 Financial risk management

(a) Financial risk factors

The TL Group 1's activities expose it to a variety of financial risks: credit risk and liquidity risk.

(i) Credit risk

Credit risk of the TL Group 1 arises from cash and cash equivalents.

To manage the credit risk associated with cash and cash equivalents, the cash and cash equivalents are held in banks with sound credit ratings.

(ii) Liquidity risk

The TL Group 1 adopts prudent liquidity risk management which includes maintaining sufficient cash and cash equivalents and having available funding through the support of group companies. Refer to Note 3(a) for details of financial support to the TL Group 1.

The financial liabilities of the TL Group 1 include payables and accruals and amounts due to then ultimate holding company and a related company. All financial liabilities are due within one year.

(b) Capital risk management

The TL Group 1 manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the TL Group 1 may make arrangements with group companies.

The capital structure consists of amount due to then ultimate holding company and a related company, as shown in the consolidated balance sheet. The Target Co 1 relies on the borrowings from the group companies to finance its operations.

(c) Fair value estimation

The carrying value of cash and cash equivalents, other payables and accruals and amounts due to then ultimate holding company and a related company approximate their fair values.

5 Critical accounting estimates and judgement

Estimates and judgements 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.

The TL Group 1 makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on carrying amounts of assets and liabilities are as follows:

(a) Estimated provision of impairment for properties under development

The TL Group 1 assesses the carrying amounts of properties under development according to their estimated net realisable value based on the realisability of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

Properties under development include costs for acquisition of land use rights pursuant to the land grant contracts. The land grant contracts set out that the TL Group 1 is required to start the construction of the development by May 2012 and to complete it by May 2015. Failure to start or complete the construction of the development in accordance with such dates will result in penalty charges. Where the land is deemed idle for two years, the land use rights may be forfeited by the PRC government without any compensation. Management of the TL Group 1 expects the dates specified in the land grant contracts will be met and consider the possibility of the land being forfeited due to land idleness remote.

(b) Income taxes

The TL Group 1 is subject to income taxes in Hong Kong and the People's Republic of China (the "PRC"). Significant judgement is required in determining the provision for PRC income taxes. There are a number of transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The TL Group 1 recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provision in the period in which such determination is made.

6 Operating segments

The chief operating decision maker has been identified as the directors of the Target Co 1. The directors review the TL Group 1's internal reporting in order to assess performance and allocate resources. There is only one principal segment which is related to property investment and development.

7 Expenses by nature

	1.1.2011 to 30.4.2011 *HK$*	**24.9.2010 to 31.12.2010** *HK$*
Auditor's remuneration	–	4,500
Legal and professional fee	9,937	–
Others	6,929	4,450
General and administrative expenses	16,866	8,950

8 Finance costs

	1.1.2011 to 30.4.2011 *HK$*	**24.9.2010 to 31.12.2010** *HK$*
Interest expenses on		
– amount due to then ultimate holding company	2,656,714	445,902

9 Directors' emoluments

None of the directors of the Target Co 1 received or will receive any fees or other emoluments in respect of their services to the TL Group 1 during the Relevant Periods.

The directors represent key management personnel of the Target Co 1 having authority and responsibility for planning, directing and controlling the activities of the Target Co 1.

10 Income tax expense

Hong Kong profits tax and PRC income tax have not been provided as the TL Group 1 has no estimated assessable profit for the Relevant Periods.

The taxation on the TL Group 1's loss for the period differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	1.1.2011 to 30.4.2011	**24.9.2010 to 31.12.2010**
	HK$	*HK$*
Loss for the period	(2,673,580)	(454,852)
Calculated at a taxation rate of 16.5% (2010: 16.5%)	(441,141)	(75,051)
Expenses not deductible for taxation purposes	441,141	75,051
Income tax expense	–	–

Deferred income tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable.

11 Properties under development

	30.4.2011	**31.12.2010**
	HK$	*HK$*
Land use rights	114,364,759	–

All properties under development are located in the PRC on land held under land use rights expiring from 2051 through 2081.

12 Prepayments

	30.4.2011	**31.12.2010**
	HK$	*HK$*
Land tender deposits	159,313,534	54,670,306

Note: Land tender deposits represent prepayments to the relevant PRC authorities for the acquisition of land use rights in respect of certain land parcels in Liaoning, the PRC. Land grant contracts have not yet been signed as at 30 April 2011 and 31 December 2010. Land grant contracts and land use rights in respect of the land parcels, to which the land tender deposits as at 30 April 2011 relate, were subsequently signed/obtained in June 2011.

13 Amount due to then ultimate holding company

Amount due to then ultimate holding company is unsecured and is repayable within one year from the balance sheet date. As at 30 April 2011, the balance is denominated in Hong Kong dollars and is non-interest bearing. As at 31 December 2010, the balance is mainly denominated in Renminbi and the portion denominated in Renminbi is interest bearing at 6.941%.

14 Amount due to a related company

Amount due to a related company is unsecured, interest bearing at 6.941% and is repayable within one year from the balance sheet date. The balance is denominated in Renminbi. The related company is a subsidiary of one of the shareholders of Outlet China.

15 Share capital and capital reserve

(a) Share Capital

	30.4.2011
	HK$
Authorised:	
10,000 shares of HK$1 each	–
50,000 shares of US$1 each	390,000
Issue and fully paid:	
At beginning of the period	–
Issue of share	8
At end of the period	8

The HK Co 1, the directly owned subsidiary of the Target Co 1 was incorporated on 24 September 2010 with an authorised share capital of 10,000 shares of HK$1 each. One share was issued and allotted to Outlet China at par. The entire issued share capital of the HK Co 1 was transferred by Outlet China to the Target Co 1 upon incorporation of the Target Co 1. Refer to Note 1(b) for details of the reorganisation. The Target Co 1 was incorporated on 7 January 2011 with an authorised share capital of 50,000 shares of US$1 each. One share was issued and allotted to Outlet China at par.

(b) Share capital and capital reserve of the TL Group 1

	TL Group 1	
	Share capital	**Capital reserve**
	HK$	*HK$*
As at 24 September 2010	–	–
Issue of share	8	(7)
As at 31 December 2010	8	(7)

There is no movement of the share capital and capital reserve of the TL Group 1 during the period from 1 January to 30 April 2011.

As at 31 December 2010, the share capital, as presented in the consolidated balance sheet of the Target Co 1, represents the amount of paid-up capital of the Target Co 1 as if it has always had interest in its subsidiaries. A charge of HK$7, being the difference between the paid-up capital of the Target Co 1 and the paid-up capital of the HK Co 1, is recognised in the capital reserve.

(c) Share capital and capital reserve of the Target Co 1

	Target Co 1	
	Share capital	**Capital reserve**
	HK$	*HK$*
As at 1 January 2011	–	–
Issue of share	8	(8)
As at 30 April 2011	8	(8)

As disclosed in Note 1(b), the Target Co 1 issued capital to Outlet China in exchange for the entire interest in the HK Co 1 upon the Target Co 1's incorporation. A debit to the capital reserve, of the same amount of the issued share capital of the Target Co 1, is recognised, to reflect the fact that an investment in a subsidiary with negative net asset value was made.

16 Major non-cash transaction

For the period ended 31 December 2010 and 30 April 2011, prepayments for the acquisition of land use rights were made by then ultimate holding company on behalf of the TL Group 1. As at 30 April 2011, the amount due to then ultimate holding company in relation to these prepayments was transferred to a related company as disclosed in Note 14.

17 Immediate and ultimate holding company

As mentioned in Note 1(b), Neo Summit became the immediate holding company of the Company subsequent to the Relevant Periods following the completion of restructuring on 27 July 2011. As at 30 April 2011 and 31 December 2010, the directors regard Outlet China, a company incorporated in Hong Kong as the ultimate holding company.

18 Related party transactions

During the Relevant Periods, the TL Group 1 has transactions with related parties and has balances with related parties as at end of each Relevant Periods. Details of such transactions and balances are disclosed in Notes 8, 9, 13, 14 and 16.

19 Investments in and particulars of subsidiaries

	Target Co 1
	30.4.2011
	HK$
Unlisted share, at cost	–

As disclosed in Note 1(b), the Target Co 1 issued share capital to Outlet China in exchange for the entire interest in the HK Co 1 upon the Target Co 1's incorporation. Investment cost in the HK Co 1 is recorded at nil to reflect the fact that an investment in a subsidiary with negative net asset value was made.

As at date of this report, the Target Co 1 has direct or indirect interests in the following subsidiaries.

Name	Place of incorporation/ establishment	Principal activity	Date of incorporation/ establishment	Particulars of issued and fully paid share capital/ registered capital	Attributable equity interest held by the Target Co 1 *directly*	*indirectly*	Auditor
Far Capital Limited	Hong Kong	Investment holding	24/9/2010	1 ordinary share of HK$1.0	100%	–	Klis & Associates CPA Limited
Liaoning Huisheng Property Investment Limited (遼寧滙盛置業有限公司)	The People's Republic of China	Property investment and development	3/3/2011	Note	–	100%	N/A

Note:

The registered capital of Liaoning Huisheng Property Investment Limited is US$25,000,000. The registered capital was not yet paid as at 30 April 2011. US$25,000,000 was contributed by the HK Co 1 on 6 September 2011.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Co 1 or any of its subsidiaries in respect of any period subsequent to 30 April 2011 and up to the date of this report. No dividend or distribution has been declared or made by the Target Co 1 or any of its subsidiaries in respect of any period subsequent to 30 April 2011.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants

Hong Kong

The following is the text of a report on Target Co 2 received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

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30 September 2011

The Directors
Hsin Chong Construction Group Ltd.

Dear Sirs,

We report on the financial information of Sorano Investments Limited (the "Target Co 2") and its subsidiaries, namely Sight Star Limited (the "HK Co 2") and Liaoning Tongji Property Investment Limited (the "WFOE 2") (together, the "TL Group 2") which comprises the consolidated balance sheets of the TL Group 2 as at 31 December 2010 and 30 April 2011 and the balance sheet of the Target Co 2 as at 30 April 2011, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flow of the TL Group 2 for the period from 24 September 2010 (date of incorporation of the HK Co 2) to 31 December 2010 and for the four months period ended 30 April 2011 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of Hsin Chong Construction Group Ltd. (the "Company") and is set out in Sections I to III below for inclusion in Appendix II B to the circular of the Company dated 30 September 2011 (the "Circular") in connection with the proposed acquisition of the TL Group 2 by the Company (the "Acquisition").

As at the date of this report, the Target Co 2 has direct and indirect interests in the subsidiaries as set out in Note 19 of Section II below.

The Target Co 2 was incorporated in British Virgin Islands on 6 January 2011 as a company with limited liability under the BVI Business Companies Act, 2004. Pursuant to a group reorganisation as described in Note 1(b) of Section II headed "Reorganisation" below, the Target Co 2 became the holding company of the subsidiaries now comprising the TL Group 2 (the "Reorganisation").

No audited financial statements have been prepared by the Target Co 2 as it is newly incorporated. The Target Co 2 has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The audited financial statements of the HK Co 2 have been prepared in accordance with the relevant accounting principles generally accepted in Hong Kong. The statutory auditor of the HK Co 2 is Klis & Associates CPA Limited. No audited financial statements have been prepared by the WFOE 2 as it is newly incorporated.

The directors of the respective companies comprising the TL Group 2 are responsible for the preparation of the respective companies' financial statements that give a true and fair presentation of the respective companies' financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") or the Accounting Standards for Business Enterprises of the People's Republic of China, where applicable, and for such internal control as the directors determine is necessary to enable the preparation of the respective companies' financial statements that are free from material misstatement, whether due to fraud or error.

The financial information has been prepared based on the previously issued audited financial statements or, where appropriate, unaudited financial statements of the companies comprising the TL Group 2, on the basis set out in Note 2 of Section II below, after making such adjustments as are appropriate.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the audited annual consolidated financial statements of the Company for the year ended 31 December 2010 and the new accounting standards introduced that are effective for the four months period ended 30 April 2011, where applicable.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the TL Group 2 as at 31 December 2010 and 30 April 2011 and of the Target Co 2 as at 30 April 2011 and of the TL Group 2's results and cash flows for each of the Relevant Periods then ended.

I FINANCIAL INFORMATION OF THE TL GROUP 2

The following is the financial information of the TL Group 2 prepared by the directors of the Company as at 31 December 2010 and 30 April 2011 and for each of the periods from 24 September 2010 (date of incorporation of the HK Co 2) to 31 December 2010 and 1 January 2011 to 30 April 2011, presented on the basis set out in Note 2 of Section II below:

(A) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	1.1.2011 to 30.4.2011 HK$	24.9.2010 to 31.12.2010 HK$
General and administrative expenses	7	(16,866)	(8,950)
Finance costs	8	(2,089,668)	(251,350)
Loss for the period		(2,106,534)	(260,300)
Other comprehensive income			
Exchange differences		(1,224)	(2,778)
Other comprehensive income for the period		(1,224)	(2,778)
Total comprehensive income for the period		(2,107,758)	(263,078)

(B) CONSOLIDATED BALANCE SHEETS

	Note	30.4.2011 HK$	31.12.2010 HK$
ASSETS			
Current assets			
Properties under development	11	65,592,353	–
Prepayments	12	207,625,393	31,355,411
Cash and cash equivalents		2,298	–
Total assets		273,220,044	31,355,411
EQUITY			
Capital and reserves			
Share capital	15	8	8
Capital reserve	15	(7)	(7)
Exchange reserve		(4,002)	(2,778)
Accumulated losses		(2,366,834)	(260,300)
Shareholder's deficits		(2,370,835)	(263,077)
LIABILITIES			
Current liabilities			
Other payables and accruals		2,557,590	4,571
Amount due to then ultimate holding company	13	23,613	31,613,917
Amount due to a related company	14	273,009,676	–
Total liabilities		275,590,879	31,618,488
Total equity and liabilities		273,220,044	31,355,411
Net current liabilities		(2,370,835)	(263,077)
Total assets less current liabilities		(2,370,835)	(263,077)

(C) BALANCE SHEET

	Note	30.4.2011 HK$
ASSET		
Non-current asset		
Investment in subsidiaries	19	–
Total asset		–
EQUITY		
Capital and reserves		
Share capital	15	8
Capital reserve	15	(8)
Accumulated losses		(6,084)
Shareholder's deficits		(6,084)
LIABILITY		
Current liability		
Amount due to then ultimate holding company	13	6,084
Total liability		6,084
Total equity and liability		–
Net current liability		(6,084)
Total asset less current liability		(6,084)

(D) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Share capital HK$	Capital reserve HK$	Exchange reserve HK$	Accumulated losses HK$	Shareholder's deficits HK$
Issue of share	15	8	(7)	–	–	1
Loss for the period from 24 September 2010 to 31 December 2010		–	–	–	(260,300)	(260,300)
Other comprehensive income						
Exchange differences		–	–	(2,778)	–	(2,778)
Total comprehensive income		–	–	(2,778)	(260,300)	(263,078)
At 31 December 2010		8	(7)	(2,778)	(260,300)	(263,077)
Loss for the period from 1 January 2011 to 30 April 2011		–	–	–	(2,106,534)	(2,106,534)
Other comprehensive income						
Exchange differences		–	–	(1,224)	–	(1,224)
Total comprehensive income		–	–	(1,224)	(2,106,534)	(2,107,758)
At 30 April 2011		8	(7)	(4,002)	(2,366,834)	(2,370,835)

(E) CONSOLIDATED STATEMENTS OF CASH FLOW

	1.1.2011 to 30.4.2011 HK$	24.9.2010 to 31.12.2010 HK$
Cash flows from operating activities		
Loss for the period	(2,106,534)	(260,300)
Finance costs	2,089,668	251,350
Operating loss before working capital changes	(16,866)	(8,950)
Increase in other payable and accruals	–	4,500
Increase in amount due to then ultimate holding company	19,164	4,449
Net cash generated from/(used in) operating activities	2,298	(1)
Cash flow from financing activity		
Issue of share	–	1
Net cash generated from financing activity	–	1
Net increase in cash and cash equivalents	2,298	–
Cash and cash equivalents at the beginning of the period	–	–
Cash and cash equivalents at the end of the period	2,298	–

II NOTES TO THE FINANCIAL INFORMATION OF TL GROUP 2

1 The principal activities and reorganisation

(a) Principal activities

The Target Co 2 is a limited liability company incorporated in British Virgin Islands under the BVI Business Companies Act, 2004 on 6 January 2011. The registered address of the Target Co 2 is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. This financial information comprises the Target Co 2 and its subsidiaries. The TL Group 2 is primarily involved in the property investment and development. Details of the activities of subsidiaries of the Target Co 2 are set out in Note 19.

(b) Reorganisation

(i) Setting up the Target Co 2 and a wholly-owned foreign enterprise

Prior to 2011, there was only one entity, the HK Co 2, within the TL Group 2. The HK Co 2 was set up on 24 September 2010 and was wholly owned by Outlet (China) Limited ("Outlet China") as at 31 December 2010. The HK Co 2 is principally involved in investment holding.

For the purpose of the rationalisation of the TL Group 2's structure, the Target Co 2 and the wholly-owned foreign enterprise, the WFOE 2, were incorporated/established on 6 January 2011 and 2 March 2011 respectively. Upon the incorporation of the Target Co 2, Outlet China transferred its entire interest in the HK Co 2 to the Target Co 2 at cost. The Target Co 2 settled the consideration by way of issuance of its shares to Outlet China. Upon completion, the Target Co 2 became a wholly owned subsidiary of Outlet China. Upon its establishment, the WFOE 2 became a wholly owned subsidiary of the HK Co 2.

(ii) The reorganisation subsequent to the Relevant Periods

For the purpose of the Acquisition, Outlet China transferred its entire interest in the Target Co 2 to Neo Summit on 27 July 2011, the proposed seller in the Acquisition. Accordingly, in the opinion of the directors of the Target Co 2, the immediate holding company of the Target Co 2 is Neo Summit as at the date of this report.

2 Basis of presentation

For the purpose of this report, the financial information has been prepared to present the consolidated balance sheets, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flow of the companies comprising the TL Group 2 for the Relevant Periods or since the respective dates of incorporation/establishment, whichever is the shorter period, as if the Target Co 2 has always had interest in its subsidiaries. Immediately prior to and after the Reorganisation, the property investment and development business is held by the HK Co 2. Pursuant to the Reorganisation, the Target Co 2 was established to hold the HK Co 2. The Target Co 2 has not been involved in any other business and does not meet the definition of a business. The directors of the Target Co 2 consider it merely a capital reorganisation of the HK Co 2 with no change in management of such business and the ultimate owners of the property investment and development business remain the same, with details set out in Note 1(b)(i) above. Accordingly, the consolidated financial information of the companies comprising the TL Group 2 is presented using the carrying values of the property investment and development business held under the HK Co 2.

3 Summary of significant accounting policies

The significant accounting policies applied in the preparation of the financial information are set out below. These policies have been consistently applied to all the Relevant Periods presented, unless otherwise stated. The financial information is presented in Hong Kong dollars.

(a) Basis of preparation

The financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial information has been prepared under the historical cost convention.

The preparation of financial statements 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in Note 5.

The TL Group 2 has net current liabilities of HK$2,370,835 and shareholder's deficits of the same amount as at 30 April 2011. The immediate holding company, Neo Summit has confirmed its intention to provide continuing financial support to the TL Group 2, up to the date of the completion of the Acquisition. After the Acquisition, the Company will replace Neo Summit in providing continuing financial support to the TL Group 2. This support will enable the TL Group 2 to meet its liabilities as and when they fall due and to continue its operations for the foreseeable future. The directors believe that the TL Group 2 will continue as a going concern. Consequently, the directors have prepared the financial information on a going concern basis.

The following standards are effective for the periods beginning on or after 1 January 2012 and are relevant to the TL Group 2's operations. They have not been early adopted by the TL Group 2:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	July 2012
HKAS 27 (as amended in 2011)	Separate Financial Statement	January 2013
HKFRS 9	Financial Instruments	January 2013
HKFRS 10	Consolidated Financial Statement	January 2013
HKFRS 12	Disclosure of Interests in Other Entities	January 2013
HKFRS 13	Fair Value Measurement	January 2013

Management is in the process of making an assessment of the impact of the adoption of the above standards, but is not yet in a position to state whether they would have any significant changes to the TL Group 2's results of operations and financial position.

(b) Consolidation

(i) Acquisition method of accounting

Except for the Reorganisation as disclosed in Note 2, the TL Group 2 uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the TL Group 2. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the TL Group 2 recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit and loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the TL Group 2.

(ii) Subsidiaries

Subsidiaries are all entities over which the TL Group 2 has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the TL Group 2 controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the TL Group 2. They are de-consolidated from the date that control ceases.

In the Target Co 2's balance sheet, in the case of reorganisation, the cost of investment in subsidiary is the net asset value of the subsidiary acquired at date of completion. Where the net asset value of the subsidiary acquired at date of completion is negative, the cost of investment is recorded at nil. For business combination accounted for using the acquisition method, the cost of investment is being the amount of the fair value of the consideration for the subsidiary acquired at date of completion.

The results of subsidiaries are accounted by the Target Co 2 on the basis of dividend income.

(iii) Transactions with non-controlling interests

The TL Group 2 treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Target Co 2.

(c) Impairment of investments in subsidiaries and non-financial assets

Assets that have indefinite useful lives are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(d) Payables

Payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturity of three months or less from the date of investment.

(f) Properties under development

Properties held under development comprise costs for acquisition of land use rights, development expenditure and borrowing costs capitalised, and are carried at the lower of cost and net realisable value. Properties under development included in the current assets are expected to be realised in, or is intended for sale in the TL Group 2's normal operating cycle. No depreciation is provided.

(g) Prepayments

Prepayments are deposits paid for the acquisition of land use rights. They are stated at cost, and are reclassified as properties under development upon obtaining the land use rights.

(h) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the TL Group 2 operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(i) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the TL Group 2 are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency and presentation currency of each entity within the TL Group 2 are Renminbi and Hong Kong dollars, where applicable. The functional currency of Target Co 2 is Renminbi. The consolidated financial statements are presented in Hong Kong dollars to facilitate financial analysis by shareholders.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(j) Borrowings

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 the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(k) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit or loss in the period in which they are incurred.

4 Financial risk management

(a) Financial risk factors

The TL Group 2's activities expose it to a variety of financial risks: credit risk and liquidity risk.

(i) Credit risk

Credit risk of the TL Group 2 arises from cash and cash equivalents.

To manage the credit risk associated with cash and cash equivalents, the cash and cash equivalents are held in banks with sound credit ratings.

(ii) Liquidity risk

The TL Group 2 adopts prudent liquidity risk management which includes maintaining sufficient cash and cash equivalents and having available funding through the support of group companies. Refer to Note 3(a) for details of financial support to the TL Group 2.

The financial liabilities of the TL Group 2 include payables and accruals and amounts due to then ultimate holding company and a related company. All financial liabilities are due within one year.

(b) Capital risk management

The TL Group 2 manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the TL Group 2 may make arrangements with group companies.

The capital structure consists of amount due to then ultimate holding company and a related company, as shown in the consolidated balance sheets. The Target Co 2 relies on the borrowings from the group companies to finance its operations.

(c) Fair value estimation

The carrying value of cash and cash equivalents, other payables and accruals and amounts due to then ultimate holding company and a related company approximate their fair values.

5 Critical accounting estimates and judgement

Estimates and judgements 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.

The TL Group 2 makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on carrying amounts of assets and liabilities are as follows:

(a) Estimated provision of impairment for properties under development

The TL Group 2 assesses the carrying amounts of properties under development according to their estimated net realisable value based on the realisability of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

Properties under development include costs for acquisition of land use rights pursuant to the land grant contracts. The land grant contracts set out that the TL Group 2 is required to start the construction of the development by May 2012 and to complete it by May 2015. Failure to start or complete the construction of the development in accordance with such dates will result in penalty charges. Where the land is deemed idle for two years, the land use rights may be forfeited by the PRC government without any compensation. Management of the TL Group 2 expects the dates specified in the land grant contracts will be met and consider the possibility of the land being forfeited due to land idleness remote.

(b) Income taxes

The TL Group 2 is subject to income taxes in Hong Kong and the People's Republic of China (the "PRC"). Significant judgement is required in determining the provision for PRC income taxes. There are a number of transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The TL Group 2 recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provision in the period in which such determination is made.

6 Operating segments

The chief operating decision maker has been identified as the directors of the Target Co 2. The directors review the TL Group 2's internal reporting in order to assess performance and allocate resources. There is only one principal segment which is related to property investment and development in the PRC.

7 Expenses by nature

	1.1.2011 to 30.4.2011 *HK$*	**24.9.2010 to 31.12.2010** *HK$*
Auditor's remuneration	–	4,500
Legal and professional fee	9,937	–
Others	6,929	4,450
General and administrative expenses	16,866	8,950

8 Finance costs

	1.1.2011 to 30.4.2011 *HK$*	**24.9.2010 to 31.12.2010** *HK$*
Interest expenses on		
– amount due to then ultimate holding company	2,089,668	251,350

9 Directors' emoluments

None of the directors of the Target Co 2 received or will receive any fees or other emoluments in respect of their services to the TL Group 2 during the Relevant Periods.

The directors represent key management personnel of the Target Co 2 having authority and responsibility for planning, directing and controlling the activities of the Target Co 2.

10 Income tax expense

Hong Kong profits tax and PRC income tax have not been provided as the TL Group 2 has no estimated assessable profit for the Relevant Periods.

The taxation on the TL Group 2's loss for the period differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	1.1.2011 to 30.4.2011	**24.9.2010 to 31.12.2010**
	HK$	*HK$*
Loss for the period	(2,106,534)	(260,300)
Calculated at a taxation rate of 16.5% (2010: 16.5%)	(347,578)	(42,950)
Expenses not deductible for taxation purposes	347,578	42,950
Income tax expense	–	–

Deferred income tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable.

11 Properties under development

	30.4.2011	**31.12.2010**
	HK$	*HK$*
Land use rights	65,592,353	–

All properties under development are located in the PRC on land held under land use rights expiring from 2051 through 2081.

12 Prepayments

	30.4.2011	**31.12.2010**
	HK$	*HK$*
Land tender deposits	207,625,393	31,355,411

Note: Land tender deposits represent prepayments to the relevant PRC authorities for the acquisition of land use rights in respect of certain land parcels in Liaoning, the PRC. Land grant contracts have not yet been signed as at 30 April 2011 and 31 December 2010. Land grant contracts and land use rights in respect of the land parcels, to which the land tender deposits as at 30 April 2011 relate, were subsequently signed/obtained in June 2011.

13 Amount due to then ultimate holding company

Amount due to then ultimate holding company is unsecured and is repayable within one year from the balance sheet date. As at 30 April 2011, the balance is denominated in Hong Kong dollars and is non-interest bearing. As at 31 December 2010, the balance is mainly denominated in Renminbi and the portion denominated in Renminbi is interest bearing at 6.941%.

14 Amount due to a related company

Amount due to a related company is unsecured, interest bearing at 6.941% and is repayable within one year from the balance sheet date. The balance is denominated in Renminbi. The related company is a subsidiary of one of the shareholders of Outlet China.

15 Share capital and capital reserve

(a) Share Capital

	30.4.2011
	HK$
Authorised:	
10,000 shares of HK$1 each	–
50,000 shares of US$1 each	390,000
Issue and fully paid:	
At beginning of the period	–
Issue of share	8
At end of the period	8

The HK Co 2, the directly owned subsidiary of the Target Co 2 was incorporated on 24 September 2010 with an authorised share capital of 10,000 shares of HK$1 each. One share was issued and allotted to Outlet China at par. The entire issued share capital of the HK Co 2 was transferred by Outlet China to the Target Co 2 upon incorporation of the Target Co 2. Refer to Note 1(b) for details of the reorganisation. The Target Co 2 was incorporated on 6 January 2011 with an authorised share capital of 50,000 shares of US$1 each. One share was issued and allotted to Outlet China at par.

(b) Share capital and capital reserve of the TL Group 2

	TL Group 2	
	Share capital	**Capital reserve**
	HK$	*HK$*
As at 24 September 2010	–	–
Issue of share	8	(7)
As at 31 December 2010	8	(7)

There is no movement of the share capital and capital reserve of the TL Group 2 during the period from 1 January 2011 to 30 April 2011.

As at 31 December 2010, the share capital, as presented in the consolidated balance sheet of the Target Co 2, represents the amount of paid-up capital of the Target Co 2 as if it has always had interest in its subsidiaries. A charge of HK$7, being the difference between the paid-up capital of the Target Co 2 and the paid-up capital of the HK Co 2, is recognised in the capital reserve.

(c) Share capital and capital reserve of the Target Co 2

	Target Co 2	
	Share capital	**Capital reserve**
	HK$	*HK$*
As at 1 January 2011	–	–
Issue of share	8	(8)
As at 30 April 2011	8	(8)

As disclosed in Note 1(b), the Target Co 2 issued capital to Outlet China in exchange for the entire interest in the HK Co 2 upon the Target Co 2's incorporation. A debit to the capital reserve, of the same amount of the issued share capital of the Target Co 2, is recognised, to reflect the fact that an investment in a subsidiary with negative net asset value was made.

16 Major non-cash transaction

For the period ended 31 December 2010 and 30 April 2011, prepayments for the acquisition of land use rights were made by then ultimate holding company on behalf of the TL Group 2. As at 30 April 2011, the amount due to then ultimate holding company in relation to these prepayments was transferred to a related company as disclosed in Note 14.

17 Immediate and ultimate holding company

As mentioned in Note 1(b), Neo Summit became the immediate holding company of the Company subsequent to the Relevant Periods following the completion of restructuring on 27 July 2011. As at 30 April 2011 and 31 December 2010, the directors regard Outlet China, a company incorporated in Hong Kong as the ultimate holding company.

18 Related party transactions

During the Relevant Periods, the TL Group 2 has transactions with related parties and has balances with related parties as at end of each Relevant Periods. Details of such transactions and balances are disclosed in Notes 8, 9, 13, 14 and 16.

19 Investments in and particulars of subsidiaries

	Target Co 2
	30.4.2011
	HK$
Unlisted share, at cost	–

As disclosed in Note 1(b), the Target Co 2 issued share capital to Outlet China in exchange for the entire interest in the HK Co 2 upon the Target Co 2's incorporation. Investment cost in the HK Co 2 is recorded at nil to reflect the fact that an investment in a subsidiary with negative net asset value was made.

As at date of this report, the Target Co 2 has direct or indirect interests in the following subsidiaries.

Name	Place of incorporation/ establishment	Principal activity	Date of incorporation/ establishment	Particulars of issued and fully paid share capital/ registered capital	Attributable equity interest held by the Target Co 2		Auditor
					directly	*indirectly*	
Sight Star Limited	Hong Kong	Investment holding	24/9/2010	1 ordinary share of HK$1.0	100%	–	Klis & Associates CPA Limited
Liaoning Tongji Property Investment Limited (遼寧同濟置業有限公司)	The People's Republic of China	Property investment and development	2/3/2011	Note	–	100%	N/A

Note:

The registered capital of Liaoning Tongji Property Investment Limited is US$25,000,000. The registered capital was not yet paid as at 30 April 2011. US$25,000,000 was contributed by the HK Co 2 on 5 September 2011.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Co 2 or any of its subsidiaries in respect of any period subsequent to 30 April 2011 and up to the date of this report. No dividend or distribution has been declared or made by the Target Co 2 or any of its subsidiaries in respect of any period subsequent to 30 April 2011.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants

Hong Kong

The following is the text of a report on Target Co 3 received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

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30 September 2011

The Directors
Hsin Chong Construction Group Ltd.

Dear Sirs,

We report on the financial information of Best Elect Investments Limited (the "Target Co 3") and its subsidiaries, namely Ever Crown Properties Limited (the "HK Co 3") and Jiangxi Ji Xin Property Investment Limited (the "WFOE 3") (together, the "GQC Group 3") which comprises the consolidated balance sheets of the GQC Group 3 as at 31 December 2010 and 30 April 2011 and the balance sheet of the Target Co 3 as at 30 April 2011, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flow of the GQC Group 3 for the period from 25 June 2010 (date of incorporation of the HK Co 3) to 31 December 2010 and for the four months period ended 30 April 2011 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of Hsin Chong Construction Group Ltd. (the "Company") and is set out in Sections I to III below for inclusion in Appendix II C to the circular of the Company dated 30 September 2011 (the "Circular") in connection with the proposed acquisition of the GQC Group 3 by the Company (the "Acquisition").

As at the date of this report, the Target Co 3 has direct and indirect interests in the subsidiaries as set out in Note 20 of Section II below.

The Target Co 3 was incorporated in British Virgin Islands on 7 January 2011 as a company with limited liability under the BVI Business Companies Act, 2004. Pursuant to a group reorganisation as described in Note 1(b) of Section II headed "Reorganisation" below, the Target Co 3 became the holding company of the subsidiaries now comprising the GQC Group 3 (the "Reorganisation").

No audited financial statements have been prepared by the Target Co 3 as it is newly incorporated. The Target Co 3 has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The audited financial statements of the HK Co 3 have been prepared in accordance with the relevant accounting principles generally accepted in Hong Kong. The statutory auditor of the HK Co 3 is Klis & Associates CPA Limited. No audited financial statements have been prepared by the WFOE 3 as it is newly incorporated.

The directors of the respective companies comprising the GQC Group 3 are responsible for the preparation of the respective companies' financial statements that give a true and fair presentation of the respective companies' financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") or the Accounting Standards for Business Enterprises of the People's Republic of China, where applicable, and for such internal control as the directors determine is necessary to enable the preparation of the respective companies' financial statements that are free from material misstatement, whether due to fraud or error.

The financial information has been prepared based on the previously issued audited financial statements or, where appropriate, unaudited financial statements of the companies comprising the GQC Group 3, on the basis set out in Note 2 of Section II below, after making such adjustments as are appropriate.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the audited annual consolidated financial statements of the Company for the year ended 31 December 2010 and the new accounting standards introduced that are effective for the four months period ended 30 April 2011, where applicable.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the GQC Group 3 as at 31 December 2010 and 30 April 2011 and of the Target Co 3 as at 30 April 2011 and of the GQC Group 3's results and cash flows for each of the Relevant Periods then ended.

I FINANCIAL INFORMATION OF THE GQC GROUP 3

The following is the financial information of the GQC Group 3 prepared by the directors of the Company as at 31 December 2010 and 30 April 2011 and for each of the periods from 25 June 2010 (date of incorporation of the HK Co 3) to 31 December 2010 and 1 January 2011 to 30 April 2011, presented on the basis set out in Note 2 of Section II below:

(A) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	**1.1.2011 to 30.4.2011** *HK$*	**25.6.2010 to 31.12.2010** *HK$*
General and administrative expenses	*7*	(14,720)	(11,330)
Finance costs	*8*	(199,593)	(40,987)
Loss for the period		(214,313)	(52,317)
Other comprehensive income			
Exchange differences		(218)	(434)
Other comprehensive income for the period		(218)	(434)
Total comprehensive income for the period		(214,531)	(52,751)

(B) CONSOLIDATED BALANCE SHEETS

	Note	30.4.2011 HK$	31.12.2010 HK$
ASSETS			
Current assets			
Prepayments for acquisition of land use rights	11	15,731,121	4,430,608
Land tender deposits	12	–	5,978,190
Cash and cash equivalents		4,073	4,520
Total assets		15,735,194	10,413,318
EQUITY			
Capital and reserves			
Share capital	15	8	8
Capital reserve	15	(7)	(7)
Exchange reserve		(652)	(434)
Accumulated losses		(266,630)	(52,317)
Shareholder's deficits		(267,281)	(52,750)
LIABILITIES			
Current liabilities			
Other payables and accruals		6,926,373	1,712,368
Amount due to then ultimate holding company	13	25,623	8,753,700
Amount due to a related company	14	9,050,479	–
Total liabilities		16,002,475	10,466,068
Total equity and liabilities		15,735,194	10,413,318
Net current liabilities		(267,281)	(52,750)
Total assets less current liabilities		(267,281)	(52,750)

(C) BALANCE SHEET

	Note	30.4.2011 HK$
ASSET		
Non-current asset		
Investments in subsidiaries	20	–
Total asset		–
EQUITY		
Capital and reserves		
Share capital	15	8
Capital reserve	15	(8)
Accumulated losses		(6,084)
Shareholder's deficits		(6,084)
LIABILITY		
Current liability		
Amount due to then ultimate holding company	13	6,084
Total liability		6,084
Total equity and liability		–
Net current liability		(6,084)
Total asset less current liability		(6,084)

(D) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Share capital HK$	Capital reserve HK$	Exchange reserve HK$	Accumulated losses HK$	Shareholder's deficits HK$
Issue of share	15	8	(7)	–	–	1
Loss for the period from 25 June 2010 to 31 December 2010		–	–	–	(52,317)	(52,317)
Other comprehensive income Exchange difference		–	–	(434)	–	(434)
Total comprehensive income		–	–	(434)	(52,317)	(52,751)
At 31 December 2010		8	(7)	(434)	(52,317)	(52,750)
Loss for the period from 1 January 2011 to 30 April 2011		–	–	–	(214,313)	(214,313)
Other comprehensive income Exchange difference		–	–	(218)	–	(218)
Total comprehensive income		–	–	(218)	(214,313)	(214,531)
At 30 April 2011		8	(7)	(652)	(266,630)	(267,281)

(E) CONSOLIDATED STATEMENTS OF CASH FLOW

	1.1.2011 to 30.4.2011 HK$	25.6.2010 to 31.12.2010 HK$
Cash flows from operating activities		
Loss for the period	(214,313)	(52,317)
Finance costs	199,593	40,987
Operating loss before working capital changes	(14,720)	(11,330)
Increase in other payable and accruals	–	4,500
Increase in amount due to then ultimate holding company	14,273	11,349
Net cash (used in)/generated from operating activities	(447)	4,519
Cash flow from financing activity		
Issue of share	–	1
Net cash generated from financing activity	–	1
Net (decrease)/increase in cash and cash equivalents	(447)	4,520
Cash and cash equivalents at the beginning of the period	4,520	–
Cash and cash equivalents at the end of the period	4,073	4,520

II NOTES TO THE FINANCIAL INFORMATION OF GQC GROUP 3

1 The principal activities and reorganisation

(a) Principal activities

The Target Co 3 is a limited liability company incorporated in British Virgin Islands under the BVI Business Companies Act, 2004 on 7 January 2011. The registered address of the Target Co 3 is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. This financial information comprises the Target Co 3 and its subsidiaries. The GQC Group 3 is primarily involved in the property investment and development. Details of the activities of subsidiaries of the Target Co 3 are set out in Note 20.

(b) Reorganisation

(i) Setting up the Target Co 3 and a wholly-owned foreign enterprise

Prior to 2011, there was only one entity, the HK Co 3, within the GQC Group 3. The HK Co 3 was set up on 25 June 2010 and was wholly owned by Outlet (China) Limited ("Outlet China") as at 31 December 2010. The HK Co 3 is principally involved in investment holding.

For the purpose of the rationalisation of the GQC Group 3's structure, the Target Co 3 and the wholly-owned foreign enterprise, the WFOE 3, were incorporated/established on 7 January 2011 and 25 March 2011 respectively. Upon the incorporation of the Target Co 3, Outlet China transferred its entire interest in the HK Co 3 to the Target Co 3 at cost. The Target Co 3 settled the consideration by way of issuance of its shares to Outlet China. Upon completion, the Target Co 3 became a wholly owned subsidiary of Outlet China. Upon its establishment, the WFOE 3 became a wholly owned subsidiary of the HK Co 3.

(ii) The reorganisation subsequent to the Relevant Periods

For the purpose of the Acquisition, Outlet China transferred its entire interest in the Target Co 3 to Neo Summit on 27 July 2011, the proposed seller in the Acquisition. Accordingly, in the opinion of the directors of the Target Co 3, the immediate holding company of the Target Co 3 is Neo Summit as at the date of this report.

2 Basis of presentation

For the purpose of this report, the financial information has been prepared to present the consolidated balance sheets, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flow of the companies comprising the GQC Group 3 for the Relevant Periods or since the respective dates of incorporation/establishment, whichever is the shorter period, as if the Target Co 3 has always had interest in its subsidiaries. Immediately prior to and after the Reorganisation, the property investment and development business is held by the HK Co 3. Pursuant to the Reorganisation, the Target Co 3 was established to hold the HK Co 3. The Target Co 3 has not been involved in any other business and does not meet the definition of a business. The directors of the Target Co 3 consider it merely a capital reorganisation of the HK Co 3 with no change in management of such business and the ultimate owners of the property investment and development business remain the same, with details set out in Note 1(b)(i) above. Accordingly, the consolidated financial information of the companies comprising the GQC Group 3 is presented using the carrying values of the property investment and development business held under the HK Co 3.

3 Summary of significant accounting policies

The significant accounting policies applied in the preparation of the financial information are set out below. These policies have been consistently applied to all the Relevant Periods presented, unless otherwise stated. The financial information is presented in Hong Kong dollars.

(a) Basis of preparation

The financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial information has been prepared under the historical cost convention.

The preparation of financial statements 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in Note 5.

The GQC Group 3 has net current liabilities of HK$267,281 and shareholder's deficits of the same amount as at 30 April 2011. The immediate holding company, Neo Summit has confirmed its intention to provide continuing financial support to the GQC Group 3, up to the date of the completion of the Acquisition. After the Acquisition, the Company will replace Neo Summit in providing continuing financial support to the GQC Group 3. This support will enable the GQC Group 3 to meet its liabilities as and when they fall due and to continue its operations for the foreseeable future. The directors believe that the GQC Group 3 will continue as a going concern. Consequently, the directors have prepared the financial information on a going concern basis.

The following standards are effective for the periods beginning on or after 1 January 2012 and are relevant to the GQC Group 3's operations. They have not been early adopted by the GQC Group 3:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	July 2012
HKAS 27 (as amended in 2011)	Separate Financial Statement	January 2013
HKFRS 9	Financial Instruments	January 2013
HKFRS 10	Consolidated Financial Statement	January 2013
HKFRS 12	Disclosure of Interests in Other Entities	January 2013
HKFRS 13	Fair Value Measurement	January 2013

Management is in the process of making an assessment of the impact of the adoption of the above standards, but is not yet in a position to state whether they would have any significant changes to the GQC Group 3's results of operations and financial position.

(b) Consolidation

(i) Acquisition method of accounting

Except for the Reorganisation as disclosed in Note 2, the GQC Group 3 uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the GQC Group 3. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the GQC Group 3 recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the GQC Group 3.

(ii) Subsidiaries

Subsidiaries are all entities over which the GQC Group 3 has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the GQC Group 3 controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the GQC Group 3. They are de-consolidated from the date that control ceases.

In the Target Co 3's balance sheet, in the case of reorganisation, the cost of investment in subsidiary is the net asset value of the subsidiary acquired at date of completion. Where the net asset value of the subsidiary acquired at date of completion is negative, the cost of investment is recorded at nil. For business combination accounted for using the acquisition method, the cost of investment is being the amount of the fair value of the consideration for the subsidiary acquired at date of completion.

The results of subsidiaries are accounted by the Target Co 3 on the basis of dividend income.

(iii) Transactions with non-controlling interests

The GQC Group 3 treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Target Co 3.

(c) Impairment of investments in subsidiaries and non-financial assets

Assets that have indefinite useful lives are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(d) Payables

Payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturity of three months or less from the date of investment.

(f) Prepayments

Prepayments are deposits paid for the acquisition of land use rights. They are stated at cost, and are reclassified as properties under development upon obtaining the land use rights.

(g) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the GQC Group 3 operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(h) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the GQC Group 3 are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency and presentation currency of each entity within the GQC Group 3 are Renminbi and Hong Kong dollars, where applicable. The functional currency of Target Co 3 is Renminbi. The consolidated financial statements are presented in Hong Kong dollars to facilitate financial analysis by shareholders.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(i) Borrowings

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 the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(j) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit or loss in the period in which they are incurred.

4 Financial risk management

(a) Financial risk factors

The GQC Group 3's activities expose it to a variety of financial risks: credit risk and liquidity risk.

(i) Credit risk

Credit risk of the GQC Group 3 arises from cash and cash equivalents.

To manage the credit risk associated with cash and cash equivalents, the cash and cash equivalents are held in banks with sound credit ratings.

(ii) Liquidity risk

The GQC Group 3 adopts prudent liquidity risk management which includes maintaining sufficient cash and cash equivalents and having available funding through the support of group companies. Refer to Note 3(a) for details of financial support to the GQC Group 3.

The financial liabilities of the GQC Group 3 include payables and accruals and amounts due to ultimate holding company and a related company. All financial liabilities are due within one year.

(b) Capital risk management

The GQC Group 3 manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the GQC Group 3 may make arrangements with group companies.

The capital structure consists of amount due to then ultimate holding company and a related company, as shown in the consolidated balance sheet. The Target Co 3 relies on the borrowings from the group companies to finance its operations.

(c) Fair value estimation

The carrying value of cash and cash equivalents, other payables and accruals and amounts due to then ultimate holding company and a related company approximate their fair values.

5 Critical accounting estimates and judgement

Estimates and judgements 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.

The GQC Group 3 makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on carrying amounts of assets and liabilities are as follows:

Income taxes

The GQC Group 3 is subject to income taxes in Hong Kong and the People's Republic of China (the "PRC"). Significant judgement is required in determining the provision for PRC income taxes. There are a number of transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The GQC Group 3 recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provision in the period in which such determination is made.

6 Operating segments

The chief operating decision maker has been identified as the directors of the Target Co 3. The directors review the GQC Group 3's internal reporting in order to assess performance and allocate resources. There is only one principal segment which is related to property investment and development in the PRC.

7 Expenses by nature

	1.1.2011 to 30.4.2011	**25.6.2010 to 31.12.2010**
	HK$	*HK$*
Auditor's remuneration	–	4,500
Legal and professional fee	8,246	1,900
Others	6,474	4,930
General and administrative expenses	14,720	11,330

8 Finance costs

	1.1.2011 to 30.4.2011	**25.6.2010 to 31.12.2010**
	HK$	*HK$*
Interest expenses on		
– amount due to then ultimate holding company	199,593	40,987

9 Directors' emoluments

None of the directors of the Target Co 3 received or will receive any fees or other emoluments in respect of their services to the GQC Group 3 during the Relevant Periods.

The directors represent key management personnel of the Target Co 3 having authority and responsibility for planning, directing and controlling the activities of the Target Co 3.

10 Income tax expense

Hong Kong profits tax and PRC income tax have not been provided as the GQC Group 3 has no estimated assessable profit for the Relevant Periods.

The taxation on the GQC Group 3's loss for the period differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	1.1.2011 to 30.4.2011	**25.6.2010 to 31.12.2010**
	HK$	*HK$*
Loss for the period	(214,313)	(52,317)
Calculated at a taxation rate of 16.5% (2010: 16.5%)	(35,362)	(8,632)
Expenses not deductible for taxation purposes	35,262	8,632
Income tax expense	–	–

Deferred income tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable.

11 Prepayments for acquisition of land use rights

Prepayments for acquisition of land use rights represent advances made for the acquisitions of land use rights in Jiangxi, the PRC pursuant to land grant contracts signed with the relevant PRC authorities. Land use rights have not yet been obtained up to the date of this report.

12 Land tender deposits

Land tender deposits represent prepayments to the relevant PRC authorities for the acquisition of land use rights in respect of certain land parcels in Jiangxi, the PRC. Land grant contracts in respect of the land parcels, to which the land tender deposits as at 31 December 2010 relate, were signed in January 2011.

13 Amount due to then ultimate holding company

Amount due to then ultimate holding company is unsecured and is repayable within one year from the balance sheet date. As at 30 April 2011, the balance is denominated in Hong Kong dollars and is non-interest bearing. As at 31 December 2010, the balance is mainly denominated in Renminbi and the portion denominated in Renminbi is interest bearing at 6.941%.

14 Amount due to a related company

Amount due to a related company is unsecured, interest bearing at 6.941% and is repayable within one year from the balance sheet date. The balance is denominated in Renminbi. The related company is a subsidiary of one of the shareholders of Outlet China.

15 Share capital and capital reserve

(a) Share Capital

	30.4.2011
	HK$
Authorised:	
10,000 shares of HK$1 each	–
50,000 shares of US$1 each	390,000
Issue and fully paid:	
At beginning of the period	–
Issue of share	8
At end of the period	8

The HK Co 3, the directly owned subsidiary of the Target Co 3 was incorporated on 25 June 2010 with an authorised share capital of 10,000 shares of HK$1 each. One share was issued and allotted to Outlet China at par. The entire issued share capital of the HK Co 3 was transferred by Outlet China to the Target Co 3 upon incorporation of the Target Co 3. Refer to Note 1(b) for details of the reorganisation. The Target Co 3 was incorporated on 7 January 2011 with an authorised share capital of 50,000 shares of US$1 each. One share was issued and allotted to Outlet China at par.

(b) Share capital and capital reserve of the GQC Group 3

	GQC Group 3	
	Share capital	**Capital reserve**
	HK$	*HK$*
As at 25 June 2010	–	–
Issue of share	8	(7)
As at 31 December 2010	8	(7)

There is no movement of the share capital and capital reserve of the GQC Group 3 during the period from 1 January to 30 April 2011.

As at 31 December 2010, the share capital, as presented in the consolidated balance sheet of the Target Co 3, represents the amount of paid-up capital of the Target Co 3 as if it has always had interest in its subsidiaries. A charge of HK$7, being the difference between the paid-up capital of the Target Co 3 and the paid-up capital of the HK Co 3, is recognised in the capital reserve.

(c) Share capital and capital reserve of the Target Co 3

	Target Co 3	
	Share capital	**Capital reserve**
	HK$	*HK$*
As at 1 January 2011	–	–
Issue of share	8	(8)
As at 30 April 2011	8	(8)

As disclosed in Note 1(b), the Target Co 3 issued capital to Outlet China in exchange for the entire interest in the HK Co 3 upon the Target Co 3's incorporation. A debit to the capital reserve, of the same amount of the issued share capital of the Target Co 3, is recognised, to reflect the fact that an investment in a subsidiary with negative net asset value was made.

16 Major non-cash transaction

For the period ended 31 December 2010 and 30 April 2011, prepayments for the acquisition of land use rights were made by then ultimate holding company on behalf of the GQC Group 3. As at 30 April 2011, the amount due to then ultimate holding company in relation to these prepayments was transferred to a related company as disclosed in Note 14.

17 Capital commitment

	30.4.2011	**31.12.2010**
	HK$	*HK$*
Contracted but not provided for:		
– Acquisition of land use rights	145,072,900	35,229,888

18 Immediate and ultimate holding company

As mentioned in Note 1(b), Neo Summit became the immediate holding company of the Company subsequent to the Relevant Periods following the completion of restructuring on 27 July 2011. As at 30 April 2011 and 31 December 2010, the directors regard Outlet China, a company incorporated in Hong Kong as the ultimate holding company.

19 Related party transactions

During the Relevant Periods, the GQC Group 3 has transactions with related parties and has balances with related parties as at end of each Relevant Periods. Details of such transactions and balances are disclosed in Notes 8, 9, 13, 14 and 16.

20 Investments in and particulars of subsidiaries

	Target Co 3 30.4.2011 HK$
Unlisted share, at cost	–

As disclosed in Note 1(b), the Target Co 3 issued share capital to Outlet China in exchange for the entire interest in the HK Co 3 upon the Target Co 3's incorporation. Investment cost in the HK Co 3 is recorded at nil to reflect the fact that an investment in a subsidiary with negative net asset value was made.

As at date of this report, the Target Co 3 has direct or indirect interests in the following subsidiaries.

Name	Place of incorporation/ establishment	Principal activity	Date of incorporation/ establishment	Particulars of issued and fully paid share capital/ registered capital	Attributable equity interest held by the Target Co 3 *directly*	*indirectly*	Auditor
Ever Crown Properties Limited	Hong Kong	Investment holding	25/6/2010	1 ordinary share of HK$1.0	100%	–	Klis & Associates CPA Limited
Jiangxi Ji Xin Property Investment Limited (江西集信置業有限公司)	The People's Republic of China	Property investment and development	25/3/2011	Note	–	100%	N/A

Note:

The registered capital of Jiangxi Ji Xin Property Investment Limited is US$25,000,000. The registered capital was not yet paid as at 30 April 2011 and up to the date of this report.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Co 3 or any of its subsidiaries in respect of any period subsequent to 30 April 2011 and up to the date of this report. No dividend or distribution has been declared or made by the Target Co 3 or any of its subsidiaries in respect of any period subsequent to 30 April 2011.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants

Hong Kong

The following is the text of a report on Target Co 4 received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

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30 September 2011

The Directors
Hsin Chong Construction Group Ltd.

Dear Sirs,

We report on the financial information of Market Elite Investments Limited (the "Target Co 4") and its subsidiaries, namely Able Bright Corporation Limited (the "HK Co 4") and Jiangxi Tian Fu Property Investment Limited (the "WFOE 4 ") (together, the "GQC Group 4") which comprises the consolidated balance sheets of the GQC Group 4 as at 31 December 2010 and 30 April 2011 and the balance sheet of the Target Co 4 as at 30 April 2011, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flow of the GQC Group 4 for the period from 22 July 2010 (date of incorporation of the HK Co 4) to 31 December 2010 and for the four months period ended 30 April 2011 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of Hsin Chong Construction Group Ltd. (the "Company") and is set out in Sections I to III below for inclusion in Appendix II D to the circular of the Company dated 30 September 2011 (the "Circular") in connection with the proposed acquisition of the GQC Group 4 by the Company (the "Acquisition").

As at the date of this report, the Target Co 4 has direct and indirect interests in the subsidiaries as set out in Note 20 of Section II below.

The Target Co 4 was incorporated in British Virgin Islands on 7 January 2011 as a company with limited liability under the BVI Business Companies Act, 2004. Pursuant to a group reorganisation as described in Note 1(b) of Section II headed "Reorganisation" below, the Target Co 4 became the holding company of the subsidiaries now comprising the GQC Group 4 (the "Reorganisation").

No audited financial statements have been prepared by the Target Co 4 as it is newly incorporated. The Target Co 4 has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The audited financial statements of the HK Co 4 have been prepared in accordance with the relevant accounting principles generally accepted in Hong Kong. The statutory auditor of the HK Co 4 is Klis & Associates CPA Limited. No audited financial statements have been prepared by the WFOE 4 as it is newly incorporated.

The directors of the respective companies comprising the GQC Group 4 are responsible for the preparation of the respective companies' financial statements that give a true and fair presentation of the respective companies' financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") or the Accounting Standards for Business Enterprises of the People's Republic of China, where applicable, and for such internal control as the directors determine is necessary to enable the preparation of the respective companies' financial statements that are free from material misstatement, whether due to fraud or error.

The financial information has been prepared based on the previously issued audited financial statements or, where appropriate, unaudited financial statements of the companies comprising the GQC Group 4, on the basis set out in Note 2 of Section II below, after making such adjustments as are appropriate.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the audited annual consolidated financial statements of the Company for the year ended 31 December 2010 and the new accounting standards introduced that are effective for the four months period ended 30 April 2011, where applicable.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the GQC Group 4 as at 31 December 2010 and 30 April 2011 and of the Target Co 4 as at 30 April 2011 and of the GQC Group 4's results and cash flows for each of the Relevant Periods then ended.

I FINANCIAL INFORMATION OF THE GQC GROUP 4

The following is the financial information of the GQC Group 4 prepared by the directors of the Company as at 31 December 2010 and 30 April 2011 and for each of the periods from 22 July 2010 (date of incorporation of the HK Co 4) to 31 December 2010 and 1 January 2011 to 30 April 2011, presented on the basis set out in Note 2 of Section II below:

(A) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	**1.1.2011 to 30.4.2011** *HK$*	**22.7.2010 to 31.12.2010** *HK$*
General and administrative expenses	*7*	(14,721)	(11,330)
Finance costs	*8*	(247,115)	(24,949)
Loss for the period		(261,836)	(36,279)
Other comprehensive income			
Exchange differences		(132)	(264)
Other comprehensive income for the period		(132)	(264)
Total comprehensive income for the period		(261,968)	(36,543)

(B) CONSOLIDATED BALANCE SHEETS

	Note	30.4.2011 HK$	31.12.2010 HK$
ASSETS			
Current assets			
Prepayments for acquisition of land use rights	11	20,135,906	3,244,796
Land tender deposits	12	–	9,115,260
Cash and cash equivalents		4,073	4,520
Total assets		20,139,979	12,364,576
EQUITY			
Capital and reserves			
Share capital	15	8	8
Capital reserve	15	(7)	(7)
Exchange reserve		(396)	(264)
Accumulated losses		(298,115)	(36,279)
Shareholder's deficits		(298,510)	(36,542)
LIABILITIES			
Current liabilities			
Other payables and accruals		9,242,411	1,591,976
Amount due to then ultimate holding company	13	25,623	10,809,142
Amount due to a related company	14	11,170,455	–
Total liabilities		20,438,489	12,401,118
Total equity and liabilities		20,139,979	12,364,576
Net current liabilities		(298,510)	(36,542)
Total assets less current liabilities		(298,510)	(36,542)

(C) BALANCE SHEET

	Note	30.4.2011 HK$
ASSET		
Non-current asset		
Investments in subsidiaries	20	–
Total asset		–
EQUITY		
Capital and reserves		
Share capital	15	8
Capital reserve	15	(8)
Accumulated losses		(6,084)
Shareholder's deficits		(6,084)
LIABILITY		
Current liability		
Amount due to then ultimate holding company	13	6,084
Total liability		6,084
Total equity and liability		–
Net current liability		(6,084)
Total asset less current liability		(6,084)

(D) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Share capital HK$	Capital reserve HK$	Exchange reserve HK$	Accumulated losses HK$	Shareholder's deficits HK$
Issue of share	15	8	(7)	–	–	1
Loss for the period from 22 July 2010 to 31 December 2010		–	–	–	(36,279)	(36,279)
Other comprehensive income						
Exchange differences		–	–	(264)	–	(264)
Total comprehensive income		–	–	(264)	(36,279)	(36,543)
At 31 December 2010		8	(7)	(264)	(36,279)	(36,542)
Loss for the period from 1 January 2011 to 30 April 2011		–	–	–	(261,836)	(261,836)
Other comprehensive income						
Exchange differences		–	–	(132)	–	(132)
Total comprehensive income		–	–	(132)	(261,836)	(261,968)
At 30 April 2011		8	(7)	(396)	(298,115)	(298,510)

(E) CONSOLIDATED STATEMENTS OF CASH FLOW

	1.1.2011 to 30.4.2011 HK$	22.7.2010 to 31.12.2010 HK$
Cash flows from operating activities		
Loss for the period	(261,836)	(36,279)
Finance costs	247,115	24,949
Operating loss before working capital changes	(14,721)	(11,330)
Increase in other payable and accruals	–	4,500
Increase in amount due to then ultimate holding company	14,274	11,349
Net cash (used in)/generated from operating activities	(447)	4,519
Cash flow from financing activity		
Issue of share	–	1
Net cash generated from financing activity	–	1
Net (decrease)/increase in cash and cash equivalents	(447)	4,520
Cash and cash equivalents at the beginning of the period	4,520	–
Cash and cash equivalents at the end of the period	4,073	4,520

II NOTES TO THE FINANCIAL INFORMATION OF GQC GROUP 4

1 The principal activities and reorganisation

(a) Principal activities

The Target Co 4 is a limited liability company incorporated in British Virgin Islands under the BVI Business Companies Act, 2004 on 7 January 2011. The registered address of the Target Co 4 is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. This financial information comprises the Target Co 4 and its subsidiaries. The GQC Group 4 is primarily involved in the property investment and development. Details of the activities of subsidiaries of the Target Co 4 are set out in Note 20.

(b) Reorganisation

(i) Setting up the Target Co 4 and a wholly-owned foreign enterprise

Prior to 2011, there was only one entity, the HK Co 4, within the GQC Group 4. The HK Co 4 was set up on 22 July 2010 and was wholly owned by Outlet (China) Limited ("Outlet China") as at 31 December 2010. The HK Co 4 is principally involved in investment holding.

For the purpose of the rationalisation of the GQC Group 4's structure, the Target Co 4 and the wholly-owned foreign enterprise, the WFOE 4, were incorporated/established on 7 January 2011 and 25 March 2011 respectively. Upon the incorporation of the Target Co 4, Outlet China transferred its entire interest in the HK Co 4 to the Target Co 4 at cost. The Target Co 4 settled the consideration by way of issuance of its shares to Outlet China. Upon completion, the Target Co 4 became a wholly owned subsidiary of Outlet China. Upon its establishment, the WFOE 4 became a wholly owned subsidiary of the HK Co 4.

(ii) The reorganisation subsequent to the Relevant Periods

For the purpose of the Acquisition, Outlet China transferred its entire interest in the Target Co 4 to Neo Summit on 27 July 2011, the proposed seller in the Acquisition. Accordingly, in the opinion of the directors of the Target Co 4, the immediate holding company of the Target Co 4 is Neo Summit as at the date of this report.

2 Basis of presentation

For the purpose of this report, the financial information has been prepared to present the consolidated balance sheets, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flow of the companies comprising the GQC Group 4 for the Relevant Periods or since the respective dates of incorporation/establishment, whichever is the shorter period, as if the Target Co 4 has always had interest in its subsidiaries. Immediately prior to and after the Reorganisation, the property investment and development business is held by the HK Co 4. Pursuant to the Reorganisation, the Target Co 4 was established to hold the HK Co 4. The Target Co 4 has not been involved in any other business and does not meet the definition of a business. The directors of the Target Co 4 consider it merely a capital reorganisation of the HK Co 4 with no change in management of such business and the ultimate owners of the property investment and development business remain the same, with details set out in Note 1(b)(i) above. Accordingly, the consolidated financial information of the companies comprising the GQC Group 4 is presented using the carrying values of the property investment and development business held under the HK Co 4.

3 Summary of significant accounting policies

The significant accounting policies applied in the preparation of the financial information are set out below. These policies have been consistently applied to all the Relevant Periods presented, unless otherwise stated. The financial information is presented in Hong Kong dollars.

(a) Basis of preparation

The financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial information has been prepared under the historical cost convention.

The preparation of financial statements 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in Note 5.

The GQC Group 4 has net current liabilities of HK$298,510 and shareholder's deficits of the same amount as at 30 April 2011. The immediate holding company, Neo Summit has confirmed its intention to provide continuing financial support to the GQC Group 4, up to the date of the completion of the Acquisition. After the Acquisition, the Company will replace Neo Summit in providing continuing financial support to the GQC Group 4. This support will enable the GQC Group 4 to meet its liabilities as and when they fall due and to continue its operations for the foreseeable future. The directors believe that the GQC Group 4 will continue as a going concern. Consequently, the directors have prepared the financial information on a going concern basis.

The following standards are effective for the periods beginning on or after 1 January 2012 and are relevant to the GQC Group 4's operations. They have not been early adopted by the GQC Group 4:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	July 2012
HKAS 27 (as amended in 2011)	Separate Financial Statement	January 2013
HKFRS 9	Financial Instruments	January 2013
HKFRS 10	Consolidated Financial Statement	January 2013
HKFRS 12	Disclosure of Interests in Other Entities	January 2013
HKFRS 13	Fair Value Measurement	January 2013

Management is in the process of making an assessment of the impact of the adoption of the above standards, but is not yet in a position to state whether they would have any significant changes to the GQC Group 4's results of operations and financial position.

(b) Consolidation

(i) Acquisition method of accounting

Except for the Reorganisation as disclosed in Note 2, the GQC Group 4 uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the GQC Group 4. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the GQC Group 4 recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the GQC Group 4.

(ii) Subsidiaries

Subsidiaries are all entities over which the GQC Group 4 has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the GQC Group 4 controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the GQC Group 4. They are de-consolidated from the date that control ceases.

In the Target Co 4's balance sheet, in the case of reorganisation, the cost of investment in subsidiary is the net asset value of the subsidiary acquired at date of completion. Where the net asset value of the subsidiary acquired at date of completion is negative, the cost of investment is recorded at nil. For business combination accounted for using the acquisition method, the cost of investment is being the amount of the fair value of the consideration for the subsidiary acquired at date of completion.

The results of subsidiaries are accounted by the Target Co 4 on the basis of dividend income.

(iii) Transactions with non-controlling interests

The GQC Group 4 treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Target Co 4.

(c) Impairment of investments in subsidiaries and non-financial assets

Assets that have indefinite useful lives are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(d) Payables

Payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturity of three months or less from the date of investment.

(f) Prepayments

Prepayments are deposits paid for the acquisition of land use rights. They are stated at cost, and are reclassified as properties under development upon obtaining the land use rights.

(g) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the GQC Group 4 operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(h) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the GQC Group 4 are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency and presentation currency of each entity within the GQC Group 4 are Renminbi and Hong Kong dollars, where applicable. The functional currency of Target Co 4 is Renminbi. The consolidated financial statements are presented in Hong Kong dollars to facilitate financial analysis by shareholders.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(i) Borrowings

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 the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(j) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit or loss in the period in which they are incurred.

4 Financial risk management

(a) Financial risk factors

The GQC Group 4's activities expose it to a variety of financial risks: credit risk and liquidity risk.

(i) Credit risk

Credit risk of the GQC Group 4 arises from cash and cash equivalents.

To manage the credit risk associated with cash and cash equivalents, the cash and cash equivalents are held in banks with sound credit ratings.

(ii) Liquidity risk

The GQC Group 4 adopts prudent liquidity risk management which includes maintaining sufficient cash and cash equivalents and having available funding through the support of group companies. Refer to Note 3(a) for details of financial support to the GQC Group 4.

The financial liabilities of the GQC Group 4 include payables and accruals and amounts due to ultimate holding company and a related company. All financial liabilities are due within one year.

(b) Capital risk management

The GQC Group 4 manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the GQC Group 4 may make arrangements with group companies.

The capital structure consists of amount due to then ultimate holding company and a related company, as shown in the consolidated balance sheets. The Target Co 4 relies on the borrowings from the group companies to finance its operations.

(c) Fair value estimation

The carrying value of cash and cash equivalents, other payables and accruals and amounts due to then ultimate holding company and a related company approximate their fair values.

5 Critical accounting estimates and judgement

Estimates and judgements 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.

The GQC Group 4 makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on carrying amounts of assets and liabilities are as follows:

Income taxes

The GQC Group 4 is subject to income taxes in Hong Kong and the People's Republic of China (the "PRC"). Significant judgement is required in determining the provision for PRC income taxes. There are a number of transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The GQC Group 4 recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provision in the period in which such determination is made.

6 Operating segments

The chief operating decision maker has been identified as the directors of the Target Co 4. The directors review the GQC Group 4's internal reporting in order to assess performance and allocate resources. There is only one principal segment which is related to property investment and development in the PRC.

7 Expenses by nature

	1.1.2011 to 30.4.2011	**22.7.2010 to 31.12.2010**
	HK$	*HK$*
Auditor's remuneration	–	4,500
Legal and professional fee	8,246	1,900
Others	6,475	4,930
General and administrative expenses	14,721	11,330

8 Finance costs

	1.1.2011 to 30.4.2011 *HK$*	**22.7.2010 to 31.12.2010** *HK$*
Interest expenses on – amount due to then ultimate holding company	247,115	24,949

9 Directors' emoluments

None of the directors of the Target Co 4 received or will receive any fees or other emoluments in respect of their services to the GQC Group 4 during the Relevant Periods.

The directors represent key management personnel of the Target Co 4 having authority and responsibility for planning, directing and controlling the activities of the Target Co 4.

10 Income tax expense

Hong Kong profits tax and PRC income tax have not been provided as the GQC Group 4 has no estimated assessable profit for the Relevant Periods.

The taxation on the GQC Group 4's loss for the period differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	1.1.2011 to 30.4.2011 *HK$*	**22.7.2010 to 31.12.2010** *HK$*
Loss for the period	(261,836)	(36,279)
Calculated at a taxation rate of 16.5% (2010: 16.5%)	(43,203)	(5,986)
Expenses not deductible for taxation purposes	43,203	5,986
Income tax expense	–	–

Deferred income tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable.

11 Prepayments for acquisition of land use rights

Prepayments for acquisition of land use rights represent advances made for the acquisitions of land use rights in Jiangxi, the PRC pursuant to land grant contracts signed with the relevant PRC authorities. Land use rights have not yet been obtained up to the date of this report.

12 Land tender deposits

Land tender deposits represent prepayments to the relevant PRC authorities for the acquisition of land use rights in respect of certain land parcels in Jiangxi, the PRC. Land grant contracts in respect of the land parcels, to which the land tender deposits as at 31 December 2010 relate, were signed in January 2011.

13 Amount due to then ultimate holding company

Amount due to then ultimate holding company is unsecured and is repayable within one year from the balance sheet date. As at 30 April 2011, the balance is denominated in Hong Kong dollars and is non-interest bearing. As at 31 December 2010, the balance is mainly denominated in Renminbi and the portion denominated in Renminbi is interest bearing at 6.941%.

14 Amount due to a related company

Amount due to a related company is unsecured, interest bearing at 6.941% and is repayable within one year from the balance sheet date. The balance is denominated in Renminbi. The related company is a subsidiary of one of the shareholders of Outlet China.

15 Share capital and capital reserve

(a) Share Capital

	30.4.2011
	HK$
Authorised:	
10,000 shares of HK$1 each	–
50,000 shares of US$1 each	390,000
Issue and fully paid:	
At beginning of the period	–
Issue of share	8
At end of the period	8

The HK Co 4, the directly owned subsidiary of the Target Co 4 was incorporated on 22 July 2010 with an authorised share capital of 10,000 shares of HK$1 each. One share was issued and allotted to Outlet China at par. The entire issued share capital of the HK Co 4 was transferred by Outlet China to the Target Co 4 upon incorporation of the Target Co 4. Refer to Note 1(b) for details of the reorganisation. The Target Co 4 was incorporated on 7 January 2011 with an authorised share capital of 50,000 shares of US$1 each. One share was issued and allotted to Outlet China at par.

(b) Share capital and capital reserve of the GQC Group 4

	GQC Group 4	
	Share capital	**Capital reserve**
	HK$	*HK$*
As at 22 July 2010	–	–
Issue of share	8	(7)
As at 31 December 2010	8	(7)

There is no movement of the share capital and capital reserve of the GQC Group 4 during the period from 1 January to 30 April 2011.

As at 31 December 2010, the share capital, as presented in the consolidated balance sheet of the Target Co 4, represents the amount of paid-up capital of the Target Co 4 as if it has always had interest in its subsidiaries. A charge of HK$7, being the difference between the paid-up capital of the Target Co 4 and the paid-up capital of the HK Co 4, is recognised in the capital reserve.

(c) Share capital and capital reserve of the Target Co 4

	Target Co 4	
	Share capital	**Capital reserve**
	HK$	*HK$*
As at 1 January 2011	–	–
Issue of share	8	(8)
As at 30 April 2011	8	(8)

As disclosed in Note 1(b), the Target Co 4 issued capital to Outlet China in exchange for the entire interest in the HK Co 4 upon the Target Co 4's incorporation. A debit to the capital reserve, of the same amount of the issued share capital of the Target Co 4, is recognised, to reflect the fact that an investment in a subsidiary with negative net asset value was made.

16 Major non-cash transaction

For the period ended 31 December 2010 and 30 April 2011, prepayments for the acquisition of land use rights were made by then ultimate holding company on behalf of the GQC Group 4. As at 30 April 2011, the amount due to then ultimate holding company in relation to these prepayments was transferred to a related company as disclosed in Note 14.

17 Capital commitment

	30.4.2011	**31.12.2010**
	HK$	*HK$*
Contracted but not provided for:		
– Acquisition of land use rights	194,457,900	33,619,920

18 Immediate and ultimate holding company

As mentioned in Note 1(b), Neo Summit became the immediate holding company of the Company subsequent to the Relevant Periods following the completion of restructuring on 27 July 2011. As at 30 April 2011 and 31 December 2010, the directors regard Outlet China, a company incorporated in Hong Kong as the ultimate holding company.

19 Related party transactions

During the Relevant Periods, the GQC Group 4 has transactions with related parties and has balances with related parties as at end of each Relevant Periods. Details of such transactions and balances are disclosed in Notes 8, 9, 13, 14 and 16.

20 Investments in and particulars of subsidiaries

	Target Co 4
	30.4.2011
	HK$
Unlisted share, at cost	–

As disclosed in Note 1(b), the Target Co 4 issued share capital to Outlet China in exchange for the entire interest in the HK Co 4 upon the Target Co 4's incorporation. Investment cost in the HK Co 4 is recorded at nil to reflect the fact that an investment in a subsidiary with negative net asset value was made.

As at date of this report, the Target Co 4 has direct or indirect interests in the following subsidiaries.

Name	Place of incorporation/ establishment	Principal activity	Date of incorporation/ establishment	Particulars of issued and fully paid share capital/ registered capital	Attributable equity interest held by the Target Co 4		Auditor
					directly	*indirectly*	
Able Bright Corporation Limited	Hong Kong	Investment holding	22/7/2010	1 ordinary share of HK$1.0	100%	–	Klis & Associates CPA Limited
Jiangxi Tian Fu Property Investment Limited (江西天福置業有限公司)	The People's Republic of China	Property investment and development	25/3/2011	Note	–	100%	N/A

Note:

The registered capital of Jiangxi Tian Fu Property Investment Limited is US$25,000,000. The registered capital was not yet paid as at 30 April 2011 and up to the date of this report.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Co 4 or any of its subsidiaries in respect of any period subsequent to 30 April 2011 and up to the date of this report. No dividend or distribution has been declared or made by the Target Co 4 or any of its subsidiaries in respect of any period subsequent to 30 April 2011.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants

Hong Kong

The following is the text of a report on Target Co 5 received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

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30 September 2011

The Directors
Hsin Chong Construction Group Ltd.

Dear Sirs,

We report on the financial information of Noble Empire Investments Limited (the "Target Co 5") and its subsidiaries, namely Honour Capital Limited (the "HK Co 5") and Jiangxi Xie Cheng Property Investment Limited (the "WFOE 5") (together, the "GQC Group 5") which comprises the consolidated balance sheets of the GQC Group 5 as at 31 December 2010 and 30 April 2011 and the balance sheet of the Target Co 5 as at 30 April 2011, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flow of the GQC Group 5 for the period from 22 July 2010 (date of incorporation of the HK Co 5) to 31 December 2010 and for the four months period ended 30 April 2011 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of Hsin Chong Construction Group Ltd. (the "Company") and is set out in Sections I to III below for inclusion in Appendix II E to the circular of the Company dated 30 September 2011 (the "Circular") in connection with the proposed acquisition of the GQC Group 5 by the Company (the "Acquisition").

As at the date of this report, the Target Co 5 has direct and indirect interests in the subsidiaries as set out in Note 20 of Section II below.

The Target Co 5 was incorporated in British Virgin Islands on 7 January 2011 as a company with limited liability under the BVI Business Companies Act, 2004. Pursuant to a group reorganisation as described in Note 1(b) of Section II headed "Reorganisation" below, the Target Co 5 became the holding company of the subsidiaries now comprising the GQC Group 5 (the "Reorganisation").

No audited financial statements have been prepared by the Target Co 5 as it is newly incorporated. The Target Co 5 has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The audited financial statements of the HK Co 5 have been prepared in accordance with the relevant accounting principles generally accepted in Hong Kong. The statutory auditor of the HK Co 5 is Klis & Associates CPA Limited. No audited financial statements have been prepared by the WFOE 5 as it is newly incorporated.

The directors of the respective companies comprising the GQC Group 5 are responsible for the preparation of the respective companies' financial statements that give a true and fair presentation of the respective companies' financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") or the Accounting Standards for Business Enterprises of the People's Republic of China, where applicable, and for such internal control as the directors determine is necessary to enable the preparation of the respective companies' financial statements that are free from material misstatement, whether due to fraud or error.

The financial information has been prepared based on the previously issued audited financial statements or, where appropriate, unaudited financial statements of the companies comprising the GQC Group 5, on the basis set out in Note 2 of Section II below, after making such adjustments as are appropriate.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the audited annual consolidated financial statements of the Company for the year ended 31 December 2010 and the new accounting standards introduced that are effective for the four months period ended 30 April 2011, where applicable.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the GQC Group 5 as at 31 December 2010 and 30 April 2011 and of the Target Co 5 as at 30 April 2011 and of the GQC Group 5's results and cash flows for each of the Relevant Periods then ended.

I FINANCIAL INFORMATION OF THE GQC GROUP 5

The following is the financial information of the GQC Group 5 prepared by the directors of the Company as at 31 December 2010 and 30 April 2011 and for each of the periods from 22 July 2010 (date of incorporation of the HK Co 5) to 31 December 2010 and 1 January 2011 to 30 April 2011, presented on the basis set out in Note 2 of Section II below:

(A) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	**1.1.2011 to 30.4.2011** *HK$*	**22.7.2010 to 31.12.2010** *HK$*
General and administrative expenses	*7*	(14,721)	(11,330)
Finance costs	*8*	(210,455)	(23,167)
Loss for the period		(225,176)	(34,497)
Other comprehensive income			
Exchange differences		(123)	(245)
Other comprehensive income for the period		(123)	(245)
Total comprehensive income for the period		(225,299)	(34,742)

(B) CONSOLIDATED BALANCE SHEETS

	Note	30.4.2011 HK$	31.12.2010 HK$
ASSETS			
Current assets			
Prepayments for acquisition of land use rights	11	16,809,840	2,530,846
Land tender deposits	12	–	7,635,510
Cash and cash equivalents		4,073	4,520
Total assets		16,813,913	10,170,876
EQUITY			
Capital and reserves			
Share capital	15	8	8
Capital reserve	15	(7)	(7)
Exchange reserve		(368)	(245)
Accumulated losses		(259,673)	(34,497)
Shareholder's deficits		(260,040)	(34,741)
LIABILITIES			
Current liabilities			
Other payables and accruals		7,526,669	996,406
Amount due to then ultimate holding company	13	25,623	9,209,211
Amount due to a related company	14	9,521,661	–
Total liabilities		17,073,953	10,205,617
Total equity and liabilities		16,813,913	10,170,876
Net current liabilities		(260,040)	(34,741)
Total assets less current liabilities		(260,040)	(34,741)

(C) BALANCE SHEET

	Note	30.4.2011 HK$
ASSET		
Non-current asset		
Investments in subsidiaries	20	–
Total asset		–
EQUITY		
Capital and reserves		
Share capital	15	8
Capital reserve	15	(8)
Accumulated losses		(6,084)
Shareholder's deficits		(6,084)
LIABILITY		
Current liability		
Amount due to then ultimate holding company	13	6,084
Total liability		6,084
Total equity and liability		–
Net current liability		(6,084)
Total asset less current liability		(6,084)

(D) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Share capital HK$	Capital reserve HK$	Exchange reserve HK$	Accumulated losses HK$	Shareholder's deficits HK$
Issue of share	15	8	(7)	–	–	1
Loss for the period from 22 July 2010 to 31 December 2010		–	–	–	(34,497)	(34,497)
Other comprehensive income Exchange differences		–	–	(245)	–	(245)
Total comprehensive income		–	–	(245)	(34,497)	(34,742)
At 31 December 2010		8	(7)	(245)	(34,497)	(34,741)
Loss for the period from 1 January 2011 to 30 April 2011		–	–	–	(225,176)	(225,176)
Other comprehensive income Exchange differences		–	–	(123)	–	(123)
Total comprehensive income		–	–	(123)	(225,176)	(225,299)
At 30 April 2011		8	(7)	(368)	(259,673)	(260,040)

(E) CONSOLIDATED STATEMENTS OF CASH FLOW

	1.1.2011 to 30.4.2011 HK$	22.7.2010 to 31.12.2010 HK$
Cash flows from operating activities		
Loss for the period	(225,176)	(34,497)
Finance costs	210,455	23,167
Operating loss before working capital changes	(14,721)	(11,330)
Increase in other payable and accruals	–	4,500
Increase in amount due to then ultimate holding company	14,274	11,349
Net cash (used in)/generated from operating activities	(447)	4,519
Cash flow from financing activity		
Issue of share	–	1
Net cash generated from financing activity	–	1
Net (decrease)/increase in cash and cash equivalents	(447)	4,520
Cash and cash equivalents at the beginning of the period	4,520	–
Cash and cash equivalents at the end of the period	4,073	4,520

II NOTES TO THE FINANCIAL INFORMATION OF GQC GROUP 5

1 The principal activities and reorganisation

(a) Principal activities

The Target Co 5 is a limited liability company incorporated in British Virgin Islands under the BVI Business Companies Act, 2004 on 7 January 2011. The registered address of the Target Co 5 is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. This financial information comprises the Target Co 5 and its subsidiaries. The GQC Group 5 is primarily involved in the property investment and development. Details of the activities of subsidiaries of the Target Co 5 are set out in Note 20.

(b) Reorganisation

(i) Setting up the Target Co 5 and a wholly-owned foreign enterprise

Prior to 2011, there was only one entity, the HK Co 5, within the GQC Group 5. The HK Co 5 was set up on 22 July 2010 and was wholly owned by Outlet (China) Limited ("Outlet China") as at 31 December 2010. The HK Co 5 is principally involved in investment holding.

For the purpose of the rationalisation of the GQC Group 5's structure, the Target Co 5 and the wholly-owned foreign enterprise, the WFOE 5, were incorporated/established on 7 January 2011 and 25 March 2011 respectively. Upon the incorporation of the Target Co 5, Outlet China transferred its entire interest in the HK Co 5 to the Target Co 5 at cost. The Target Co 5 settled the consideration by way of issuance of its shares to Outlet China. Upon completion, the Target Co 5 became a wholly owned subsidiary of Outlet China. Upon its establishment, the WFOE 5 became a wholly owned subsidiary of the HK Co 5.

(ii) The reorganisation subsequent to the Relevant Periods

For the purpose of the Acquisition, Outlet China transferred its entire interest in the Target Co 5 to Neo Summit on 27 July 2011, the proposed seller in the Acquisition. Accordingly, in the opinion of the directors of the Target Co 5, the immediate holding company of the Target Co 5 is Neo Summit as at the date of this report.

2 Basis of presentation

For the purpose of this report, the financial information has been prepared to present the consolidated balance sheets, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flow of the companies comprising the GQC Group 5 for the Relevant Periods or since the respective dates of incorporation/establishment, whichever is the shorter period, as if the Target Co 5 has always had interest in its subsidiaries. Immediately prior to and after the Reorganisation, the property investment and development business is held by the HK Co 5. Pursuant to the Reorganisation, the Target Co 5 was established to hold the HK Co 5. The Target Co 5 has not been involved in any other business and does not meet the definition of a business. The directors of the Target Co 5 consider it merely a capital reorganisation of the HK Co 5 with no change in management of such business and the ultimate owners of the property investment and development business remain the same, with details set out in Note 1(b)(i) above. Accordingly, the consolidated financial information of the companies comprising the GQC Group 5 is presented using the carrying values of the property investment and development business held under the HK Co 5.

3 Summary of significant accounting policies

The significant accounting policies applied in the preparation of the financial information are set out below. These policies have been consistently applied to all the Relevant Periods presented, unless otherwise stated. The financial information is presented in Hong Kong dollars.

(a) Basis of preparation

The financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial information has been prepared under the historical cost convention.

The preparation of financial statements 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in Note 5.

The GQC Group 5 has net current liabilities of HK$260,040 and shareholder's deficits of the same amount as at 30 April 2011. The immediate holding company, Neo Summit has confirmed its intention to provide continuing financial support to the GQC Group 5, up to the date of the completion of the Acquisition. After the Acquisition, the Company will replace Neo Summit in providing continuing financial support to the GQC Group 5. This support will enable the GQC Group 5 to meet its liabilities as and when they fall due and to continue its operations for the foreseeable future. The directors believe that the GQC Group 5 will continue as a going concern. Consequently, the directors have prepared the financial information on a going concern basis.

The following standards are effective for the periods beginning on or after 1 January 2012 and are relevant to the GQC Group 5's operations. They have not been early adopted by the GQC Group 5:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	July 2012
HKAS 27 (as amended in 2011)	Separate Financial Statement	January 2013
HKFRS 9	Financial Instruments	January 2013
HKFRS 10	Consolidated Financial Statement	January 2013
HKFRS 12	Disclosure of Interests in Other Entities	January 2013
HKFRS 13	Fair Value Measurement	January 2013

Management is in the process of making an assessment of the impact of the adoption of the above standards, but is not yet in a position to state whether they would have any significant changes to the GQC Group 5's results of operations and financial position.

(b) Consolidation

(i) Acquisition method of accounting

Except for the Reorganisation as disclosed in Note 2, the GQC Group 5 uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the GQC Group 5. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the GQC Group 5 recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the GQC Group 5.

(ii) Subsidiaries

Subsidiaries are all entities over which the GQC Group 5 has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the GQC Group 5 controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the GQC Group 5. They are de-consolidated from the date that control ceases.

In the Target Co 5's balance sheet, in the case of reorganisation, the cost of investment in subsidiary is the net asset value of the subsidiary acquired at date of completion. Where the net asset value of the subsidiary acquired at date of completion is negative, the cost of investment is recorded at nil. For business combination accounted for using the acquisition method, the cost of investment is being the amount of the fair value of the consideration for the subsidiary acquired at date of completion.

The results of subsidiaries are accounted by the Target Co 5 on the basis of dividend income.

(iii) Transactions with non-controlling interests

The GQC Group 5 treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Target Co 5.

(c) Impairment of investments in subsidiaries and non-financial assets

Assets that have indefinite useful lives are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(d) Payables

Payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturity of three months or less from the date of investment.

(f) Prepayments

Prepayments are deposits paid for the acquisition of land use rights. They are stated at cost, and are reclassified as properties under development upon obtaining the land use rights.

(g) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the GQC Group 5 operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(h) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the GQC Group 5 are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency and presentation currency of each entity within the GQC Group 5 are Renminbi and Hong Kong dollars, where applicable. The functional currency of Target Co 5 is Renminbi. The consolidated financial statements are presented in Hong Kong dollars to facilitate financial analysis by shareholders.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(i) Borrowings

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 the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(j) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit or loss in the period in which they are incurred.

4 Financial risk management

(a) Financial risk factors

The GQC Group 5's activities expose it to a variety of financial risks: credit risk and liquidity risk.

(i) Credit risk

Credit risk of the GQC Group 5 arises from cash and cash equivalents.

To manage the credit risk associated with cash and cash equivalents, the cash and cash equivalents are held in banks with sound credit ratings.

(ii) Liquidity risk

The GQC Group 5 adopts prudent liquidity risk management which includes maintaining sufficient cash and cash equivalents and having available funding through the support of group companies. Refer to Note 3(a) for details of financial support to the GQC Group 5.

The financial liabilities of the GQC Group 5 include payables and accruals and amounts due to ultimate holding company and a related company. All financial liabilities are due within one year.

(b) Capital risk management

The GQC Group 5 manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the GQC Group 5 may make arrangements with group companies.

The capital structure consists of amount due to then ultimate holding company and a related company, as shown in the consolidated balance sheets. The Target Co 5 relies on the borrowings from the group companies to finance its operations.

(c) Fair value estimation

The carrying value of cash and cash equivalents, other payables and accruals and amounts due to then ultimate holding company and a related company approximate their fair values.

5 Critical accounting estimates and judgement

Estimates and judgements 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.

The GQC Group 5 makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on carrying amounts of assets and liabilities are as follows:

Income taxes

The GQC Group 5 is subject to income taxes in Hong Kong and the People's Republic of China (the "PRC"). Significant judgement is required in determining the provision for PRC income taxes. There are a number of transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The GQC Group 5 recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provision in the period in which such determination is made.

6 Operating segments

The chief operating decision maker has been identified as the directors of the Target Co 5. The directors review the GQC Group 5's internal reporting in order to assess performance and allocate resources. There is only one principal segment which is related to property investment and development in the PRC.

7 Expenses by nature

	1.1.2011 to 30.4.2011	**22.7.2010 to 31.12.2010**
	HK$	*HK$*
Auditor's remuneration	–	4,500
Legal and professional fee	8,246	1,900
Others	6,475	4,930
General and administrative expenses	14,721	11,330

8 Finance costs

	1.1.2011 to 30.4.2011	**22.7.2010 to 31.12.2010**
	HK$	*HK$*
Interest expenses on		
– amount due to then ultimate holding company	210,455	23,167

9 Directors' emoluments

None of the directors of the Target Co 5 received or will receive any fees or other emoluments in respect of their services to the GQC Group 5 during the Relevant Periods.

The directors represent key management personnel of the Target Co 5 having authority and responsibility for planning, directing and controlling the activities of the Target Co 5.

10 Income tax expense

Hong Kong profits tax and PRC income tax have not been provided as the GQC Group 5 has no estimated assessable profit for the Relevant Periods.

The taxation on the GQC Group 5's loss for the period differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	1.1.2011 to 30.4.2011	**22.7.2010 to 31.12.2010**
	HK$	*HK$*
Loss for the period	(225,176)	(34,497)
Calculated at a taxation rate of 16.5% (2010: 16.5%)	(37,154)	(5,692)
Expenses not deductible for taxation purposes	37,154	5,692
Income tax expense	–	–

Deferred income tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable.

11 Prepayments for acquisition of land use rights

Prepayments for acquisition of land use rights represent advances made for the acquisitions of land use rights in Jiangxi, the PRC pursuant to land grant contracts signed with the relevant PRC authorities. Land use rights have not yet been obtained up to the date of this report.

12 Land tender deposits

Land tender deposits represent prepayments to the relevant PRC authorities for the acquisition of land use rights in respect of certain land parcels in Jiangxi, the PRC. Land grant contracts in respect of the land parcels, to which the land tender deposits as at 31 December 2010 relate, were signed in January 2011.

13 Amount due to then ultimate holding company

Amount due to then ultimate holding company is unsecured and is repayable within one year from the balance sheet date. As at 30 April 2011, the balance is denominated in Hong Kong dollars and is non-interest bearing. As at 31 December 2010, the balance is mainly denominated in Renminbi and the portion denominated in Renminbi is interest bearing at 6.941%.

14 Amount due to a related company

Amount due to a related company is unsecured, interest bearing at 6.941% and is repayable within one year from the balance sheet date. The balance is denominated in Renminbi. The related company is a subsidiary of one of the shareholders of Outlet China.

15 Share capital and capital reserve

(a) Share Capital

	30.4.2011
	HK$
Authorised:	
10,000 shares of HK$1 each	–
50,000 shares of US$1 each	390,000
Issue and fully paid:	
At beginning of the period	–
Issue of share	8
At end of the period	8

The HK Co 5, the directly owned subsidiary of the Target Co 5 was incorporated on 22 July 2010 with an authorised share capital of 10,000 shares of HK$1 each. One share was issued and allotted to Outlet China at par. The entire issued share capital of the HK Co 5 was transferred by Outlet China to the Target Co 5 upon incorporation of the Target Co 5. Refer to Note 1(b) for details of the reorganisation. The Target Co 5 was incorporated on 7 January 2011 with an authorised share capital of 50,000 shares of US$1 each. One share was issued and allotted to Outlet China at par.

(b) Share capital and capital reserve of the GQC Group 5

	GQC Group 5	
	Share capital	**Capital reserve**
	HK$	*HK$*
As at 22 July 2010	–	–
Issue of share	8	(7)
As at 31 December 2010	8	(7)

There is no movement of the share capital and capital reserve of the GQC Group 5 during the period from 1 January to 30 April 2011.

As at 31 December 2010, the share capital, as presented in the consolidated balance sheet of the Target Co 5, represents the amount of paid-up capital of the Target Co 5 as if it has always had interest in its subsidiaries. A charge of HK$7, being the difference between the paid-up capital of the Target Co 5 and the paid-up capital of the HK Co 5, is recognised in the capital reserve.

(c) Share capital and capital reserve of the Target Co 5

	Target Co 5	
	Share capital	**Capital reserve**
	HK$	*HK$*
As at 1 January 2011	–	–
Issue of share	8	(8)
As at 30 April 2011	8	(8)

As disclosed in Note 1(b), the Target Co 5 issued capital to Outlet China in exchange for the entire interest in the HK Co 5 upon the Target Co 5's incorporation. A debit to the capital reserve, of the same amount of the issued share capital of the Target Co 5, is recognised, to reflect the fact that an investment in a subsidiary with negative net asset value was made.

16 Major non-cash transaction

For the period ended 31 December 2010 and 30 April 2011, prepayments for the acquisition of land use rights were made by then ultimate holding company on behalf of the GQC Group 5. As at 30 April 2011, the amount due to then ultimate holding company in relation to these prepayments was transferred to a related company as disclosed in Note 14.

17 Capital commitment

	30.4.2011	**31.12.2010**
	HK$	*HK$*
Contracted but not provided for:		
– Acquisition of land use rights	157,936,800	20,503,416

18 Immediate and ultimate holding company

As mentioned in Note 1(b), Neo Summit became the immediate holding company of the Company subsequent to the Relevant Periods following the completion of restructuring on 27 July 2011. As at 30 April 2011 and 31 December 2010, the directors regard Outlet China, a company incorporated in Hong Kong as the ultimate holding company.

19 Related party transactions

During the Relevant Periods, the GQC Group 5 has transactions with related parties and has balances with related parties as at end of each Relevant Periods. Details of such transactions and balances are disclosed in Notes 8, 9, 13, 14 and 16.

20 Investments in and particulars of subsidiaries

	Target Co 5
	30.4.2011
	HK$
Unlisted share, at cost	–

As disclosed in Note 1(b), the Target Co 5 issued share capital to Outlet China in exchange for the entire interest in the HK Co 5 upon the Target Co 5's incorporation. Investment cost in the HK Co 5 is recorded at nil to reflect the fact that an investment in a subsidiary with negative net asset value was made.

As at date of this report, the Target Co 5 has direct or indirect interests in the following subsidiaries.

Name	Place of incorporation/ establishment	Principal activity	Date of incorporation/ establishment	Particulars of issued and fully paid share capital/ registered capital	Attributable equity interest held by the Target Co 5 *directly*	*indirectly*	Auditor
Honour Capital Limited	Hong Kong	Investment holding	22/7/2010	1 ordinary share of HK$1.0	100%	–	Klis & Associates CPA Limited
Jiangxi Xie Cheng Property Investment Limited (江西協成置業有限公司)	The People's Republic of China	Property investment and development	25/3/2011	Note	–	100%	N/A

Note:

The registered capital of Jiangxi Xie Cheng Property Investment Limited is US$25,000,000. The registered capital was not yet paid as at 30 April 2011 and up to the date of this report.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Co 5 or any of its subsidiaries in respect of any period subsequent to 30 April 2011 and up to the date of this report. No dividend or distribution has been declared or made by the Target Co 5 or any of its subsidiaries in respect of any period subsequent to 30 April 2011.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants

Hong Kong

The following is the text of a report on PSHK received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

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30 September 2011

The Directors
Hsin Chong Construction Group Ltd.

Dear Sirs,

We report on the financial information of PS Hong Kong Limited ("PSHK") and its subsidiary, namely Pinnacle State Management Consultant (Beijing) Co., Ltd. (together, the "PSHK Group") which comprises the consolidated and company balance sheets of PSHK as at 31 December 2008, 2009, 2010 and 30 April 2011, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flow of PSHK for the years ended 31 December 2008, 2009, 2010 and the four months ended 30 April 2011 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of Hsin Chong Construction Group Ltd. (the "Company") and is set out in Sections I to III below for inclusion in Appendix II F to the circular of the Company dated 30 September 2011 (the "Circular") in connection with the proposed acquisition of PSHK by the Company (the "Acquisition").

PSHK was incorporated in Hong Kong on 18 May 2007 with limited liability under the Hong Kong Companies Ordinance.

As at the date of this report, PSHK has direct and indirect interests in the subsidiary as set out in Note 23 of Section II below.

The financial statements of PSHK for each of the years ended 31 December 2008, 2009 and 2010 were audited by Nexia Charles Mar Fan & Co.

The directors of the respective companies comprising the PSHK Group are responsible for the preparation of the respective companies' financial statements that give a true and fair presentation of the respective companies' financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") or the Accounting Standards for Business Enterprises of the People's Republic of China, where applicable, and for such internal control as the directors determine is necessary to enable the preparation of the respective companies' financial statements that are free from material misstatement, whether due to fraud or error.

The financial information has been prepared based on the audited consolidated financial statements or, where appropriate, unaudited consolidated financial statements of companies comprising the PSHK Group after making such adjustments as are appropriate.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the audited annual consolidated financial statements of the Company for the year ended 31 December 2010 and the new accounting standards introduced that are effective for the four months period ended 30 April 2011, where applicable.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of PSHK and of the PSHK Group as at 31 December 2008, 2009, 2010 and 30 April 2011, and of the PSHK Group's results and cash flows for the Relevant Periods then ended.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix II F to the Circular which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statements of cash flows of PSHK for the four months ended 30 April 2010, and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below and the accounting policies adopted by the Group as set out in audited annual consolidated financial statements of the Company for the year ended 31 December 2010.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I FINANCIAL INFORMATION OF THE PSHK GROUP

The following is the financial information of the PSHK Group prepared by the directors of the Company as at 31 December 2008, 2009, 2010 and 30 April 2011 and for each of the years ended 31 December 2008, 2009, 2010 and the four months ended 30 April 2010 and 2011:

(A) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Four months ended 30 April	
		2008	**2009**	**2010**	**2010**	**2011**
	Note	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
					(unaudited)	
Turnover	*6*	–	–	3,000,180	–	1,221,055
General and administrative expenses	*7*	(2,780,194)	(10,557,051)	(15,038,255)	(4,431,433)	(3,882,347)
Finance costs	*8*	–	–	–	–	(330)
Loss before income tax		(2,780,194)	(10,557,051)	(12,038,075)	(4,431,433)	(2,661,622)
Income tax expense	*10*	–	–	–	–	(259,461)
Loss for the year/period		(2,780,194)	(10,557,051)	(12,038,075)	(4,431,433)	(2,921,083)
Other comprehensive income						
Exchange differences		–	–	–	–	3,600
Other comprehensive income for the year/period		–	–	–	–	3,600
Total comprehensive income for the year/period		(2,780,194)	(10,557,051)	(12,038,075)	(4,431,433)	(2,917,483)

(B) CONSOLIDATED BALANCE SHEETS

		As at 31 December			As at 30 April
		2008	2009	2010	2011
	Note	*HK$*	*HK$*	*HK$*	*HK$*
ASSETS					
Non-current asset					
Property, plant and equipment	*11*	–	957,921	644,350	558,767
Current assets					
Accounts receivable, deposits and prepayments	*12*	40,579	558,693	463,960	1,097,931
Amounts due from related companies	*21*	2,542	–	–	10,023
Cash and cash equivalents	*13*	55,893	90,385	1,012,476	3,114,051
		99,014	649,078	1,476,436	4,222,005
Total assets		99,014	1,606,999	2,120,786	4,780,772
EQUITY					
Share capital	*16*	8	8	19,467,044	19,467,044
General reserve	*17*	–	–	4,165,408	4,165,408
Exchange reserve		–	–	–	3,600
Accumulated losses		(2,819,595)	(13,376,646)	(25,414,721)	(28,335,804)
Shareholder's deficits		(2,819,587)	(13,376,638)	(1,782,269)	(4,699,752)
LIABILITIES					
Current liabilities					
Other payables and accruals	*14*	189,376	90,354	2,672,653	1,084,923
Amount due to ultimate holding company	*21*	–	–	–	1,875,985
Amount due to then ultimate holding company	*21*	7,921	15,921	–	–
Amount due to a then intermediate holding company	*21*	–	6,835,575	–	–
Amount due to then immediate holding company	*21*	2,680,485	7,978,964	–	–
Amount due to a then fellow subsidiary	*21*	40,819	62,823	–	–
Amount due to a director	*21*	–	–	1,085,608	4,260,155
Bank loan	*15*	–	–	–	2,000,000
Income tax payable		–	–	–	259,461
		2,918,601	14,983,637	3,758,261	9,480,524
Non-current liability					
Other payables and accruals	*14*	–	–	144,794	–
Total liabilities		2,918,601	14,983,637	3,903,055	9,480,524
Total equity and liabilities		99,014	1,606,999	2,120,786	4,780,772
Net current liabilities		(2,819,587)	(14,334,559)	(2,281,825)	(5,258,519)
Total assets less current liabilities		(2,819,587)	(13,376,638)	(1,637,475)	(4,699,752)

(C) BALANCE SHEET

		As at 31 December			As at 30 April
		2008	2009	2010	2011
	Note	*HK$*	*HK$*	*HK$*	*HK$*
ASSETS					
Non-current assets					
Investment in a subsidiary	23	–	–	–	–
Property, plant and equipment	11	–	957,921	644,350	548,127
		–	957,921	644,350	548,127
Current assets					
Deposits and prepayments	12	40,579	558,693	463,960	622,771
Amounts due from related companies	21	2,542	–	–	10,023
Cash and cash equivalents	13	55,893	90,385	1,012,476	2,383,751
		99,014	649,078	1,476,436	3,016,545
Total assets		99,014	1,606,999	2,120,786	3,564,672
EQUITY					
Share capital	16	8	8	19,467,044	19,467,044
General reserve	17	–	–	4,165,408	4,165,408
Accumulated losses	20	(2,819,595)	(13,376,646)	(25,414,721)	(29,114,189)
Shareholder's deficits		(2,819,587)	(13,376,638)	(1,782,269)	(5,481,737)
LIABILITIES					
Current liabilities					
Other payables and accruals	14	189,376	90,354	2,672,653	910,269
Amount due to ultimate holding company	21	–	–	–	1,875,985
Amount due to then ultimate holding company	21	7,921	15,921	–	–
Amount due to a then intermediate holding company	21	–	6,835,575	–	–
Amount due to then immediate holding company	21	2,680,485	7,978,964	–	–
Amount due to a then fellow subsidiary	21	40,819	62,823	–	–
Amount due to a director	21	–	–	1,085,608	4,260,155
Bank loan	15	–	–	–	2,000,000
		2,918,601	14,983,637	3,758,261	9,046,409
Non-current liability					
Other payables and accruals	14	–	–	144,794	–
Total liabilities		2,918,601	14,983,637	3,903,055	9,046,409
Total equity and liabilities		99,014	1,606,999	2,120,786	3,564,672
Net current liabilities		(2,819,587)	(14,344,559)	(2,281,825)	(6,029,864)
Total assets less current liabilities		(2,819,587)	(13,376,638)	(1,637,475)	(5,481,737)

(D) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital HK$	General reserve HK$	Exchange reserve HK$	Accumulated losses HK$	Total HK$
Balance at 1 January 2008	8	–	–	(39,401)	(39,393)
Loss and total comprehensive income for the year	–	–	–	(2,780,194)	(2,780,194)
Balance at 31 December 2008	8	–	–	(2,819,595)	(2,819,587)
Balance at 1 January 2009	8	–	–	(2,819,595)	(2,819,587)
Loss and total comprehensive income for the year	–	–	–	(10,557,051)	(10,557,051)
Balance at 31 December 2009	8	–	–	(13,376,646)	(13,376,638)
Balance at 1 January 2010	8	–	–	(13,376,646)	(13,376,638)
Loss and total comprehensive income for the year	–	–	–	(12,038,075)	(12,038,075)
Waiver of amount due to a then immediate holding company	–	4,165,408	–	–	4,165,408
Issue of shares	19,467,036	–	–	–	19,467,036
Balance at 31 December 2010	19,467,044	4,165,408	–	(25,414,721)	(1,782,269)
Balance at 1 January 2011	19,467,044	4,165,408	–	(25,414,721)	(1,782,269)
Loss for the period	–	–	–	(2,921,083)	(2,921,083)
Other comprehensive income					
Exchange differences	–	–	3,600	–	3,600
Total comprehensive income	–	–	3,600	(2,921,083)	(2,917,483)
Balance at 30 April 2011	19,467,044	4,165,408	3,600	(28,335,804)	(4,699,752)
Balance at 1 January 2010	8	–	–	(13,376,646)	(13,376,638)
Loss and total comprehensive income for the period (unaudited)	–	–	–	(4,431,433)	(4,431,433)
Balance at 30 April 2010 (unaudited)	8	–	–	(17,808,079)	(17,808,071)

(E) CONSOLIDATED STATEMENTS OF CASH FLOW

	Year ended 31 December			Four months ended 30 April	
	2008	2009	2010	2010	2011
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Cash flows from operating activities					
Operating loss for the year/period	(2,780,194)	(10,557,051)	(12,038,075)	(4,431,433)	(2,661,622)
Adjustment for interest expenses	–	–	–	–	330
Adjustment for depreciation	–	244,141	428,256	139,913	154,855
Operating loss before working capital changes	(2,780,194)	(10,312,910)	(11,609,819)	(4,291,520)	(2,506,437)
(Increase)/decrease in accounts receivable, deposits and prepayments	(40,579)	(518,114)	94,733	(138,896)	(633,971)
(Increase)/decrease in amount due from related companies	(2,542)	2,542	–	(88,060)	(10,023)
Increase/(decrease) in other payables and accruals	176,370	(99,022)	2,727,093	611,995	(1,732,524)
Net cash used in operating activities	(2,646,945)	(10,927,504)	(8,787,993)	(3,906,481)	(4,882,955)
Cash flows from investing activity					
Purchases of property, plant and equipment	–	(1,202,062)	(114,685)	–	(69,272)
Net cash used in investing activity	–	(1,202,062)	(114,685)	–	(69,272)
Cash flow from financing activities					
Bank loan borrowed	–	–	–	–	2,000,000
Increase in amount due to ultimate holding company	–	–	–	–	1,875,985
Increase/(decrease) in amount due then ultimate holding company	7,921	8,000	(15,921)	(15,921)	–
(Decrease)/increase in amount due to a then intermediate holding company	(26,387)	6,835,575	(6,835,575)	3,663,329	–
Increase/(decrease) in amount due to then immediate holding company	2,680,485	5,298,479	15,653,480	18,447	–
Increase/(decrease) in amount due to a then fellow subsidiary	40,819	22,004	(62,823)	226,905	–
Increase in amount due to a director	–	–	1,085,608	–	3,174,547
Interest paid	–	–	–	–	(330)
Net cash generated from financing activities	2,702,838	12,164,058	9,824,769	3,892,760	7,050,202
Effect of exchange rate changes on cash and cash equivalents	–	–	–	–	3,600
Net increase/(decrease) in cash and cash equivalents	55,893	34,492	922,091	(13,721)	2,101,575
Cash and cash equivalents at the beginning of the year/period	–	55,893	90,385	90,385	1,012,476
Cash and cash equivalents at the end of the year/period	55,893	90,385	1,012,476	76,664	3,114,051
Analysis of balances of cash and cash equivalents					
Cash and bank balances	55,893	90,385	1,012,476	76,664	3,114,051

II NOTES TO THE FINANCIAL INFORMATION OF THE PSHK GROUP

1 General information

PSHK is a limited liability company incorporated in Hong Kong under the Hong Kong Companies Ordinance on 18 May 2007. The registered address of PSHK is at Room 2803-2804, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

This financial information comprises PSHK and its subsidiary. The PSHK Group is engaged in providing real estate related investment advisory services during the years ended 31 December 2008, 2009, 2010 and the four months ended 30 April 2011. Details of the activity of subsidiary of PSHK are set out in Note 23.

Prior to 16 November 2010, PSHK was an indirect wholly owned subsidiary of Pacific Star Holdings Pte. Ltd. ("PSH"), a then ultimate holding company. On 16 November 2010, Pinnacle State Group Limited ("PSG") acquired the entire issued share capital of PSHK from Pacific Star China Pte. Ltd., a direct wholly owned subsidiary of PSH, and became the immediate and ultimate holding company of PSHK.

2 Summary of significant accounting policies

The significant accounting policies applied in the preparation of the financial information are set out below. These policies have been consistently applied to all the Relevant Periods and four months period ended 30 April 2010 presented, unless otherwise stated. The financial information is presented in Hong Kong dollars.

(a) Basis of preparation

The financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial information has been prepared under the historical cost convention.

The preparation of financial statements 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in Note 5.

The PSHK Group had net current liabilities of HK$5,258,519 and shareholder's deficits of HK$4,699,752 as at 30 April 2011. The shareholder of the immediate holding company of the PSHK Group has confirmed its intention to provide continuing financial support to the PSHK Group, up to the date of the completion of the Acquisition. Upon the completion of Acquisition, the Company will replace the shareholder of the immediate holding company in providing continuing financial support to the PSHK Group up to twelve months after 30 April 2011. This support will enable the PSHK Group to meet its liabilities as and when they fall due and to continue its operations for the foreseeable future. The directors believe that the PSHK Group will continue as a going concern, and therefore the directors have prepared the financial information on a going concern basis.

During the Relevant Periods, there have been a number of new/revised standards, amendments to standards and interpretations that have come into effect, which the PSHK Group has adopted at their respective effective dates.

(i) The following standards are effective for the periods beginning on or after 1 January 2011 and are relevant to the PSHK Group's operations:

		Effective for annual periods beginning on or after
Annual Improvement Project	Improvements to HKFRSs 2010	1 January 2011 (unless otherwise stated

The adoption of the above improvements to existing standards has no significant impact on the PSHK Group's financial statements or results in any substantial changes in the PSHK Group's significant accounting policies.

(ii) The following standards are effective for the periods beginning on or after 1 January 2012 and are relevant to the PSHK Group's operations. They have not been early adopted by the PSHK Group:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	July 2012
HKAS 27 (as amended in 2011)	Separate Financial Statement	January 2013
HKFRS 9	Financial Instruments	January 2013
HKFRS 10	Consolidated Financial Statement	January 2013
HKFRS 12	Disclosure of Interests in Other Entities	January 2013
HKFRS 13	Fair Value Measurement	January 2013

Management is in the process of making an assessment of the impact of the adoption of the above standards, but is not yet in a position to state whether they would have any significant changes to the PSHK Group's results of operations and financial position.

(b) Consolidation

(i) Acquisition method of accounting

The PSHK Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the PSHK Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the PSHK Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the PSHK Group.

(ii) Subsidiaries

Subsidiaries are all entities over which the PSHK Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the PSHK Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the PSHK Group. They are de-consolidated from the date that control ceases.

In PSHK's balance sheet, investment in a subsidiary is accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted by PSHK on the basis of dividend income received or receivable.

(c) Impairment of investments in subsidiaries and non-financial assets

Assets that have indefinite useful lives are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(d) Property, plant and equipment

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

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

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to the residual values of respective property, plant and equipment over their estimated useful lives as follows:

Leasehold improvement and furniture and fixtures	35%
Office and computer equipments	33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses arising on disposal of an item of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

(e) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of account and other receivables is established when there is objective evidence that the PSHK Group will not be able to collect all amounts due according to original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits held at call with banks.

(g) Payables

Payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(h) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the PSHK Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(i) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the PSHK Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the functional currency of PSHK.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

(j) Borrowings

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 the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(k) Revenue recognition

Real estate related investment advisory service fee income is recognised when the relevant services are rendered.

3 Financial risk management

(a) Financial risk factors

The PSHK Group's activities expose it to a variety of financial risks: market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk.

(i) Market risk

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the PSHK Group entities' functional currencies.

Major financial instruments under foreign currencies (other than the functional currencies of the PSHK Group's entities), that are exposed to foreign exchange risk, are denominated in United States dollar which is pegged to Hong Kong dollars and management considers foreign exchange risk low.

(b) Cash flow interest rate risk

At 30 April 2011, the PSHK Group's interest rate risk mainly arises from bank loan which carries at prevailing market interest rate and this exposes the PSHK Group to cash flow interest rate risk.

As at 31 December 2008, 2009 and 2010 and 30 April 2010, there were no significant interest-bearing assets or liabilities.

At 30 April 2011, management considers the impact of interest rate risk arising from the bank loan is not significant.

(ii) Credit risk

Credit risk of the PSHK Group arises from accounts receivable, amounts due from related companies and cash and cash equivalents.

For accounts receivable and amount due from related companies, the PSHK Group continuously monitors by assessing the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

To manage the credit risk associated with cash and cash equivalents, cash and cash equivalents are placed in banks with sound credit ratings.

(iii) Liquidity risk

The PSHK Group adopts prudent liquidity risk management which includes maintaining sufficient cash and cash equivalents and having available funding through the support of group companies and committed credit facilities. Refer to Note 2(a) for details of financial support to the PSHK Group.

The financial liabilities of the PSHK Group include other payables and accruals, amounts due to ultimate holding company, a director, then ultimate holding company, a then intermediate holding company, then immediate holding company and a then fellow subsidiary and bank loan. Except for a payable of HK$144,794 that was due between 1 to 2 years from the balance sheet date of 31 December 2010, all financial liabilities are due within one year from each of the balance sheet dates during the Relevant Periods.

(b) Capital risk management

The PSHK Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the PSHK Group may make arrangements with group companies. The PSHK Group relies on the borrowings from the group companies and bank borrowings to finance its operations.

The PSHK Group's operations are mainly financed by its group companies, a director and bank loan as follows:

	As at 31 December			As at 30 April
	2008	**2009**	**2010**	**2011**
	HK$	*HK$*	*HK$*	*HK$*
Amount due to ultimate holding company	–	–	–	1,875,985
Amount due to then ultimate holding company	7,921	15,921	–	–
Amount due to a then intermediate holding company	–	6,835,575	–	–
Amount due to then immediate holding company	2,680,485	7,978,964	–	–
Amount due to a then fellow subsidiary	40,819	62,823	–	–
Amount due to a director	–	–	1,085,608	4,260,155
Bank loan	–	–	–	2,000,000
	2,729,225	14,893,283	1,085,608	8,136,140

(c) Fair value estimation

The carrying value of accounts receivable, other receivables, amounts due from related companies, cash and cash equivalents, other payables and accruals, amounts due to group companies and a director, and bank loan approximate their fair values.

4 Operating segments

The chief operating decision maker (the "CODM") has been identified as the directors of PSHK. The CODM reviews the PSHK Group's internal reporting in order to assess performance and allocate resources. There is only one principal segment which is related to the provision of real estate related investment advisory services.

5 Critical accounting estimates and judgement

Estimates and judgements 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.

The PSHK Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on carrying amounts of assets and liabilities are as follows:

Income taxes

The PSHK Group is subject to income taxes in Hong Kong and the People's Republic of China (the "PRC"). Significant judgement is required in determining the provision for PRC income taxes. There are a number of transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The PSHK Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provision in the period in which such determination is made.

6 Turnover

Turnover represents the real estate related investment advisory service fee income earned during the years/period.

7 Expenses by nature

	Year ended 31 December			Four months ended 30 April	
	2008	2009	2010	2010	2011
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Auditor's remuneration	21,222	14,403	20,909	5,279	6,667
Depreciation	–	244,141	428,256	139,913	154,855
Staff and related costs	2,313,540	7,879,456	9,774,876	3,404,336	2,529,472
Exchange loss	–	4,141	25,732	960	2,106
Operating lease rentals	114,212	911,568	1,455,600	572,024	473,390
Traveling and entertainment expenses	234,910	1,075,002	1,872,310	187,320	321,608
Others	96,310	428,340	1,460,572	121,601	394,249
Total general and administrative expenses	2,780,194	10,557,051	15,038,255	4,431,433	3,882,347

8 Finance costs

	Year ended 31 December			Four months ended 30 April	
	2008	2009	2010	2010	2011
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Interest expenses on bank loan	–	–	–	–	330

9 Directors' remuneration

	Year ended 31 December			Four months ended 30 April	
	2008	2009	2010	2010	2011
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Fees	–	–	–	–	–
Other emoluments	2,241,436	6,924,539	5,945,941	1,961,643	746,668
	2,241,436	6,924,539	5,945,941	1,961,643	746,668

The directors of PSHK represent key management personnel of PSHK having authority and responsibility for planning, directing and controlling the activities of PSHK.

10 Taxation

No provision for Hong Kong profits tax has been made in the financial statements as the PSHK Group has no estimated assessable profit during the Relevant Periods and four months period ended 30 April 2010.

Income tax on PRC income has been calculated on the estimated assessable profits for the year/period at tax rates prevailing in the country in which the income is sourced.

	Year ended 31 December			Four months ended 30 April	
	2008	2009	2010	2010	2011
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Current taxation					
– Hong Kong profits tax	–	–	–	–	–
– PRC tax	–	–	–	–	259,461
	–	–	–	–	259,461

The tax on PSHK's profit before income tax differs from the theoretical amount that would arise using the tax rate of the home country of PSHK as follows:

	Year ended 31 December			Four months ended 30 April	
	2008	2009	2010	2010	2011
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Loss before taxation	(2,780,194)	(10,557,051)	(12,038,075)	(4,431,433)	(2,661,622)
Calculated at tax rate of 16.5%	(458,732)	(1,741,913)	(1,986,282)	(731,186)	(439,168)
Expenses not deductible for taxation purpose	458,732	1,775,596	–	710,640	593,853
Effect of different taxation rates in other countries	–	–	–	–	88,217
Tax losses not recognised	–	–	1,942,175	–	–
Temporary differences not recognised	–	(33,683)	44,107	20,546	16,559
Income tax expense	–	–	–	–	259,461

Deferred income tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. PSHK did not recognise deferred income tax asset of HK$1,942,175 as at 31 December 2010 (30 April 2011, 31 December 2009 and 2008: Nil) in respect of tax losses amounting to HK$11,770,758 for year ended 31 December 2010 (period ended 30 April 2011 and year ended 31 December 2009 and 2008: Nil) that can be carried forward against future taxable income. The unrecognised tax losses have no expiry date. In addition, the PSHK Group does not recognise deferred tax assets of HK$26,983 and HK$10,424 as at 30 April 2011 and 31 December 2010, and deferred tax liabilities of HK$33,683 as at 31 December 2009 in respect of temporary differences arising from accelerated tax depreciation (31 December 2008: Nil).

11 Property, plant and equipment

(a) PSHK Group

	Leasehold improvements *HK$*	Furniture and fixtures *HK$*	Computer equipment *HK$*	Office equipment *HK$*	Total *HK$*
Cost					
At 1 January 2009	–	–	–	–	–
Additions	771,921	170,497	184,236	75,408	1,202,062
At 31 December 2009	771,921	170,497	184,236	75,408	1,202,062
Less: Accumulated depreciation					
At 1 January 2009	–	–	–	–	–
Charge for the year	158,554	35,033	36,674	13,880	244,141
At 31 December 2009	158,554	35,033	36,674	13,880	244,141
Net book value					
At 31 December 2009	613,367	135,464	147,562	61,528	957,921

	Leasehold improvements *HK$*	Furniture and fixtures *HK$*	Computer equipment *HK$*	Office equipment *HK$*	Total *HK$*
Cost					
At 1 January 2010	771,921	170,497	184,236	75,408	1,202,062
Additions	–	–	114,685	–	114,685
At 31 December 2010	771,921	170,497	298,921	75,408	1,316,747
Less: Accumulated depreciation					
At 1 January 2010	158,554	35,033	36,674	13,880	244,141
Charge for the year	272,673	60,245	70,163	25,175	428,256
At 31 December 2010	431,227	95,278	106,837	39,055	672,397
Net book value					
At 31 December 2010	340,694	75,219	192,084	36,353	644,350
Cost					
At 1 January 2011	771,921	170,497	298,921	75,408	1,316,747
Additions	–	49,132	9,500	10,640	69,272
At 30 April 2011	771,921	219,629	308,421	86,048	1,386,019
Less: Accumulated depreciation					
At 1 January 2011	431,227	95,278	106,837	39,055	672,397
Charge for the period	90,784	21,423	34,269	8,379	154,855
At 30 April 2011	522,011	116,701	141,106	47,434	827,252
Net book value					
At 30 April 2011	249,910	102,928	167,315	38,614	558,767

	Leasehold improvements HK$	Furniture and fixtures HK$	Computer equipment HK$	Office equipment HK$	Total HK$
Cost					
At 1 January 2010	771,921	170,497	184,236	75,408	1,202,062
Additions	–	–	–	–	–
At 30 April 2010	771,921	170,497	184,236	75,408	1,202,062
Less: Accumulated depreciation					
At 1 January 2010	158,554	35,033	36,674	13,880	244,141
Charge for the period	90,891	20,082	20,548	8,392	139,913
At 30 April 2010	249,445	55,115	57,222	22,272	384,054
Net book value					
At 30 April 2010	522,476	115,382	127,014	53,136	818,008

(b) PSHK

	Leasehold improvements HK$	Furniture and fixtures HK$	Computer equipment HK$	Office equipment HK$	Total HK$
Cost					
At 1 January 2009	–	–	–	–	–
Additions	771,921	170,497	184,236	75,408	1,202,062
At 31 December 2009	771,921	170,497	184,236	75,408	1,202,062
Less: Accumulated depreciation					
At 1 January 2009	–	–	–	–	–
Charge for the year	158,554	35,033	36,674	13,880	244,141
At 31 December 2009	158,554	35,033	36,674	13,880	244,141
Net book value					
At 31 December 2009	613,367	135,464	147,562	61,528	957,921

	Leasehold improvements *HK$*	Furniture and fixtures *HK$*	Computer equipment *HK$*	Office equipment *HK$*	Total *HK$*
Cost					
At 1 January 2010	771,921	170,497	184,236	75,408	1,202,062
Additions	–	–	114,685	–	114,685
At 31 December 2010	771,921	170,497	298,921	75,408	1,316,747
Less: Accumulated depreciation					
At 1 January 2010	158,554	35,033	36,674	13,880	244,141
Charge for the year	272,673	60,245	70,163	25,175	428,256
At 31 December 2010	431,227	95,278	106,837	39,055	672,397
Net book value					
At 31 December 2010	340,694	75,219	192,084	36,353	644,350
Cost					
At 1 January 2011	771,921	170,497	298,921	75,408	1,316,747
Additions	–	49,132	9,500	–	58,632
At 30 April 2011	771,921	219,629	308,421	75,408	1,375,379
Less: Accumulated depreciation					
At 1 January 2011	431,227	95,278	106,837	39,055	672,397
Charge for the period	90,784	21,423	34,269	8,379	154,855
At 30 April 2011	522,011	116,701	141,106	47,434	827,252
Net book value					
At 30 April 2011	249,910	102,928	167,315	27,974	548,127

	Leasehold improvements	Furniture and fixtures	Computer equipment	Office equipment	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Cost					
At 1 January 2010	771,921	170,497	184,236	75,408	1,202,062
Additions	–	–	–	–	–
At 30 April 2010	771,921	170,497	184,236	75,408	1,202,062
Less: Accumulated depreciation					
At 1 January 2010	158,554	35,033	36,674	13,880	244,141
Charge for the period	90,891	20,082	20,548	8,392	139,913
At 30 April 2010	249,445	55,115	57,222	22,272	384,054
Net book value					
At 30 April 2010	522,476	115,382	127,014	53,136	818,008

12 Accounts receivable, deposits and prepayments

	PSHK Group and PSHK			PSHK Group	PSHK
	As at 31 December			As at 30 April	As at 30 April
	2008	**2009**	**2010**	**2011**	**2011**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Accounts receivable	–	–	–	475,160	–
Rental and other deposits	28,311	417,882	419,404	414,132	414,132
Prepayments	12,268	140,811	44,556	208,639	208,639
	40,579	558,693	463,960	1,097,931	622,771

(i) The carrying amounts of the PSHK Group's accounts receivable are denominated in Renminbi. The carrying amounts of accounts receivable approximate their fair values.

(ii) The maximum exposure to credit risk of the reporting date is the fair value of each class of accounts receivable and deposits mentioned above. The PSHK Group does not hold any collateral as security other than rental deposits from tenants.

(iii) Accounts receivables that are less than three months are not considered past due. Accounts receivable that are neither past due nor impaired amounted to HK$475,160 as at 30 April 2011 (31 December 2010, 2009 and 2008: Nil). This balance relates to an independent customer for whom there is no recent history of default. The ageing analysis of accounts receivable is as follows:

	As at 31 December			As at 30 April
	2008	**2009**	**2010**	**2011**
	HK$	*HK$*	*HK$*	*HK$*
Up to 3 months	–	–	–	475,160

13 Cash and cash equivalents

(a) PSHK Group

Cash and cash equivalents represents cash and bank balances and are denominated in the following currencies:

	As at 31 December			As at 30 April
	2008	**2009**	**2010**	**2011**
	HK$	*HK$*	*HK$*	*HK$*
Hong Kong dollar	55,893	90,385	1,012,476	2,383,751
Renminbi	–	–	–	730,300
	55,893	90,385	1,012,476	3,114,051

(b) PSHK

The entire balance is denominated in Hong Kong dollar.

14 Other payables and accruals

	PSHK Group and PSHK			PSHK Group	PSHK
	As at 31 December			As at 30 April	As at 30 April
	2008	**2009**	**2010**	**2011**	**2011**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Total other payables and accruals	189,376	90,354	2,817,447	1,084,923	910,269
Less non-current portion	–	–	144,794	–	–
Current portion	189,376	90,354	2,672,653	1,084,923	910,269

Except for other payables with carrying amounts of HK$420,974 and HK$2,279,883 as at 30 April 2011 and 31 December 2010 respectively (31 December 2009 and 2008: Nil) that are denominated in United State dollar, all other payables and accruals are denominated in Hong Kong dollar and approximate their fair values.

15 Bank loan

	As at 31 December			As at 30 April
	2008	2009	2010	2011
	HK$	*HK$*	*HK$*	*HK$*
Bank loan	–	–	–	2,000,000

The bank loan bears interest at 3 months HIBOR plus 1.75% per annum. The bank loan is repayable within one year from the balance sheet date.

The bank loan is secured by 20,000,000 of the Company's shares held by a director and is denominated in Hong Kong dollar. The carrying amount of bank loan approximates its fair value.

16 Share capital

	As at 31 December			As at 30 April
	2008	2009	2010	2011
	HK$	*HK$*	*HK$*	*HK$*
Authorised – 3,000,000 (31 December 2008, 2009: 1,000) ordinary shares of USD1 each	7,808	7,808	23,340,000	23,340,000

	Number of ordinary shares of USD 1 each	*HK$*
Issued and fully paid –		
Balance at 1 January 2008 and 2009 and 31 December 2009	1	8
Balance at 1 January 2010	1	8
Issue of shares	2,502,190	19,467,036
Balance at 31 December 2010	2,502,191	19,467,044
Balance at 1 January and 30 April 2011	2,502,191	19,467,044

Pursuant to a resolution passed on 30 June 2010, the authorised share capital of PSHK increased from USD1,000 to USD3,000,000 by the creation of an additional 2,999,000 ordinary shares of USD1 each, ranking pari passu in all respect with the then existing share capital of PSHK.

On 30 June 2010, PSHK issued 2,502,190 ordinary shares of USD1 each to a then immediate holding company, by capitalisation of the same amount due thereto.

17 General reserve

During year ended 31 December 2010 and prior to the acquisition of PSHK by PSG, an amount of HK$4,165,408 due to a then immediate holding company, Pacific Star China Pte. Ltd., was waived. The waiver was regarded as a capital contribution from the shareholder and was credited to general reserve.

18 Operating lease commitments

At 31 December 2008, 2009, 2010 and 30 April 2011, the total future minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December			As at 30 April
	2008	2009	2010	2011
	HK$	*HK$*	*HK$*	*HK$*
Within one year	28,500	1,420,171	1,420,171	1,262,374
In the second to fifth years, inclusive	–	1,735,765	315,594	–
	28,500	3,155,936	1,735,765	1,262,374

19 Loss attributable to equity holder of PSHK

The loss attributable to equity holders of PSHK is dealt with in the financial information of PSHK to the extent of HK$3,699,468 for the period ended 30 April 2011. The comparative amounts for the period ended 30 April 2010, 31 December 2008, 2009 and 2010 are the same as the "Loss for the year/period" as disclosed in the consolidated statements of comprehensive income.

20 Accumulated losses

	As at 31 December			As at 30 April
	2008	2009	2010	2011
	HK$	*HK$*	*HK$*	*HK$*
At the beginning of the years/period	(39,401)	(2,819,595)	(13,376,646)	(25,414,721)
Loss for the years/period	(2,780,194)	(10,557,051)	(12,038,075)	(3,699,468)
At the end of the years/period	(2,819,595)	(13,376,646)	(25,414,721)	(29,114,189)

21 Related party transactions

In addition to those disclosed elsewhere in the financial information, the PSHK Group has the following significant related parties transactions.

(a) Year/period-end balances with related parties

The balances with related parties including balances with group companies, related companies and a director, are unsecured, interest free and repayable on demand and approximate their fair values.

As at 31 December 2008 and 2009, amounts due to then ultimate holding company, a then intermediate holding company, then immediate holding company and a then fellow subsidiary are denominated in United State dollars. Amounts due from related companies are denominated in Hong Kong dollars.

As at 31 December 2010 and 30 April 2011, amounts due from related companies, amounts due to ultimate holding company and a director are denominated in Hong Kong dollars.

(b) Compensation of key management personnel

All the compensation paid for key management personnel related solely to the directors of PSHK and is disclosed in Note 9 to the financial information.

22 Ultimate and immediate holding company

As at 31 December 2009 and 2008, the directors of PSHK regarded Pacific Star China Pte. Ltd. and Pacific Holdings Pte. Ltd., companies incorporated in Singapore, as being the immediate holding company and ultimate holding company respectively.

As at 30 April 2011 and 31 December 2010, the directors regard PSG, a company incorporated in the British Virgin Islands, as the ultimate holding company.

23 Investment in and particulars of a subsidiary

	PSHK **30.4.2011** *HK$*
Unlisted share, at cost	–

As at date of report, PSHK has direct interests in the following subsidiary.

Name	Place of establishment	Principal activity	Date of establishment	Particulars of registered capital	Attributable equity interest directly held by PSHK	Auditor
Pinnacle State Management Consultant (Beijing) Co., Ltd. (峻炫管理咨詢(北京)有限公司)	The People's Republic of China	Corporate management and investment consultation	5/1/2011	Note	100%	N/A

Note:

The registered capital of Pinnacle State Management Consultant (Beijing) Co., Ltd. (峻炫管理咨詢(北京)有限公司) is HK$150,000. The registered capital was not paid up as at 30 April 2011, which was subsequently paid up by PSHK on 23 May 2011.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by PSHK or its subsidiary in respect of any period subsequent to 30 April 2011 and up to the date of this report. No dividend or distribution has been declared or made by PSHK or its subsidiary in respect of any period subsequent to 30 April 2011.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants

Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP AND THE PSHK GROUP

(A) TL GROUP

For the period from the date of incorporation to 31 December 2010

Financial and business review

During the period under review, the Target Co 1 and the Target Co 2 were primarily engaged in property investment and development. No revenue for the period from the date of incorporation to 31 December 2010 was recorded for the Target Co 1 and the Target Co 2, as this reflected the start-up status of the TL Group.

The Target Co 1 and the Target Co 2 recorded total comprehensive losses for the period of approximately HK$0.46 million and HK$0.26 million respectively, the losses were due to finance costs for the period of approximately HK$0.45 million and HK$0.25 million respectively incurred on shareholders' loans provided by their then ultimate holding company. Throughout the period the Target Co 1 and the Target Co 2 were mainly conducting initial business developments of the Target Site 1 and Target Site 2.

Financial position

Total assets of the Target Co 1 and the Target Co 2 were approximately HK$54.7 million and HK$31.4 million respectively as at 31 December 2010 which were mainly made up of land tender deposits prepayments to the relevant PRC authorities for the acquisitions of land use rights in respect of the Target Site 1 and the Target Site 2.

Total liabilities of the Target Co 1 and the Target Co 2 were approximately HK$55.1 million and HK$31.6 million respectively as at 31 December 2010 which were entirely made up of shareholders' loans provided by their then ultimate holding company.

Liquidity and financial resources

As at 31 December 2010, the Target Co 1 and the Target Co 2 had current ratios of approximately 0.99 times and 0.99 times respectively. Gearing ratios (defined as total liabilities divided by total assets) were approximately 100.8% and 100.8% respectively.

For the period, the Target Co 1 and the Target Co 2 had utilised current liabilities in shareholders loans provided by their then ultimate holding to finance the aforesaid prepayments for the Target Site 1 and the Target Site 2. Such shareholders loans were unsecured and were repayable within one year from the balance sheet date. As at 31 December 2010, the balance is mainly denominated in RMB and the portion denominated in RMB is interest bearing at 6.941%.

Capital structure

As at 31 December 2010, the Target Co 1 and the Target Co 2 both had authorised share capital of 50,000 ordinary shares of US$1.00 each, of which 1 share each was issued and fully paid.

Capital structures of the Target Co 1 and the Target Co 2 were largely made up of shareholders' loans from their then ultimate holding company of approximately HK$55.1 million and HK$31.6 million respectively as at 31 December 2010.

Employees

As at 31 December 2010, the Target Co 1 and the Target Co 2 had no full time employees. For the year ended 31 December 2010, no remuneration to employees and directors of the Target Co 1 and the Target Co 2 were made.

Contingent liabilities and charges on group assets

Save for the acquisition of the land use rights of the Target Site 1 and the Target Site 2, the Target Co 1 and the Target Co 2 did not have any significant contingent liabilities or charges on its assets as at 31 December 2010.

Significant investments

Save for the acquisition of the land use rights of the Target Site 1 and the Target Site 2, the Target Co 1 and the Target Co 2 did not have any significant investments as at 31 December 2010.

Capital commitments

Save for the acquisition of the land use rights of the Target Site 1 and the Target Site 2, the Target Co 1 and the Target Co 2 did not have future plans for material investments or capital commitment as at 31 December 2010.

Material acquisitions and disposals of subsidiaries

Save for the acquisition of the land use rights of the Target Site 1 and the Target Site 2, the Target Co 1 and the Target Co 2 did not have any material acquisitions or disposals of subsidiaries or associated companies in the course of the period ended 31 December 2010.

Foreign exchange exposures

The business activities of the Target Co 1 and the Target Co 2 were not exposed to material fluctuations in exchange rates.

For the 4 months ended 30 April 2011

Financial and business review

During the period under review, the Target Co 1 and the Target Co 2 were primarily engaged in property investment and development. No revenue for the 4 months ended 30 April 2011 was recorded for the Target Co 1 and the Target Co 2, as this reflected the start-up status of the TL Group.

The Target Co 1 and the Target Co 2 recorded total comprehensive losses for the period of approximately HK$2.7 million and HK$2.1 million respectively, the losses were due to finance costs for the period of approximately HK$2.7 million and HK$2.1 million respectively incurred on shareholders' loans provided by the then ultimate holding company. Throughout the period, the Target Co 1 and the Target Co 2 were mainly conducting initial business developments of the Target Site 1 and Target Site 2.

Financial position

Total assets of the Target Co 1 and the Target Co 2 were approximately HK$273.7 million and HK$273.2 million respectively as at 30 April 2011 which were mainly made up of (i) land use rights of approximately HK$114.4 million and HK$65.6 million for Target Site 1 and Target Site 2 respectively; and (ii) tender deposits prepayments to the relevant PRC authorities for the acquisition of land use rights of approximately HK$159.3 million and HK$207.6 million in respect of the Target Site 1 and the Target Site 2 respectively. The increases in land use rights and tender deposits prepayments were due to signing of the relevant land grant contracts in March 2011.

Total liabilities of the Target Co 1 and the Target Co 2 were approximately HK$276.8 million and HK$275.6 million respectively as at 30 April 2011 which were made up of (i) the loans provided by the TL Payment Agent of approximately HK$272.3 million and HK$273.0 million respectively; and (ii) other payables and accruals of approximately HK$4.5 million and HK$2.6 million respectively. The creation of the other payable and accruals was mainly the cost incurred for the obtaining of the land use rights of the Target Site 1 and the Target Site 2.

Although the Target Co 1 and the Target Co 2 were at a net liabilities positions of HK$3.1 million and HK$2.4 million respectively as at 30 April 2011, they were considered of going concern as their immediate holding company at the time, had confirmed their intention to provide continuing financial support to the TL Group, up to the date of the completion of the TL Acquisition. After the TL Completion, the Company will provide continuing financial support to the TL Group. This support will enable the TL Group to meet its liabilities as and when they fall due and to continue its operations for the foreseeable future.

Liquidity and financial resources

As at 30 April 2011, the Target Co 1 and the Target Co 2 had current ratios of approximately 0.99 times and 0.99 times respectively. Gearing ratios (defined as total liabilities divided by total assets) were approximately 101.1% and 100.9% respectively.

For the period, the Target Co 1 and the Target Co 2 had utilised current liabilities in the loans provided by the then ultimate holding company to finance the aforesaid prepayments for the Target Site 1 and the Target Site 2. Such loans were unsecured and were repayable within one year from the balance sheet date. As at 30 April 2011, the balance is denominated in RMB and is interest bearing at 6.941%.

Capital structure

As at 30 April 2011, the Target Co 1 and the Target Co 2 both had authorised share capital of 50,000 ordinary shares of US$1.00 each, of which 1 share each was issued and fully paid.

Capital structures of the Target Co 1 and the Target Co 2 were largely made up of the loans from the TL Payment Agent of approximately HK$272.3 million and HK$273.0 million respectively as at 30 April 2011.

Employees

As at 30 April 2011, the Target Co 1 and the Target Co 2 had no full time employees. For the 4 months ended 30 April 2011, no remuneration to employees and directors of the Target Co 1 and the Target Co 2 were made.

Contingent liabilities and charges on group assets

Save for the acquisition of the land use rights of Target Site 1 and the Target Site 2, the Target Co 1 and the Target Co 2 did not have any significant contingent liabilities or charges on its assets as at 30 April 2011.

Significant investments

Save for the acquisition of the land use rights of Target Site 1 and the Target Site 2, the Target Co 1 and the Target Co 2 did not have any significant investments as at 30 April 2011.

Capital commitments

Save for the acquisition of the land use rights of Target Site 1 and the Target Site 2, the Target Co 1 and the Target Co 2 did not have future plans for material investments or capital commitment as at 30 April 2011.

Material acquisitions and disposals of subsidiaries

Save for the acquisition of the land use rights of Target Site 1 and the Target Site 2, the Target Co 1 and the Target Co 2 did not have any material acquisitions or disposals of subsidiaries or associated companies in the course of the 4 months ended 30 April 2011.

Foreign exchange exposures

The business activities of the Target Co 1 and the Target Co 2 were not exposed to material fluctuations in exchange rates.

(B) GQC GROUP

For the period from the date of incorporation to 31 December 2010

Financial and business review

During the period under review, the Target Co 3, the Target Co 4 and the Target Co 5 were primarily engaged in property investment and development. No revenue for the period from the date of incorporation to 31 December 2010 was recorded for the Target Co 3, the Target Co 4 and the Target Co 5, as this reflected the start-up status of the GQC Group.

The Target Co 3, the Target Co 4 and the Target Co 5 recorded total comprehensive losses for the period of approximately HK$0.05 million, HK$0.04 million and HK$0.03 million respectively, the losses were due to finance costs for the period of approximately HK$0.04 million, HK$0.02 million and HK$0.02 million incurred on shareholders' loans provided by their then ultimate holding company. Throughout the period the Target Co 3, the Target Co 4 and the Target Co 5 were mainly conducting initial business developments of the Target Site 3, the Target Site 4 and Target Site 5.

Financial position

Total assets of the Target Co 3, the Target Co 4 and the Target Co 5 were approximately HK$10.4 million, HK$12.4 million and HK$10.2 million respectively as at 31 December 2010 which were made up of (i) land tender deposits prepayments to the relevant PRC authorities for the acquisitions of land use rights in respect of the Target Site 3, the Target Site 4 and the Target Site 5 of approximately HK$6.0 million, HK$9.1 million and HK$7.6 million respectively; and (ii) prepayments for the acquisitions of land use rights in respect of the Target Site 3, the Target Site 4 and the Target Site 5 of approximately HK$4.4 million, HK$3.2 million and HK$2.5 million respectively.

Total liabilities of the Target Co 3, the Target Co 4 and the Target Co 5 were approximately HK$10.5 million, HK$12.4 million and HK$10.2 million respectively as at 31 December 2010 which were made up of (i) shareholders' loans provided by their then ultimate holding company of approximately HK$8.8 million, HK$10.8 million and HK$9.2 million respectively; and (ii) other payables and accruals of approximately HK$1.7 million, HK$1.6 million and HK1.0 million respectively. The other payable and accruals was mainly related to the cost incurred for for the obtaining of the land use rights of the Target Site 3, the Target Site 4 and the Target Site 5.

Liquidity and financial resources

As at 31 December 2010, the Target Co 3, the Target Co 4 and the Target Co 5 had current ratios of approximately 0.99 times, 1.0 times and 1.0 times respectively. Gearing ratios (defined as total liabilities divided by total assets) were approximately 100.5%, 100.3% and 100.3% respectively.

For the period, the Target Co 3, the Target Co 4 and the Target Co 5 had utilised current liabilities in shareholders loans provided by their then ultimate holding company to finance the aforesaid prepayments for the Target Site 3, the Target Site 4 and the Target Site 5. Such shareholders loans were unsecured and were repayable within one year from the balance sheet date. As at 31 December 2010, the balance is mainly denominated in RMB and the portion denominated in RMB is interest bearing at 6.941%.

Capital structure

As at 31 December 2010, the Target Co 3, the Target Co 4 and the Target Co 5 all had authorised share capital of 50,000 ordinary shares of US$1.00 each, of which 1 share each was issued and fully paid.

Capital structures of the Target Co 3, the Target Co 4 and the Target Co 5 were largely made up of shareholders' loans from their then ultimate holding company of approximately HK$8.8 million, HK$10.8 million and HK$9.2 million respectively as at 31 December 2010.

Employees

As at 31 December 2010, the Target Co 3, the Target Co 4 and the Target Co 5 had no full time employees. For the year ended 31 December 2010, no remuneration to employees and directors of the Target Co 3, the Target Co 4 and the Target Co 5 were made.

Contingent liabilities and charges on group assets

Save for the acquisition of the land use rights of the Target Site 3, the Target Site 4 and the Target Site 5, the Target Co 3, the Target Co 4 and the Target Co 5 did not have any significant contingent liabilities or charges on its assets as at 31 December 2010.

Significant investments

Save for the acquisition of the land use rights of the Target Site 3, the Target Site 4 and the Target Site 5, the Target Co 3, the Target Co 4 and the Target Co 5 did not have any significant investments as at 31 December 2010.

Capital commitments

Save for the acquisition of the land use rights of the Target Site 3, the Target Site 4 and the Target Site 5, the Target Co 3, the Target Co 4 and the Target Co 5 each had capital commitment of approximately HK$35.2 million, HK$33.6 million and HK$20.5 million respectively as at 31 December 2010, being outstanding payments contracted, but not provided for, to the relevant PRC authorities for the acquisitions of land use rights in respect of the Target Site 3, the Target Site 4 and the Target Site 5.

Material acquisitions and disposals of subsidiaries

Save for the acquisition of the land use rights of the Target Site 3, the Target Site 4 and the Target Site 5, the Target Co 3, the Target Co 4 and the Target Co 5 did not have any material acquisitions or disposals of subsidiaries or associated companies in the course of the period ended 31 December 2010.

Foreign exchange exposures

The business activities of the Target Co 3, the Target Co 4 and the Target Co 5 were not exposed to material fluctuations in exchange rates.

For the 4 months ended 30 April 2011

Financial and business review

During the period under review, the Target Co 3, the Target Co 4 and the Target Co 5 were primarily engaged in property investment and development. No revenue for the 4 months ended 30 April 2011 was recorded for the Target Co 3, the Target Co 4 and the Target Co 5, as this reflected the start-up status of the GQC Group.

The Target Co 3, the Target Co 4 and the Target Co 5 recorded total comprehensive losses for the period of approximately HK$0.2 million HK$0.3 million and HK$0.2 million respectively, the losses were due to finance costs for the period of approximately HK$0.2 million, HK$0.2 million and HK$0.2 million respectively incurred on the loans provided by the then ultimate holding company. Throughout the period, the Target Co 3, the Target Co 4 and the Target Co 5 were mainly conducting initial business developments of the Target Site 3, the Target Site 4 and Target Site 5.

Financial position

Total assets of the Target Co 3, the Target Co 4 and the Target Co 5 were approximately HK$15.7 million, HK$20.1 million and HK$16.8 million respectively as at 30 April 2011 which were mainly made up of prepayments for the acquisitions of land use rights in respect of the Target Site 3, the Target Site 4 and the Target Site 5 of approximately HK$15.7 million, HK$20.1 million and HK$16.8 million respectively. The increases in prepayments for the acquisitions of land use rights and the cancellations in tender deposits prepayments relative to that of 31 December 2010 were due to the reclassification of tender deposits prepayments into the prepayments for the acquisitions of land use rights pursuant to the land grant contracts entered into in January 2011.

Total liabilities of the Target Co 3, the Target Co 4 and the Target Co 5 were approximately HK$16.0 million, HK$20.4 million and HK$17.1 million respectively as at 30 April 2011 which were made up of (i) the loans provided by the GQC Payment Agent of approximately HK$9.1 million, HK$11.2 million and HK$9.5 million; and (ii) other payables and accruals of approximately HK$6.9 million, HK$9.2 million and HK$7.5 million respectively. The increases in the other payable and accruals were mainly the costs incurred for the obtaining of the land use rights of the Target Site 3, the Target Site 4 and the Target Site 5.

Although the Target Co 3, the Target Co 4 and the Target Co 5 were at a net liabilities positions of approximately HK$0.3 million, HK$0.3 million and HK$0.3 million respectively as at 30 April 2011, they were considered of going concern as their immediate holding company at the time, had confirmed its intention to provide continuing financial support to the GQC Group, up to the date of the completion of the GQC Acquisition. After the GQC Completion, the Company will provide continuing financial support to the GQC Group. This support will enable the GQC Group to meet its liabilities as and when they fall due and to continue its operations for the foreseeable future.

Liquidity and financial resources

As at 30 April 2011, the Target Co 3, the Target Co 4 and the Target Co 5 had current ratios of approximately 0.98 times, 0.99 times and 0.98 times respectively. Gearing ratios (defined as total liabilities divided by total assets) were approximately 101.7%, 101.5%, 101.5% respectively.

For the period, the Target Co 3, the Target Co 4 and the Target Co 5 had utilised current liabilities in the loans provided by the then ultimate holding company to finance the aforesaid prepayments for the Target Site 3, the Target Site 4 and the Target Site 5. Such loans were unsecured and were repayable within one year from the balance sheet date. As at 30 April 2011, the balance is denominated in RMB and is interest bearing at 6.941%.

Capital structure

As at 30 April 2011, the Target Co 3, the Target Co 4 and the Target Co 5 both had authorised share capital of 50,000 ordinary shares of US$1.00 each, of which 1 share each was issued and fully paid.

Capital structures of the Target Co 3, the Target Co 4 and the Target Co 5 were largely made up of the loans from the GQC Payment Agent of approximately HK$9.1 million, HK$11.2 million and HK$9.5 million as at 30 April 2011.

Employees

As at 30 April 2011, the Target Co 3, the Target Co 4 and the Target Co 5 had no full time employees. For the 4 months ended 30 April 2011, no remuneration to employees and directors of the Target Co 3, the Target Co 4 and the Target Co 5 were made.

Contingent liabilities and charges on group assets

Save for the acquisition of the land use rights of the Target Site 3, the Target Site 4 and the Target Site 5, the Target Co 3, the Target Co 4 and the Target Co 5 did not have any significant contingent liabilities or charges on its assets as at 30 April 2011.

Significant investments

Save for the acquisition of the land use rights of the Target Site 3, the Target Site 4 and the Target Site 5, the Target Co 3, the Target Co 4 and the Target Co 5 did not have any significant investments as at 30 April 2011.

Capital commitments

Save for the acquisition of the land use rights of the Target Site 3, the Target Site 4 and the Target Site 5, the Target Co 3, the Target Co 4 and the Target Co 5 each had capital commitment of approximately HK$145.1 million, HK$194.5 million and HK$157.9 million respectively as at 30 April 2011 being outstanding payments contracted, but not provided for, to the relevant PRC authorities for the acquisitions of land use rights in respect of the Target Site 3, the Target Site 4 and the Target Site 5.

Material acquisitions and disposals of subsidiaries

The Target Co 3, the Target Co 4 and the Target Co 5 did not have any material acquisitions or disposals of subsidiaries or associated companies in the course of the 4 months ended 30 April 2011.

Foreign exchange exposures

The business activities of the Target Co 3, the Target Co 4 and the Target Co 5 were not exposed to material fluctuations in exchange rates.

(C) PSHK GROUP

For the year ended 31 December 2008

Financial and business review

During the year under review, the PSHK Group was mainly engaged in the provision of real estate related investment advisory services and asset management services. The PSHK Group's turnover for the year ended 31 December 2008 was nil. The static state of revenue is mainly attributable to the PSHK Group in early start-up stage since its incorporation in mid 2007. As a member of Pacific Star Group which is known as one of the Asia's leading real estate investment house, the PSHK Group provided operational support to other member companies. After taking into account the general and administrative expenses of approximately HK$2.8 million which mainly constituted staff costs, lease expenses, and other incidental expenses incurred mainly for the operational support to member companies of Pacific Star Group, the net loss after taxation of the PSHK Group was approximately HK$2.8 million. Throughout the year, the PSHK Group has been devoted to operational support to member companies of Pacific Star Group and developing new businesses.

Financial position

Total assets of the PSHK Group as at 31 December 2008 were approximately HK$0.1 million made up of primarily cash and cash equivalents as well as other receivables.

The PSHK Group was at a net liabilities position of HK$3.0 million as at 31 December 2008.

Liquidity and financial resources

As at 31 December 2008, the PSHK Group had a current ratio of approximately 0.03 times. Gearing ratio (defined as total liabilities divided by total assets) was approximately 2,947.7%. Amount due to then immediately holding company and amount due to a then fellow subsidiary of approximately HK$2.7 million made up the most of the total liabilities of the PSHK Group as at 31 December 2008. As Pacific Star Group was not required to reimburse the PSHK Group for the expenses incurred for the above operational support while the business of the PSHK Group itself was at a start up stage, the PSHK Group had fully utilised the current liabilities provided by its then immediate holding companies. Such shareholders loans are unsecured, interest free and repayable on demand.

Capital structure

As at 31 December 2008, PSHK had an authorised share capital of 1,000 ordinary shares of US$1.00 each, of which 1 share was issued and fully paid. Capital structure of PSHK was largely made up of related party loans of approximately HK$2.7 million as at 31 December 2008.

Employees and remuneration policy

As at 31 December 2008, the PSHK Group had one full time employee. For the year ended 31 December 2008, the remuneration of employees of the PSHK Group (including directors' remuneration) was approximately HK$2.3 million. The PSHK Group offered a comprehensive remuneration package and benefits to its full time employees in compliance with the relevant regulations in Hong Kong, including medical scheme and mandatory provident fund. In addition, the PSHK Group adopted a discretionary bonus scheme to provide incentives to participants for their contributions and continuing efforts to promote the interests of the PSHK Group.

Contingent liabilities and charges on group assets

The PSHK Group did not have any significant contingent liabilities or charges on its assets as at 31 December 2008.

Capital commitments

The PSHK Group did not have future plans for material investments or capital commitment as at 31 December 2008.

Significant investments

The PSHK Group did not have any significant investments as at 31 December 2008.

Material acquisitions and disposals of subsidiaries

The PSHK Group did not have any material acquisitions or disposals of subsidiaries or associated companies in the course of the year ended 31 December 2008.

Foreign exchange exposures

The business activities of the PSHK Group were not exposed to material fluctuations in exchange rates.

For the year ended 31 December 2009

Financial and business review

During the year under review, the PSHK Group was mainly engaged in the provision of real estate related investment advisory services and asset management services. The PSHK Group's turnover for the year ended 31 December 2009 was nil, being unchanged when compared to that of in 2008. As a member of Pacific Star Group which is known as one of the Asia's leading real estate investment house, the PSHK Group provided operational support to other member companies. After taking into account the general and administrative expenses of approximately HK$10.6 million which mainly constituted staff costs, lease expenses, and other incidental expenses incurred mainly for the operational support to member companies of Pacific Star Group, the net loss after taxation of the PSHK Group was approximately HK$10.6 million, representing an increase of approximately 279.7% when compared to that of 2008 of approximately HK$2.8 million. Throughout the year, the PSHK Group has been devoted to operational support to member companies of Pacific Star Group and developing new businesses.

Financial position

Total assets of the PSHK Group as at 31 December 2009 were approximately HK$1.6 million made up of (i) fixed assets of approximately HK$0.96 million consisted of leasehold improvements, furniture and fixtures and other office equipment acquired during the year as the PSHK Group formally rolled out its business operation in the year; (ii) other receivables of approximately HK$0.56 million; and (iii) cash and cash equivalents of approximately HK$0.09 million.

The PSHK Group was at a net liabilities position of HK$13.4 million as at 31 December 2009.

Liquidity and financial resources

As at 31 December 2009, the PSHK Group had a current ratio of approximately 0.04 times compared to that of 0.03 times as at 31 December 2008. Gearing ratio (defined as total liabilities divided by total assets) was approximately 932.4% compared to that of 2,947.7% as at 31 December 2008. Amount due to a then intermediate holding company and amount due to then immediate holding company of approximately HK$14.8 million made up the most of the total liabilities of the PSHK Group as at 31 December 2009. As Pacific Star Group was not required to reimburse PSHK Group for the expenses incurred for the above operational support while the business of PSHK Group itself was at a start up stage, the PSHK Group had fully utilised the current liabilities provided by its then intermediate holding company and then immediate holding company holding companies. Such shareholders loans are unsecured, interest free and repayable on demand.

Capital structure

As at 31 December 2009, PSHK had an authorised share capital of 1,000 ordinary shares of US$1.00 each, of which 1 share was issued and fully paid. Capital structure of PSHK was largely made up of related party loans of approximately HK$14.8 million as at 31 December 2009.

Employees and remuneration policy

As at 31 December 2009, the PSHK Group had six full time employees compared with that of one in 2008. For the year ended 31 December 2009, the remuneration of employees of the PSHK Group (including directors' remuneration) was approximately HK$7.9 million. The PSHK Group offered a comprehensive remuneration package and benefits to its full time employees in compliance with the relevant regulations in Hong Kong, including medical scheme and mandatory provident fund. In addition, the PSHK Group adopted a discretionary bonus scheme to provide incentives to participants for their contributions and continuing efforts to promote the interests of the PSHK Group.

Contingent liabilities and charges on group assets

The PSHK Group did not have any significant contingent liabilities or charges on its assets as at 31 December 2009.

Capital commitments

The PSHK Group did not have future plans for material investments or capital commitment as at 31 December 2009.

Significant investments

The PSHK Group did not have any significant investments as at 31 December 2009.

Material acquisitions and disposals of subsidiaries

The PSHK Group did not have any material acquisitions or disposals of subsidiaries or associated companies in the course of the year ended 31 December 2009.

Foreign exchange exposures

The business activities of the PSHK Group were not exposed to material fluctuations in exchange rates.

For the year ended 31 December 2010

Financial and business review

During the year under review, the PSHK Group was mainly engaged in the provision of real estate related investment advisory services and asset management services. The PSHK Group's turnover for the year ended 31 December 2010 was approximately HK$3.0 million, representing a significant reversal from a nil position of that of 2009. Such increase in revenue was mainly due to the asset management fee earned from an independent client during the year. General and administrative expenses of the PSHK Group for the year was approximately HK$15.0 million which mainly constituted staff costs, lease expenses and other incidental expenses incurred for (i) the provision of services of the PSHK Group contracted with clients; (ii) the provision of operational support to Pacific Star Group; and (iii) the PSHK Group's potential project development. Such increase in general and administrative expenses for the year ended 31 December 2010 relative to that of the 2009 was due to the growth of the business when more resources were committed to the growing and developing the business.

The PSHK Group recorded a net loss after taxation for the year of approximately HK$12.0 million, representing an increase of approximately 13.2% when compared to 2009 of approximately HK$10.6 million. Throughout the year, the PSHK Group has been devoted to operational support to member companies of Pacific Star Group (up to the change of shareholder of PSHK in November 2010) and developing new businesses of PSHK Group including preliminary analysis and market positioning of the TL Sites and the GQC Sites.

Financial position

Total assets of the PSHK Group as at 31 December 2010 were approximately HK$2.1 million made up of (i) fixed assets of approximately HK$0.64 million consisted of leasehold improvements, furniture and fixtures and other office equipment; (ii) other receivables of approximately HK$0.46 million; and (iii) cash and cash equivalents of approximately HK$1.0 million.

The PSHK Group was at a net liabilities position of HK$1.8 million as at 31 December 2010.

Liquidity and financial resources

As at 31 December 2010, the PSHK Group had a current ratio of approximately 0.39 times compared to that of 0.04 times as at 31 December 2009. Gearing ratio (defined as total liabilities divided by total assets) was approximately 184.0% compared to that of 932.4% as at 31 December 2009. The total liabilities of the PSHK Group as at 31 December 2010 were made up of other payables of approximately HK$2.7 million and amount due to a director of approximately HK$1.1 million. The balances of the amount due to a then immediate holding company and amount due to then immediate holding company had reduced from HK$14.8 million to nil. Such decrease was mainly attributable to the capitalisation of an amount of approximately HK$19.5 million from these balances as issued share capital of PSHK on 30 June 2010 and the new revenue generated from businesses of PSHK Group.

The PSHK Group had utilised current liabilities and amount due to a director to build and develop its business. Such director's loans are unsecured, interest free and repayable on demand.

Capital structure

As at 31 December 2010, PSHK had an authorised share capital of 3,000,000 ordinary shares of US$1.00 each, of which 2,502,191 shares were issued and fully paid. The increase in authorised and issued share capital of PSHK was due to a shareholder resolution of PSHK passed on 30 June 2010 which increased the authorised share capital of PSHK from US$1,000 to US$3,000,000 by the creation of an additional 2,999,000 ordinary shares of US$1 each, ranking pari passu in all respect with the existing share capital of PSHK and on the even date, PSHK issued 2,502,190 ordinary shares of US$1 each to its then immediate holding company, by capitalisation of the same amount due to it.

Capital structure of PSHK was largely made up of a shareholders' loan from a director of approximately HK$1.1 million and other payables of approximately HK$2.7 million.

Employees and remuneration policy

As at 31 December 2010, the PSHK Group had eight full time employees compared with that of six in 2009. For the year ended 31 December 2010, the remuneration of employees of the PSHK Group (including directors' remuneration) was approximately HK$9.7 million. The PSHK Group offered a comprehensive remuneration package and benefits to its full time employees in compliance with the relevant regulations in Hong Kong, including medical scheme and mandatory provident fund. In addition, the PSHK Group adopted a discretionary bonus scheme to provide incentives to participants for their contributions and continuing efforts to promote the interests of the PSHK Group.

Contingent liabilities and charges on group assets

The PSHK Group did not have any significant contingent liabilities or charges on its assets as at 31 December 2010.

Significant investments

The PSHK Group did not have any significant investments as at 31 December 2010.

Capital commitments

The PSHK Group did not have future plans for material investments or capital commitment as at 31 December 2010.

Material acquisitions and disposals of subsidiaries

The PSHK Group did not have any material acquisitions or disposals of subsidiaries or associated companies in the course of the year ended 31 December 2010.

Foreign exchange exposures

The business activities of the PSHK Group were not exposed to material fluctuations in exchange rates.

For the four months ended 30 April 2011

Financial and business review

During the period under review, the PSHK Group was mainly engaged in the provision of real estate related investment advisory services and asset management services. The PSHK Group's turnover for the four months ended 30 April 2011 was approximately HK$1.2 million, representing a significant increase from a nil position of the same four months period in 2010. Such increase in revenue was mainly due to the asset management fee earned from an independent client during the period. Total general administrative and other operating expenses of the PSHK Group for the period amounted to approximately HK$3.9 million which mainly constituted staff costs, lease expenses and other incidental expenses incurred for (i) the provision of services of PSHK Group contracted with clients; and (ii) the PSHK Group's potential project development. Such administrative expenses for the four months ended 30 April 2011 has decreased by approximately 12.3% relative to that of the same four months period in 2010 due to a radical reduction of a director fee of one of the directors, who became the beneficial owner of PSHK, for the four month ended in 2011 when compare with the period in 2010.

The PSHK Group recorded a net loss after taxation for the period of approximately HK$2.9 million, representing a decrease of approximately 34.1% when compared to that of the same four months period in 2010 of approximately HK$4.4 million. Throughout the period under review, the PSHK Group has been devoted to developing new businesses of PSHK Group including preliminary analysis and market positioning of the TL Sites and the GQC Sites.

Financial position

Total assets of the PSHK Group as at 30 April 2011 were approximately HK$4.8 million made up of (i) fixed assets of approximately HK$0.6 million consisted of leasehold improvements, furniture and fixtures and other office equipment; (ii) accounts receivable, deposits and prepayments of approximately HK$1.1 million; and (iii) cash and cash equivalents of approximately HK$3.1 million.

Although the PSHK Group was at a net liabilities position of HK$4.7 million as at 30 April 2011, the PSHK Group was considered of a going concern as the shareholder of the immediate holding company of the PSHK Group has confirmed its intention to provide continuing financial support to the PSHK Group, up to the date of PSHK Completion or the next twelve months after 30 April 2011, whichever is shorter. Upon PSHK Completion, the Company will replace the shareholder of the immediate holding company of the PSHK Group in providing continuing financial support to the PSHK Group up to twelve months after 30 April 2011. This support will enable the PSHK Group to meet its liabilities as and when they fall due and to continue its operations for the foreseeable future.

Liquidity and financial resources

As at 30 April 2011, the PSHK Group had a current ratio of approximately 0.45 times compared to that of 0.39 times as at 31 December 2010. Gearing ratio (defined as total liabilities divided by total assets) was approximately 198.3% compared to that of 184.0% as at 31 December 2010. The total liabilities of the PSHK Group as at 30 April 2011 were mainly made up of other payables and accruals of approximately HK$1.1 million, amount due to the ultimate holding company of the PSHK Group of approximately HK$1.9 million, amount due to a director of the PSHK Group of approximately HK$4.3 million and a bank loan of approximately HK$2.0 million. The increase in amount due to a director of the PSHK Group, the creation of the amount due to the ultimate holding company of the PSHK Group and the bank loan were caused by the financial need for business development of PSHK.

The PSHK Group had utilised current liabilities provided by the bank loan, its ultimate holding company and a director to build and develop its business. The aforesaid shareholders loans are interest-free and repayable on demand while the above bank loan of HK$2.0 million bears an interest rate of 2.00821% (1.75% above 3 months HIBOR) as selected by PSHK and the first interest and repayment period expired on 28 July 2011. Such loan has been revolved for another 3 months and the next repayment and interest due date is 28 October 2011, subject to PSHK's right of further revolving for subsequent periods of up to 3 months each.

Capital structure

As at 30 April 2011, PSHK had an authorised share capital of 3,000,000 ordinary shares of US$1.00 each, of which 2,502,191 shares were issued and fully paid.

Capital structure of PSHK was largely made up of an amount due to the ultimate holding company of the PSHK Group of approximately HK$1.9 million, amount due to a director of the PSHK Group of approximately HK$4.3 million and a bank loan of approximately HK$2.0 million as at 30 April 2011.

Employees and remuneration policy

As at 30 April 2011, the PSHK Group had eight full time employees. For the four months ended 30 April 2011, the remuneration of employees of the PSHK Group (including directors' remuneration) was approximately HK$2.5 million. The PSHK Group offered a comprehensive remuneration package and benefits to its full time employees in compliance with the relevant regulations in Hong Kong, including medical scheme and mandatory provident fund. In addition, the PSHK Group adopted a discretionary bonus scheme to provide incentives to participants for their contributions and continuing efforts to promote the interests of the PSHK Group.

Contingent liabilities and charges on group assets

The PSHK Group did not have any significant contingent liabilities or charges on its assets as at 30 April 2011.

Significant investments

The PSHK Group did not have any significant investments as at 30 April 2011.

Capital commitments

The PSHK Group did not have future plans for material investments or capital commitment as at 30 April 2011.

Material acquisitions and disposals of subsidiaries

The PSHK Group did not have any material acquisitions or disposals of subsidiaries or associated companies in the course of the four months ended 30 April 2011.

Foreign exchange exposures

The business activities of the PSHK Group were not exposed to material fluctuations in exchange rates.

FINANCIAL AND TRADING PROSPECTS OF THE TARGET GROUP AND PSHK

The Target Group is engaged in the acquisitions of land use rights in the TL Sites and the GQC Sites and will be principally engaged in property development over the TL Sites and GQC Sites. The two projects on the TL Sites and the GQC Sites, that are located in the emerging cities of the high growth Shenyang Economic Region and Nanchang-Jiujiang Corridor; will have a very sizeable catchment population; and will be supported by strong economic fundamentals. Based on the preliminary development planning of the TL Sites and the GQC Sites, the two projects are intended to be developed into trendy lifestyle hubs comprising different types of residential housing and a variety of commercial amenities including outlet village, big box retail, shopping arcades, food and beverage outlets, entertainment plaza, town squares, convention and resort centres, international schools and sports facilities. Though these are greenfield projects, the Target Group expects to be able to start generating pre-sales of mainly residential units in the two projects in late 2012 and which should begin contributing to the Company's profits in 2013.

PSHK is mainly engaged in providing real estate investment advisory and asset management services. After PSHK Completion, PSHK will, as a subsidiary of the Company, primarily focus on the master planning, and project management and development of PRC real estate development projects of the Enlarged Group, including but not limited to the TL Sites and the GQC Sites and, the post-development asset management of such projects.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and unaudited pro forma financial information of the Enlarged Group (the "Unaudited Pro Forma Financial Information") comprising the unaudited pro forma consolidated balance sheet, the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated cash flow statement of the Enlarged Group, which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Acquisitions and the PSHK Acquisition, as if they had taken place on 30 June 2011 for the unaudited pro forma consolidated balance sheet and as if they had taken place on 1 January 2010 for the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated cash flow statement.

The Unaudited Pro Forma Financial Information has been prepared using the accounting policies consistent with that of the Group as set out in the published annual report of the Group for the year ended 31 December 2010.

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 positions, financial results and cash flows of the Enlarged Group had the Acquisitions and the PSHK Acquisition been completed as at 30 June 2011 or 1 January 2010 or any future dates.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

(I) UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE ENLARGED GROUP

		Pro forma adjustments for the TL acquisition				Pro forma adjustments for the PSHK Acquisition			
	Unadjusted audited consolidated income statement of the Group for the year ended 31 December 2010 HK$'000 (Note 1(a))	Consolidated income statement of the Target Co 1 for the period from 24 September 2010 to 31 December 2010 HK$'000 (Note 2)	Consolidated income statement of the Target Co 2 for the period from 24 September 2010 to 31 December 2010 HK$'000 (Note 2)	Other adjustments HK$'000	*Notes*	Consolidated income statement of PSHK for the year ended 31 December 2010 HK$'000 (Note 2)	Other adjustment HK$'000	*Note*	Unaudited pro forma consolidated income statement of the Enlarged Group upon the TL Acquisition and the PSHK Acquisition HK$'000
Group revenue and share of revenue of jointly controlled entities	4,257,613	–	–	–		3,000	–		4,260,613
Group revenue	3,847,823	–	–	–		3,000	–		3,850,823
Cost of sales	(3,423,420)	–	–	–		–	–		(3,423,420)
Gross profit	424,403	–	–	–		3,000	–		427,403
Share of net profits/(losses) of									
– jointly controlled entities	20,197	–	–	–		–	–		20,197
– associated companies	(51)	–	–	–		–	–		(51)
Other income and gains	18,100	–	–	–		–	–		18,100
General and administrative expenses	(254,403)	(9)	(9)	–		(15,038)	–		(269,459)
Other operating expenses	(22,693)	–	–	–		–	–		(22,693)
Net finance costs									
Finance income – interest income	1,266	–	–	–		–	–		1,266
Finance cost – bank interest expenses	(6,271)	–	–	(6,300)	*8(a)*	–	(461)	*13*	(13,032)
Interest expenses on amount due to then ultimate holding company	–	(446)	(251)	–		–	–		(697)
Interest expenses on convertible bonds	–	–	–	(40,997)	*8(b)*	–	–		(40,997)
Interest expenses on senior loan note	–	–	–	(12,500)	*8(c)(i)*	–	–		(12,500)
Profit/(loss) before taxation	180,548	(455)	(260)	(59,797)		(12,038)	(461)		107,537
Taxation	(23,145)	–	–	6,765	*8(b)*	–	–		(16,380)
Profit/(loss) for the year/period	157,403	(455)	(260)	(53,032)		(12,038)	(461)		91,157
Profit/(loss) attributable to:									
Equity holders of the Company	136,346	(455)	(260)	(53,032)		(12,038)	(461)		70,100
Non-controlling interests	21,057	–	–	–		–	–		21,057
	157,403	(455)	(260)	(53,032)		(12,038)	(461)		91,157

(I) UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE ENLARGED GROUP (CONTINUED)

		Pro forma adjustments for the GQC Acquisition				Other pro forma adjustment		
	Unaudited pro forma consolidated income statement of the Enlarged Group upon the TL Acquisition and the PSHK Acquisition	Consolidated income statement of the Target Co 3 for the period from 25 June 2010 to 31 December 2010	Consolidated income statement of the Target Co 4 for the period from 22 July 2010 to 31 December 2010	Consolidated income statement of the Target Co 5 for the period from 22 July 2010 to 31 December 2010	Subtotal		*Note*	Unaudited pro forma consolidated income statement of the Enlarged Group upon the Acquisitions and the PSHK Acquisition
	HK$'000	*HK$'000* *(Note 2)*	*HK$'000* *(Note 2)*	*HK$'000* *(Note 2)*	*HK$'000*	*HK$000*		*HK$'000*
Group revenue and share of revenue of jointly controlled entities	4,260,613	–	–	–	4,260,613	–		4,260,613
Group revenue	3,850,823	–	–	–	3,850,823	–		3,850,823
Cost of sales	(3,423,420)	–	–	–	(3,423,420)	–		(3,423,420)
Gross profit	427,403	–	–	–	427,403	–		427,403
Share of net profits/(losses) of								
– jointly controlled entities	20,197	–	–	–	20,197	–		20,197
– associated companies	(51)	–	–	–	(51)	–		(51)
Other income and gains	18,100	–	–	–	18,100	–		18,100
General and administrative expenses	(269,459)	(11)	(11)	(11)	(269,492)	–		(269,492)
Other operating expenses	(22,693)	–	–	–	(22,693)	–		(22,693)
Net finance costs								
Finance income – interest income	1,266	–	–	–	1,266	–		1,266
Finance cost – bank interest expenses	(13,032)	–	–	–	(13,032)	–		(13,032)
Interest expenses on amount due to then ultimate holding company	(697)	(41)	(25)	(23)	(786)	–		(786)
Interest expenses on convertible bonds	(40,997)	–	–	–	(40,997)	–		(40,997)
Interest expenses on senior loan note	(12,500)	–	–	–	(12,500)	6,489	*21(b)*	(6,011)
Profit/(loss) before taxation	107,537	(52)	(36)	(34)	107,415	6,489		113,904
Taxation	(16,380)	–	–	–	(16,380)	–		(16,380)
Profit/(loss) for the year/period	91,157	(52)	(36)	(34)	91,035	6,489		97,524
Profit/(loss) attributable to:								
Equity holders of the Company	70,100	(52)	(36)	(34)	69,978	6,489		76,467
Non-controlling interests	21,057	–	–	–	21,057	–		21,057
	91,157	(52)	(36)	(34)	91,035	6,489		97,524

(II) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ENLARGED GROUP

		Pro forma adjustments for the TL Acquisition			Pro forma adjustments for the PSHK Acquisition		
	Unadjusted audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2010	Consolidated statement of comprehensive income of the Target Co 1 for the period from 24 September 2010 to 31 December 2010	Consolidated statement of comprehensive income of the Target Co 2 for the period from 24 September 2010 to 31 December 2010	Other adjustments	Consolidated statement of comprehensive income of PSHK for the year ended 31 December 2010	Other adjustment	Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group upon the TL Acquisition and the PSHK Acquisition
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1(a))	*(Note 2)*	*(Note 2)*		*(Note 2)*		
Profit/(loss) for the year/period	157,403	(455)	(260)	(53,032)	(12,038)	(461)	91,157
Other comprehensive income/(loss)							
Fair value gain on leasehold land and building	141,277	–	–	–	–	–	141,277
Deferred tax on fair value gain of leasehold land and building	(23,310)	–	–	–	–	–	(23,310)
Exchange differences arising on translation of foreign operations	4,140	(5)	(3)	–	–	–	4,132
Interest rate swap	708	–	–	–	–	–	708
Other comprehensive income/(loss) for the year/period, net of tax	122,815	(5)	(3)	–	–	–	122,807
Total comprehensive income/(loss) for the year/period	280,218	(460)	(263)	(53,032)	(12,038)	(461)	213,964
Total comprehensive income/(loss) attributable to:							
Equity holders of the Company	257,904	(460)	(263)	(53,032)	(12,038)	(461)	191,650
Non-controlling interests	22,314	–	–	–	–	–	22,314
	280,218	(460)	(263)	(53,032)	(12,038)	(461)	213,964

(II) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ENLARGED GROUP (CONTINUED)

		Pro forma adjustments for the GQC Acquisition				Other pro forma adjustment	
	Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group upon the TL Acquisition and the PSHK Acquisition	Consolidated statement of comprehensive income of the Target Co 3 for the period from 25 June 2010 to 31 December 2010	Consolidated statement of comprehensive income of the Target Co 4 for the period from 22 July 2010 to 31 December 2010	Consolidated statement of comprehensive income of the Target Co 5 for the period from 22 July 2010 to 31 December 2010	Subtotal		Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group upon the Acquisitions and the PSHK Acquisition
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 2)	*(Note 2)*	*(Note 2)*			
Profit/(loss) for the year/period	91,157	(52)	(36)	(34)	91,035	6,489	97,524
Other comprehensive income/(loss)							
Fair value gain on leasehold land and building	141,277	–	–	–	141,277	–	141,277
Deferred tax on fair value gain of leasehold land and building	(23,310)	–	–	–	(23,310)	–	(23,310)
Exchange differences arising on translation of foreign operations	4,132	(1)	(1)	(1)	4,129	–	4,129
Interest rate swap	708	–	–	–	708	–	708
Other comprehensive income/(loss) for the year/period, net of tax	122,807	(1)	(1)	(1)	122,804	–	122,804
Total comprehensive income/(loss) for the year/period	213,964	(53)	(37)	(35)	213,839	6,489	220,328
Total comprehensive income/(loss) attributable to:							
Equity holders of the Company	191,650	(53)	(37)	(35)	191,525	6,489	198,014
Non-controlling interests	22,314	–	–	–	22,314	–	22,314
	213,964	(53)	(37)	(35)	213,839	6,489	220,328

(III) UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP

		Pro forma adjustments for the TL Acquisition					Pro forma adjustments for the PSHK Acquisition			
	Unadjusted unaudited consolidated balance sheet of the Group as at 30 June 2011 HK$'000 (Note 1(b))	Consolidated balance sheet of the Target Co 1 as at 30 April 2011 HK$'000 (Note 2)	Consolidated balance sheet of the Target Co 2 as at 30 April 2011 HK$'000 (Note 2)	Adjustments before the TL Acquisition HK$'000 (Note 3)	Other adjustments HK$'000	Notes	Consolidated balance sheet of PSHK as at 30 April 2011 HK$'000 (Note 2)	Other adjustments HK$'000	Notes	Unaudited pro forma consolidated balance sheet of the Enlarged Group upon the TL Acquisition and the PSHK Acquisition HK$'000
Non-current assets										
Property, plant and equipment	387,220	–	–	–	–		559	–		387,779
Investment properties	51,130	–	–	–	–		–	–		51,130
Intangible assets	120,395	–	–	–	–		–	–		120,395
Goodwill	18,753	–	–	–	–		–	24,200	10	42,953
Deposit paid for acquisition of a property	100,000	–	–	–	–		–	–		100,000
Jointly controlled entities	96,479	–	–	–	–		–	–		96,479
Available-for-sale financial asset	2,991	–	–	–	–		–	–		2,991
Deferred tax assets	197	–	–	–	–		–	–		197
	777,165	–	–	–	–		559	24,200		801,924
Current assets										
Stocks and contracting work-in-progress	573,988	–	–	–	–		–	–		573,988
Properties under development	–	114,365	65,592	366,940	1,898,703	4,7	–	–		2,445,600
Receivables and prepayments	677,686	159,314	207,626	(366,940)	–		1,098	–		678,784
Amounts due from related companies	–	–	–	–	–		10	–		10
Deposits, cash and bank balances										
– restricted	3,911	–	–	–	–		–	–		3,911
– unrestricted	731,578	2	2	–	(9,600)	7	3,114	–		725,096
	1,987,163	273,681	273,220	–	1,889,103		4,222	–		4,427,389
Current liabilities										
Bank loans	(495,000)	–	–	–	(350,000)	5(a)	(2,000)	(25,636)	11	(872,636)
Payables and accruals	(1,185,161)	(4,456)	(2,557)	7,013	(349,060)	5(d)	(1,085)	–		(1,535,306)
Amounts due to non-controlling interests	(42,351)	–	–	–	–		–	–		(42,351)
Amount due to then ultimate holding company	–	(23)	(24)	47	–		(1,876)	1,876	11	–
Amount due to a related company	–	(272,337)	(273,010)	545,347	–		–	–		–
Amount due to a director	–	–	–	–	–		(4,260)	4,260	11	–
Current tax liabilities	(24,462)	–	–	–	–		(260)	–		(24,722)
	(1,746,974)	(276,816)	(275,591)	552,407	(699,060)		(9,481)	(19,500)		(2,475,015)

(III) UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP (CONTINUED)

		Pro forma adjustments for the TL Acquisition					Pro forma adjustments for the PSHK Acquisition			
	Unadjusted unaudited consolidated balance sheet of the Group as at 30 June 2011 HK$'000 (Note 1(b))	Consolidated balance sheet of the Target Co 1 as at 30 April 2011 HK$'000 (Note 2)	Consolidated balance sheet of the Target Co 2 as at 30 April 2011 HK$'000 (Note 2)	Adjustments before the TL Acquisition HK$'000 (Note 3)	Other adjustments HK$'000	*Notes*	Consolidated balance sheet of PSHK as at 30 April 2011 HK$'000 (Note 2)	Other adjustments HK$'000	*Notes*	Unaudited pro forma consolidated balance sheet of the Enlarged Group upon the TL Acquisition and the PSHK Acquisition HK$'000
Net current assets/ (liabilities)	240,189	(3,135)	(2,371)	552,407	1,190,043		(5,259)	(19,500)		1,952,374
Total assets less current liabilities	1,017,354	(3,135)	(2,371)	552,407	1,190,043		(4,700)	4,700		2,754,298
Non-current liabilities										
Long service payment liabilities	(4,471)	–	–	–	–		–	–		(4,471)
Senior loan note	–	–	–	–	(500,000)	*5(b)*	–	–		(500,000)
Convertible bonds	–	–	–	–	(348,649)	*5(c)*	–	–		(348,649)
Deferred tax liabilities	(58,690)	–	–	–	(67,743)	*5(c)*	–	–		(126,433)
Total non-current liabilities	(63,161)	–	–	–	(916,392)		–	–		(979,553)
Net assets/(liabilities)	954,193	(3,135)	(2,371)	552,407	273,651		(4,700)	4,700		1,774,745
Equity										
Capital and reserves attributable to the Company's equity holders										
Share capital	67,750	–	–	552,407	(538,107)	*5(d), 6*	19,467	(19,467)	*12*	82,050
Other reserves	432,089	(7)	(4)	–	806,263	*4, 5 (a), (b), (c), (d), 6*	4,169	(4,169)	*12*	1,238,341
Retained profits/ (accumulated losses)	305,140	(3,128)	(2,367)	–	5,495	*6*	(28,336)	28,336	*12*	305,140
Proposed dividend	23,713	–	–	–	–		–	–		23,713
	828,692	(3,135)	(2,371)	552,407	273,651		(4,700)	4,700		1,649,244
Non-controlling interests	125,501	–	–	–	–		–	–		125,501
Total equity	954,193	(3,135)	(2,371)	552,407	273,651		(4,700)	4,700		1,774,745

(III) UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP (CONTINUED)

		Pro forma adjustments for the GQC Acquisition							Other pro forma adjustment		
	Unaudited pro forma consolidated balance sheet of the Enlarged Group upon the TL Acquisition and the PSHK Acquisition *HK$'000*	Consolidated balance sheet of the Target Co 3 as at 30 April 2011 *HK$'000* *(Note 2)*	Consolidated balance sheet of the Target Co 4 as at 30 April 2011 *HK$'000* *(Note 2)*	Consolidated balance sheet of the Target Co 5 as at 30 April 2011 *HK$'000* *(Note 2)*	Adjustments before the GQC Acquisition *HK$'000* *(Note 15)*	Other adjustments *HK$'000*	*Notes*	Subtotal *HK$'000*	*HK$'000*	*Note*	Unaudited pro forma consolidated balance sheet of the Enlarged Group upon the Acquisitions and the PSHK Acquisition *HK$'000*
Non-current assets											
Property, plant and equipment	387,779	–	–	–	–	–		387,779	–		387,779
Investment properties	51,130	–	–	–	–	–		51,130	–		51,130
Intangible assets	120,395	–	–	–	–	–		120,395	–		120,395
Goodwill	42,953	–	–	–	–	–		42,953	–		42,953
Deposit paid for acquisition of a property	100,000	–	–	–	–	–		100,000	–		100,000
Jointly controlled entities	96,479	–	–	–	–	–		96,479	–		96,479
Available-for-sale financial asset	2,991	–	–	–	–	–		2,991	–		2,991
Deferred tax assets	197	–	–	–	–	–		197	–		197
	801,924	–	–	–	–	–		801,924	–		801,924
Current assets											
Stocks and contracting work-in-progress	573,988	–	–	–	–	–		573,988	–		573,988
Properties under development	2,445,600	–	–	–	550,144	1,343,456	16	4,339,200	–		4,339,200
Receivables and prepayments	678,784	15,731	20,135	16,810	(52,676)	–		678,784	–		678,784
Amounts due from related companies	10	–	–	–	–	–		10	–		10
Deposits, cash and bank balances											
– restricted	3,911	–	–	–	–	–		3,911	–		3,911
– unrestricted	725,096	4	4	4	–	259,570	*17(a)*	984,678	(259,570)	*21(a)*	725,108
	4,427,389	15,735	20,139	16,814	497,468	1,603,026		6,580,571	(259,570)		6,321,001
Current liabilities											
Bank loans	(872,636)	–	–	–	–	–		(872,636)	–		(872,636)
Payables and accruals	(1,535,306)	(6,926)	(9,242)	(7,527)	23,695	(234,324)	*17(b)*	(1,769,630)	–		(1,769,630)
Amounts due to non-controlling interests	(42,351)	–	–	–	–	–		(42,351)	–		(42,351)
Amount due to then ultimate holding company	–	(26)	(26)	(26)	78	–		–	–		–
Amount due to a related company	–	(9,050)	(11,170)	(9,522)	29,742	–		–	–		–
Amount due to a director	–	–	–	–	–	–		–	–		–
Current tax liabilities	(24,722)	–	–	–	–	–		(24,722)	–		(24,722)
	(2,475,015)	(16,002)	(20,438)	(17,075)	53,515	(234,324)		(2,709,339)	–		(2,709,339)

(III) UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP (CONTINUED)

		Pro forma adjustments for the GQC Acquisition							Other pro forma adjustment		
	Unaudited pro forma consolidated balance sheet of the Enlarged Group upon the TL Acquisition and the PSHK Acquisition *HK$'000*	Consolidated balance sheet of the Target Co 3 as at 30 April 2011 *HK$'000* *(Note 2)*	Consolidated balance sheet of the Target Co 4 as at 30 April 2011 *HK$'000* *(Note 2)*	Consolidated balance sheet of the Target Co 5 as at 30 April 2011 *HK$'000* *(Note 2)*	Adjustments before the GQC Acquisition *HK$'000* *(Note 15)*	Other adjustments *HK$'000*	*Notes*	Subtotal *HK$'000*	*HK$'000*	*Note*	Unaudited pro forma consolidated balance sheet of the Enlarged Group upon the Acquisitions and the PSHK Acquisition *HK$'000*
Net current assets/(liabilities)	1,952,374	(267)	(299)	(261)	550,983	1,368,702		3,871,232	(259,570)		3,611,662
Total assets less current liabilities	2,754,298	(267)	(299)	(261)	550,983	1,368,702		4,673,156	(259,570)		4,413,586
Non-current liabilities											
Long service payment liabilities	(4,471)	–	–	–	–	–		(4,471)	–		(4,471)
Senior loan notes	(500,000)	–	–	–	–	–		(500,000)	259,570	*21(a)*	(240,430)
Convertible bonds	(348,649)	–	–	–	–	–		(348,649)	–		(348,649)
Deferred tax liabilities	(126,433)	–	–	–	–	–		(126,433)	–		(126,433)
Total non-current liabilities	(979,553)	–	–	–	–	–		(979,553)	259,570		(719,983)
Net assets/(liabilities)	1,774,745	(267)	(299)	(261)	550,983	1,368,702		3,693,603	–		3,693,603
Equity											
Capital and reserves attributable to the Company's equity holders											
Share capital	82,050	–	–	–	550,983	(420,460)	*17(a), (b), 20*	212,573	–		212,573
Other reserves	1,238,341	(1)	(1)	(1)	–	1,788,338	*16, 17(a), (b), 20*	3,026,676	–		3,026,676
Retained profits/(accumulated losses)	305,140	(266)	(298)	(260)	–	824	*20*	305,140	–		305,140
Proposed dividend	23,713	–	–	–	–	–		23,713	–		23,713
	1,649,244	(267)	(299)	(261)	550,983	1,368,702		3,568,102	–		3,568,102
Non-controlling interests	125,501	–	–	–	–	–		125,501	–		125,501
Total equity	1,774,745	(267)	(299)	(261)	550,983	1,368,702		3,693,603	–		3,693,603

(IV) UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE ENLARGED GROUP

		Pro forma adjustments for the TL Acquisition				Pro forma adjustments for the PSHK Acquisition			
	Unadjusted audited consolidated cash flow statement of the Group for the year ended 31 December 2010 HK$'000 (Note 1(a))	Consolidated cash flow statement of the Target Co 1 for the period from 24 September 2010 to 31 December 2010 HK$'000 (Note 2)	Consolidated cash flow statement of the Target Co 2 for the period from 24 September 2010 to 31 December 2010 HK$'000 (Note 2)	Other adjustments HK$'000	*Notes*	Consolidated cash flow statement of PSHK for the year ended 31 December 2010 HK$'000 (Note 2)	Other adjustments HK$'000	*Note*	Unaudited pro forma consolidated cash flow statement of the Enlarged Group upon the TL Acquisition and the PSHK Acquisition HK$'000
Operating activities									
Net cash used in operations	(127,877)	–	–	(9,600)	*7*	(8,788)	–		(146,265)
Interest received	1,529	–	–	–	–	–	–		1,529
Interest paid	(6,149)	–	–	(11,300)	*8(a),(c)(ii)*	–	(461)	*13*	(17,910)
Tax paid	(32,017)	–	–	–		–	–		(32,017)
Net cash outflow from operating activities	(164,514)	–	–	(20,900)		(8,788)	(461)		(194,663)
Investing activities									
Purchase of property, plant and equipment	(17,290)	–	–	–		(115)	–		(17,405)
Addition in an investment property	(127)	–	–	–		–	–		(127)
Proceeds from disposal of property, plant and equipment	178	–	–	–		–	–		178
Distribution on liquidation of an associated company	16	–	–	–		–	–		16
Redemption of held-to-maturity financial assets	5,890	–	–	–		–	–		5,890
Dividend income from associated companies	448	–	–	–		–	–		448
Disposal of a subsidiary, net of cash disposed	353	–	–	–		–	–		353
Proceeds from disposal of investment properties	6,191	–	–	–		–	–		6,191
Advance from/repayment from an associated company and jointly controlled entities	45,018	–	–	–		–	–		45,018
Advance to/repayment to jointly controlled entities	(117,715)	–	–	–		–	–		(117,715)
Net cash outflow from investing activities	(77,038)	–	–	–		(115)	–		(77,153)
Net cash outflow before financing activities	(241,552)	–	–	(20,900)		(8,903)	(461)		(271,816)

(IV) UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE ENLARGED GROUP (CONTINUED)

		Pro forma adjustments for the TL Acquisition				Pro forma adjustments for the PSHK Acquisition			
	Unadjusted audited consolidated cash flow statement of the Group for the year ended 31 December 2010 HK$'000 (Note 1(a))	Consolidated cash flow statement of the Target Co 1 for the period from 24 September 2010 to 31 December 2010 HK$'000 (Note 2)	Consolidated cash flow statement of the Target Co 2 for the period from 24 September 2010 to 31 December 2010 HK$'000 (Note 2)	Other adjustments HK$'000	*Note*	Consolidated cash flow statement of PSHK for the year ended 31 December 2010 HK$'000 (Note 2)	Other adjustments HK$'000	*Notes*	Unaudited pro forma consolidated cash flow statement of the Enlarged Group upon the TL Acquisition and the PSHK Acquisition HK$'000
Financing activities									
Amounts due to then related companies	–	–	–	–		8,739	(4,165)	12	4,574
Amount due to a director	–	–	–	–		1,086	–		1,086
Drawdown of bank loans	300,000	–	–	350,000	5(a)	–	25,636	10	675,636
Repayment of bank loans	(60,000)	–	–	–		–	–		(60,000)
Repayment of Semior Loan Note	–	–	–	–		–	–		–
Issue of shares	1,200	–	–	–		–	–		1,200
Dividends paid to non-controlling interests	(10,587)	–	–	–		–	–		(10,587)
Dividends paid to the Company's shareholders	(57,050)	–	–	–		–	–		(57,050)
Consideration paid to Vendor	–	–	–	(350,000)	5(a)	–	(25,546)	10	(375,546)
Net cash inflow/(outflow) from financing activities	173,563	–	–	–		9,825	(4,075)		179,313
(Decrease)/increase in cash and cash equivalents	(67,989)	–	–	(20,900)		922	(4,536)		(92,503)
Cash and cash equivalents at the beginning of year/period	708,766	–	–	–		90	(90)	10	708,766
Exchange gains on cash and cash equivalents	6,241	–	–	–		–	–		6,241
Cash and cash equivalents at the end of the year/period	647,018	–	–	(20,900)		1,012	(4,626)		622,504
Analysis of the balances of cash and cash equivalents									
Deposit, cash and bank balances – unrestricted	647,018	–	–	(20,900)		1,012	(4,626)		622,504

(IV) UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE ENLARGED GROUP (CONTINUED)

		Pro forma adjustments for the GQC Acquisition				Other pro forma adjustment		
	Unaudited pro forma consolidated cash flow statement of the Enlarged Group upon the TL Acquisition and the PSHK Acquisition	Consolidated cash flow statement of the Target Co 3 for the period from 25 June 2010 to 31 December 2010	Consolidated cash flow statement of the Target Co 4 for the period from 22 July 2010 to 31 December 2010	Consolidated cash flow statement of the Target Co 5 for the period from 22 July 2010 31 December 2010	Subtotal		*Note*	Unaudited pro forma consolidated cash flow statement of the Enlarged Group upon the Acquisitions and the PSHK Acquisition
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
		(Note 2)	*(Note 2)*	*(Note 2)*				
Operating activities								
Net cash (used in)/generated from operations	(146,265)	5	5	5	(146,250)	–		(146,250)
Interest received	1,529	–	–	–	1,529	–		1,529
Interest paid	(17,910)	–	–	–	(17,910)	2,596	*21(c)*	(15,314)
Tax paid	(32,017)	–	–	–	(32,017)	–		(32,017)
Net cash (outflow)/inflow from operating activities	(194,663)	5	5	5	(194,648)	2,596		(192,052)
Investing activities								
Purchase of property, plant and equipment	(17,405)	–	–	–	(17,405)	–		(17,405)
Addition in an investment property	(127)	–	–	–	(127)	–		(127)
Proceeds from disposal of property, plant and equipment	178	–	–	–	178	–		178
Distribution on liquidation of an associated company	16	–	–	–	16	–		16
Redemption of held-to-maturity financial assets	5,890	–	–	–	5,890	–		5,890
Dividend income from associated companies	448	–	–	–	448	–		448
Disposal of a subsidiary, net of cash disposed	353	–	–	–	353	–		353
Proceeds from disposal of investment properties	6,191	–	–	–	6,191	–		6,191
Advance from/repayment from an associated company and jointly controlled entities	45,018	–	–	–	45,018	–		45,018
Advance to/repayment to jointly controlled entities	(117,715)	–	–	–	(117,715)	–		(117,715)
Net cash outflow from investing activities	(77,153)	–	–	–	(77,153)	–		(77,153)
Net cash (outflow)/inflow before financing activities	(271,816)	5	5	5	(271,801)	2,596		(269,205)

(IV) UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE ENLARGED GROUP (CONTINUED)

		Pro forma adjustments for the GQC Acquisition						Other pro forma adjustment		
	Unaudited pro forma consolidated cash flow statement of the Enlarged Group upon the TL Acquisition and the PSHK Acquisition	Consolidated cash flow statement of the Target Co 3 for the period from 25 June 2010 to 31 December 2010	Consolidated cash flow statement of the Target Co 4 for the period from 22 July 2010 to 31 December 2010	Consolidated cash flow statement of the Target Co 5 for the period from 22 July 2010 to 31 December 2010	Other adjustments	*Notes*	Subtotal		*Note*	Unaudited pro forma consolidated cash flow statement of the Enlarged Group upon the Acquisitions and the PSHK Acquisition
	HK$'000	*HK$'000* *(Note 2)*	*HK$'000* *(Note 2)*	*HK$'000* *(Note 2)*	*HK$'000*		*HK$'000*	*HK$'000*		*HK$'000*
Financing activities										
Amounts due to then related companies	4,574	–	–	–	–		4,574	–		4,574
Amount due to a director	1,086	–	–	–	–		1,086	–		1,086
Drawdown of bank loans	675,636	–	–	–	–		675,636	–		675,636
Repayment of bank loans	(60,000)	–	–	–	–		(60,000)	–		(60,000)
Repayment of Senior Loan Note	–	–	–	–	–		–	(259,570)	*21(a)*	(259,570)
Issue of shares	1,200	–	–	–	1,098,000	*17(a)*	1,099,200	–		1,099,200
Issue cost	–	–	–	–	(38,430)	*19*	(38,430)	–		(38,430)
Dividends paid to non-controlling interests	(10,587)	–	–	–	–		(10,587)	–		(10,587)
Dividends paid to the Company's shareholders	(57,050)	–	–	–	–		(57,050)	–		(57,050)
Consideration paid to Vendor	(375,546)	–	–	–	(800,000)	*17(a)*	(1,175,546)	–		(1,175,546)
Net cash inflow/(outflow) from financing activities	179,313	–	–	–	259,570		438,883	(259,570)		179,313
(Decrease)/increase in cash and cash equivalents	(92,503)	5	5	5	259,570		167,082	(256,974)		(89,892)
Cash and cash equivalents at the beginning of year/period	708,766	–	–	–	–		708,766	–		708,766
Exchange gains on cash and cash equivalents	6,241	–	–	–	–		6,241	–		6,241
Cash and cash equivalents at the end of the year/period	622,504	5	5	5	259,570		882,089	(256,974)		625,115
Analysis of the balances of cash and cash equivalents										
Deposit, cash and bank balances – unrestricted	622,504	5	5	5	259,570		882,089	(256,974)		625,115

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP:

General

1. (a) The unadjusted audited consolidated income statement, unadjusted audited consolidated statement of comprehensive income and unadjusted audited consolidated cash flow statement of the Group for the year ended 31 December 2010 were extracted from the published annual report of the Group for the year ended 31 December 2010.

   (b) The unadjusted unaudited consolidated balance sheet of the Group as at 30 June 2011 was extracted from the published interim report of the Group for the six months period ended 30 June 2011.

2. The consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Target Companies and PSHK for the year/period ended 31 December 2010, and the consolidated balance sheet of each of the Target Companies and PSHK as at 30 April 2011 were extracted from the accountant's report for each of the Target Companies and PSHK as set out in Appendix II A to II F to this circular.

TL Acquisition

3. On 27 July 2011, the Target Co 1 and the Target Co 2 ("the TL Group") were acquired by Neo Summit from then ultimate holding company of the TL Group. Upon the completion of such acquisition, Neo Summit injected funds into the TL Group, the TL Group then utilised these funds for settling payables and accruals, amounts due to then ultimate holding company and a then related company as at 30 April 2011.

   The land use right certificates of the TL Group were all obtained as of 30 June 2011. Consequently, the prepayments for land use rights of HK$366,940,000 as at 30 April 2011 are reclassified as properties under development.

4. The TL Acquisition constitutes a purchase of assets rather than a business combination. The assets and liabilities of the TL Group are accounted for in the Unaudited Pro Forma Financial Information based on their costs.

   As part of the purchase consideration, the Group will issue 143,000,000 Shares, which should be accounted for based on Hong Kong Financial Reporting Standard 2 "Share-based Payment". This has resulted in the properties under development being recognised at fair value (refer to Note 5(d)).

   The properties under development amount to HK$2,445,600,000, after taking into account of the fair value of the land use rights of HK$2,436,000,000 and estimated transaction costs of HK$9,600,000 (refer to Note 7).

   The fair value of the land use rights as at 30 June 2011 amounting to HK$2,436,000,000 (equivalent to RMB2,030,000,000), is estimated by the Directors with reference to the valuation report prepared by DTZ Debenham Tie Leung Limited, an independent property valuer.

5. The total consideration of the TL Acquisition of HK$1,828,000,000 is to be settled by way of the following:

   (a) Cash consideration of HK$350,000,000

   The Company will finance the payment of the cash consideration by drawing down new bank loans.

   (b) Issue of the Senior Loan Note of HK$500,000,000

   The Senior Loan Note bears interest of 4% per annum and is repayable two years from date of issue with an interest-free period of initial nine months and subject to any early redemption or repayment. For the purpose of the Unaudited Pro Forma Financial Information, management assumes there is no early redemption of the Senior Loan Note. Based on management's assessment using discounted cash flow method, the fair value of the Senior Loan Note approximates HK$500,000,000.

   (c) Issue of the TL Convertible Bonds with the principal amount of HK$759,210,000

   Fair value of the TL Convertible Bonds is estimated at HK$722,065,000 by the Directors based on the valuation as at 2 August 2011 as assessed by Greater China Professional Services Limited. Fair value of the debt portion amounts to HK$348,649,000 and is recognised as a financial liability on inception in accordance with Hong Kong Accounting Standards ("HKAS") 39, "Financial Instruments: Recognition and Measurement". The residual value, HK$373,416,000, being the difference between the fair value of the TL Convertible Bonds as a whole (HK$722,065,000) and the fair value of the debt portion is recognised as a separate equity component, in accordance with HKAS 32, "Financial Instruments: Presentation", within other reserves. A corresponding deferred tax liability of HK$67,743,000 is recognised and charged against the equity component.

   (d) Issue of 143,000,000 Shares at the issue price of HK$1.53 each

   In determining the consideration, the parties have also taken into account the potential tax liabilities under the relevant PRC laws and regulation arising from the sale of the TL Group by Neo Summit to the Company. The estimated tax liabilities of HK$349,060,000, assumed by the Company, is recognised as a current liability.

   The difference between the fair value of the land use rights of HK$2,436,000,000 (as described in Note 4), and the consideration which is aggregated by the fair value of items (a), (b), (c) above and the estimated tax liabilities assumed, amounting to HK$514,875,000 is recognised as share capital and other reserves. Such treatment is in accordance with Hong Kong Financial Reporting Standard ("HKFRS 2"), "Share-based Payment".

   HK$14,300,000 out of the balance of HK$514,875,000 is reflected as share capital which represents par value of the issued shares. The remaining balance of HK$500,575,000 is recorded in the share premium and other reserves, where appropriate.

6. The adjustment represents consolidation entries for the elimination of share capital, pre-acquisition losses and other reserves of the TL Group.

7. This represents the effect of estimated transaction costs for the TL Acquisition amounting to HK$9,600,000, which is capitalised as properties under development.

8. (a) The adjustment represents interest expenses on the bank borrowings drawn for paying the cash consideration of HK$350,000,000 of the TL Acquisition for the year ended 31 December 2010, which is calculated based on the Group's average borrowing rate.

   (b) The adjustments represent interest expenses on the TL Convertible Bonds calculated using the effective interest rate method for the year ended 31 December 2010 at a rate of 11.8% per annum, and the corresponding deferred tax effect credited to the profit or loss for the year ended 31 December 2010.

   (c) (i) The adjustment represents interest accrued for the Senior Loan Note of HK$500,000,000 for the year ended 31 December 2010, using the effective interest rate method.

   (ii) The adjustment represents interest paid of HK$5,000,000 for the Senior Loan Note for the year ended 31 December 2010.

   Depending on the timing of the Enlarged Group undertakes activities that are necessary to prepare the land for its intended use, the Enlarged Group may capitalise the interest expenses which are directly attributable to the property development of the TL Sites. As a result, the actual interest expenses to be charged in the income statements of the Group may be different from the estimated amounts shown in this appendix.

9. Since the fair values of the assets and liabilities of the TL Group, the values of the debt and equity component of the TL Convertible Bonds and the average borrowing rate may be different at the TL Completion Date as compared to their respective values used in the preparation of the Unaudited Pro Forma Financial Information, the actual amounts to be recorded in the financial statements of the Group may be different from the estimated amounts shown in this appendix.

PSHK Acquisition

10. Upon completion of the PSHK Acquisition, the net identifiable liabilities of PSHK will be accounted for in the Unaudited Pro Forma Financial Information at fair value under the acquisition method of accounting in accordance with HKFRS 3 (Revised), "Business Combinations". For the purpose of the Unaudited Pro Forma Financial Information, the Directors have estimated the fair values of the identifiable assets and liabilities of PSHK at 1 January 2010 and 30 June 2011 approximate the net carrying value.

    Goodwill of HK$24,200,000 recognised in the Unaudited Pro Forma Financial Information represents the excess amount of the consideration of HK$19,500,000 over the fair value of the net identifiable liabilities of HK$4,700,000. Upon completion of the PSHK Acquisition, the Company will procure PSHK to repay amounts due to then ultimate holding company and a director, amounting to HK$6,136,000 (refer to Note 11 below).

11. The adjustments represent the draw down of bank loan by the Group for payment of the consideration payable to Pinnacle State Group Limited ("PSG") and the settlement of liabilities due to PSG, ultimate holding company of PSHK and Mr. Wong, director of PSHK upon completion of the PSHK Acquisition.

12. The adjustments represent consolidation entries for elimination of share capital, pre-acquisition losses and other reserves of PSHK.

13. The adjustment represents interest expenses on the bank borrowing in relation to the PSHK Acquisition, as described in Note 11.

14. Since the fair values of the identifiable assets and liabilities of PSHK and the average bank borrowing rate at the PSHK Completion Date may be different from their respective values used in the preparation of the Unaudited Pro Forma Financial Information, the actual amounts and goodwill to be recorded in the financial statements of the Group may be different from the estimated amounts shown in this appendix.

GQC Acquisition

15. On 27 July 2011, the Target Co 3, the Target Co 4 and the Target Co 5 (the "GQC Group") were acquired by Neo Summit from then ultimate holding company of the GQC Group. Upon the completion of such acquisition, Neo Summit injects funds into the GQC Group, the GQC Group then utilises these funds to pay the remaining land premium of HK$497,468,000 outstanding as at 30 April 2011, and to settle payables and accruals, amounts due to then ultimate holding company and a then related company as at 30 April 2011.

    On the assumption that the land use right certificates will be obtained prior to the completion of the acquisition of the GQC Group, the prepayments for land use rights of HK$52,676,000 as at 30 April 2011 are reclassified to properties under development for the purpose of the Unaudited Pro Forma Financial Information.

16. The GQC Acquisition constitutes a purchase of assets rather than a business combination. The assets and liabilities of the GQC Group are accounted for in the Unaudited Pro Forma Financial Information based on their costs.

    As part of the purchase consideration, it is assumed that the Group will issue 405,228,758 Shares, which should be accounted for based on Hong Kong Financial Reporting Standard 2 "Share-based Payment". This has resulted in the properties under development being recognised at fair value (refer to Note 17(b)).

    The fair value of the land use rights as at 30 June 2011, amounting to HK$1,893,600,000 (equivalent to RMB1,578,000,000), is estimated by the Directors with reference to the valuation report by DTZ Debenham Tie Leung Limited, an independent property valuer, on the basis that the land premium for all the land parcels held by the GQC Group has been settled and land use certificates for all of these land parcels have been obtained.

17. The total consideration of the GQC Acquisition of HK$1,420,000,000 is to be settled by way of the following:

(a) Cash consideration of HK$800,000,000

For the purpose of the GQC Acquisition, the Company proposes to seek the Specific Mandate from the Independent Shareholders to pay up this cash consideration.

According to the Specific Mandate, the new Shares will be at a discount of not more than 20% to the higher of:

(1) the closing price on the date of any relevant placing agreement or other agreement involving the proposed issue of securities under the Specific Mandate; and

(2) the average closing price in the five trading days immediately prior to the earlier of:

(i) the date of announcement of the placing or the proposed transaction or arrangement involving the proposed issue of securities under the Specific Mandate;

(ii) the date of the placing agreement or other agreement involving the proposed issue of securities under the Specific Mandate; and

(iii) the date on which the placing or subscription price is fixed.

For the purpose of the Unaudited Pro Forma Financial Information, it is assumed that the Company has obtained an approval from the Independent Shareholders at SGM for the Specific Mandate. On that basis and assuming that only shares are to be issued, 900,000,000 Shares are to be issued at HK$1.22 per Share, raising funds amounting to HK$1,098,000,000. The new Shares of HK$1.22 represents approximately 20% discount on HK$1.53, the assumed issue price of Shares to the GQC Acquisition.

As a result, HK$90,000,000 out of HK$1,098,000,000 raised is reflected as share capital which represents par value of the issued Shares. The remaining balance of HK$1,008,000,000, net of transaction costs of HK$38,430,000, is recorded in share premium within other reserves.

Out of the net proceeds of HK$1,059,570,000 received, HK$800,000,000 is used to settle the cash consideration.

(b) Issue of Shares of the Company to Neo Summit at a consideration of HK$620,000,000

The issue price of the Shares is set at HK$1.53 per Share or the Placing Price (whichever is higher).

As a result, it is assumed that (i) 405,228,758 Shares are to be issued at HK$1.53 per Share and (ii) the valuation of the land use rights upon completion of the GQC Acquisition is of HK$1,893,600,000, as stated in Note 16 above.

In determining the consideration, the parties have also taken into account the potential tax liabilities under the relevant PRC laws and regulation arising from the sale of the GQC Group by Neo Summit to the Company. The estimated tax liabilities of HK$234,324,000, assumed by the Company, is recognised as a current liability.

The difference between the fair value of the land use rights to be procured by the GQC Group (i.e. HK$1,893,600,000) and the aggregate fair value of item (a) above and the estimated tax liabilities assumed, amounting to HK$859,276,000 is recognised as share capital and other reserves. Such treatment is in accordance with Hong Kong Financial Reporting Standard ("HKFRS") 2, "Share-based Payment".

HK$40,523,000 out of the balance of HK$859,276,000 is reflected as share capital which represents par value of the issued Shares. The remaining balance of HK$818,753,000 is recorded in share premium and other reserves, where appropriate.

18. Since the values of the assets and liabilities of the GQC Group, and the price of the Shares, the total number of Shares issued and the total amount of funds raised from the Fund Raising Exercise as part of the consideration to Neo Summit may be different at the GQC Completion Date as compared to their respective values used in the preparation of the above the Unaudited Pro Forma Financial Information, the actual amounts to be recorded in the financial statements of the Group may be different from the estimated amounts shown in this appendix.

19. This represents the effect of estimated transaction costs for the placing of shares, as described in Note 17(a), amounting to HK$38,430,000.

20. The adjustment represents consolidation entries for the elimination of share capital, pre-acquisition losses, and other reserves of the GQC Group.

21 (a) According to the terms of the Senior Loan Note which is issued for the settlement of consideration of the TL Acquisition, the excess of amount raised from the Fund Raising Exercise over HK$800,000,000 should be used to repay the Senior Loan Note. On the basis that HK$1,098,000,000 is raised from the Fund Raising Exercise (refer to Note 17(a), the excess of amount raised over HK$800,000,000, less transaction costs of HK$38,430,000 (refer to Note 19) amounting to HK$259,570,000 is used to repay part of the Senior Loan Note.

(b) The adjustment represents a reduction in interest accrued for the Senior Loan Note for the year ended 31 December 2010, using the effective interest rate method, as the original principal amount of the Senior Loan Note, HK$500,000,000, is reduced to HK$240,430,000, as a result of the partial settlement by using the funds raised under the Fund Raising Exercise.

(c) The adjustment represents a reduction of HK$2,596,000 in interest paid for Senior Loan Note for the year ended 31 December 2010, which is calculated by the reduced principal amount of the Senior Loan Note (refer to Note 21(b)).

Since the amount raised from the Fund Raising Exercise may be different from the amount used in the preparation of the Unaudited Pro Forma Financial Information, the actual amount of the transaction costs, the repayment amount of the Senior Loan Note, the interest expenses incurred/to be paid may be different from the actual amounts to be recorded in the financial statements of the Group upon the completion of the Fund Raising Exercise.

22. In respect of the unaudited pro forma consolidated income statement, statement of comprehensive income and cash flow statement, adjustments 2, 5(a), 7, 8, 10, 12, 13, 17(a), and 19 are expected to have continuing effects on the Enlarged Group as the Target Companies and PSHK will be consolidated by the Group after the Acquisitions and the PSHK Acquisition. The future results and cash flows of the Target Companies and PSHK may be substantially different from their results and cash flows for the year ended 31 December 2010. The remaining adjustments are not expected to have continuing effects on the Enlarged Group.

23. Apart from the Acquisitions and the PSHK Acquisition, no other adjustment has been made to the unaudited pro forma consolidated balance sheet to reflect any trading results or other transactions entered into by the Group subsequent to 30 June 2011 and the Target Companies and PSHK subsequent to 30 April 2011.

24. For the purpose of the Unaudited Pro Forma Financial Information, the transactions and balances arising from the Acquisitions and the PSHK Acquisition that and stated in Renminbi have been converted to Hong Kong dollars at the exchange rate of RMB1: HK$1.2.

(B) ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from Pricewaterhouse Coopers

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong
Telephone (852) 2289 8888
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www.pwchk.com

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF HSIN CHONG CONSTRUCTION GROUP LTD.

We report on the unaudited pro forma financial information set out on pages III-1 to III-20 under the heading of "Unaudited Pro Forma Financial Information of the Enlarged Group" (the "Unaudited Pro Forma Financial Information") in Appendix III of the circular dated 30 September 2011 (the "Circular") of Hsin Chong Construction Group Ltd. (the "Company"), in connection with the proposed acquisition of companies holding two land sites in the People's Republic of China and PS Hong Kong Limited (the "Transaction") by the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Transaction might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the "Group"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages III-1 to III-20 of the Circular.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare 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 Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form 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.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unaudited consolidated balance sheet of the Group as at 30 June 2011 with the unaudited consolidated interim financial information of the Group as at 30 June 2011 as set out in the 2011 interim report of the Company, and comparing the audited consolidated income statement, the audited consolidated statement of comprehensive income and the audited consolidated cash flow statement of the Group for the year ended 31 December 2010 with the audited financial statements of the Company for the year ended 31 December 2010 as set out in the 2010 annual report of the Company, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that 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.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

– the financial position of the Group as at 30 June 2011 or any future date, or

– the results and cash flows/earnings per share of the Group for the year ended 31 December 2010 or any future periods.

Opinion

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company 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.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 30 September 2011

The following is the text of the letter and valuation report prepared for the purpose of incorporation in this circular received from Knight Frank Petty Limited, being an independent property valuer, in connection with its valuation as at 30 June 2011 of the market value of the property interests of the Group.

Knight Frank 萊坊

4/F Shui On Centre,
6-8 Harbour Road,
Wan Chai,
Hong Kong

The Directors
Hsin Chong Construction Group Ltd.
Hsin Chong Center
Nos. 107-109 Wai Yip Street
Kwun Tong
Kowloon, Hong Kong

Dear Sirs

In accordance with your instructions for us to value the property interests held by Hsin Chong Construction Group Ltd. ("the Company") and its subsidiaries (collectively referred to as "the Group"), we confirm that we have carried out external inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of market values of the property interests as at 30 June 2011 for the purpose of inclusion in a public circular.

BASIS OF VALUATION

Our valuation is our opinion of the market value and here we would define market value as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes 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 special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

VALUATION METHODOLOGY

In valuing the property interest for property no 1 which is owner-occupied by the Company and its related companies, we have adopted "Direct Comparison Approach" with reference to comparable market transactions and have assumed sale with vacant possession. For property interest nos 2, 4 and 5 which are held for investment, we have adopted "Direct Comparison Approach" by reference to comparable market transactions and, where appropriate, on the basis of capitalisation of the net income shown on the schedules handed to us and have allowed for outgoings and in some cases made provisions for reversionary income potential.

For property no 3 in which the Group holds a leasehold interest expiring on 14 August 2014, we have valued on the basis of capitalisation of the net income shown on the schedules handed to us for the remaining lease term and have allowed for outgoings and made provisions for reversionary income potential.

VALUATION CONSIDERATIONS

In valuing property nos 1 and 5 which are held from the Government for a term expired before 30 June 1997, we have taken into account the provisions of Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People's Republic of China on the question of Hong Kong and the New Territories (Extension) Ordinance that such lease has been extended without premium until 30 June 2047 and that an annual rent of 3% of the rateable value of each of the property is charged from the date of extension.

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us by the Company on such matters as statutory notices, easements, tenure, identification of properties, particulars of occupancy, lettings, floor areas and all other relevant matters. We have caused searches to be made at the Land Registry in respect of the properties. However, we have not scrutinised the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us. All documents and leases have been used for reference only.

We have inspected the exterior of the properties. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the properties are or are not free from rot, infestation or any other defects. No tests were carried out on any of the services.

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

In preparing our valuation report, we have complied with "The HKIS Valuation Standards on Properties (First Edition 2005)" published by the Hong Kong Institute of Surveyors.

We enclose herewith our summary of values and valuation report.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited
Alex S L Ng
MRICS MHKIS RPS(GP)
Executive Director

Yours faithfully
For and on behalf of
Knight Frank Petty Limited
Catherine Cheung
MHKIS MRICS RPS(GP)
Director of Valuations

Encl.

Notes : Mr. Alex S L Ng, MRICS, MHKIS, RPS(GP), has been a qualified valuer with Knight Frank Petty Limited since November 1995 and has about 26 years' experience in the valuation of properties in Hong Kong and has been involved in the valuation of properties in the People's Republic of China and Asia Pacific regions since 1988.

Ms. Catherine Cheung, MRICS, MHKIS, RPS(GP), is a qualified valuer having over 20 years' experience in the valuation of properties in Hong Kong and has been involved in the valuation of properties in the People's Republic of China and Asia Pacific regions.

SUMMARY OF VALUES

Property		Market value in existing state as at 30 June 2011
Group 1 – Property owner-occupied by the Group		
1.	Hsin Chong Center, Nos. 107-109 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong	HK$350,000,000
	Sub-total:	HK$350,000,000
Group 2 – Properties held for investment by the Group		
2.	138 private carparking spaces in Carport Block of Phase I, Lung Mun Oasis, No. 43 Lung Mun Road, Tuen Mun, New Territories, Hong Kong	HK$17,200,000
3.	The upper portion (11/F to 30/F) and the office lobby on G/F (excluding the Shared Facilities) together with the main roof and the loading and unloading bay (CP1) on G/F, No. 3 Lockhart Road, Wan Chai, Hong Kong	HK$48,800,000
4.	Loading Bay L101 on 1st Floor, Fortune Commercial Building, No. 362 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong	HK$700,000
5.	Car Park Nos. P250, P251, P252, P253, P254, P255, P256 and P257, Sun Hing Garden, No. 2 On Po Lane, Tai Po, New Territories, Hong Kong	HK$1,630,000
	Sub-total:	HK$68,330,000
	Grand total:	**HK$418,330,000**

VALUATION REPORT

Group 1 – Property owner-occupied by the Group

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2011
1.	Hsin Chong Center, Nos. 107-109 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong Kwun Tong Inland Lot Nos 570, 571, 572 and 573.	The property comprises a 10-storey industrial building completed in 1966 with substantial renovation work done to change into an industrial/office building in 1999. The building accommodates entrance lobby on the Ground Floor, common facility rooms on the 2nd Floor and office spaces on the remaining upper floors. The Ground and 1st Floors provide 30 carparking spaces. The total gross floor area of the property is approximately 100,610 sq ft. The property is held under four Government leases each for a term of 99 years less the last 3 days from 1 July 1898 and upon expiry, each of the lease term is statutorily extended until 30 June 2047. The annual Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property.	As advised by the Company, the property is occupied by the Company and its related companies as offices.	HK$350,000,000

Notes: (1) As at the date of valuation, the registered owner of the property was Deventer Limited (a wholly-owned subsidiary of the Company) and by an Assignment dated 4 July 2011, the property was assigned to Cogent Spring Limited, which is also a wholly-owned subsidiary of the Company.

(2) The property is subject to a Deed of Variation of Government Leases dated 4 July 1969 and a Modification Letter dated 30 August 1999.

(3) According to Kwun Tong South Outline Zoning Plan No S/K14S/6 dated 15 July 2008, the property falls within an area zoned for "Other Specified Uses (Business)" uses.

(4) As requested by the Company, we would like to further advise that the apportionment of the market value into land and building elements for accounting purpose is as follows:–

Land Element	:	HK$285,400,000
Building Element	:	HK$64,600,000

Group 2 – Properties held for investment by the Group

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2011
2.	138 private carparking spaces in Carport Block of Phase I, Lung Mun Oasis, No 43 Lung Mun Road, Tuen Mun, New Territories, Hong Kong Situated within Tuen Mun Town Lot No 395	The property comprises a total of 138 unsold covered private carparking spaces in a 5-storey commercial/carparking block within a Private Sector Participation Scheme known as Lung Mun Oasis which comprises a total of 16 high rise residential blocks completed in 1999. The property is held under New Grant No 3218 for a term expiring on 30 June 2047. The annual Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property.	The car parking spaces are either let on monthly or hourly basis generating an average monthly income of about HK$121,000 from 1 January 2011 to 30 June 2011.	HK$17,200,000

Notes: (1) The registered owner of the property is Rife Yard Limited, which is a wholly-owned subsidiary of the Company.

(2) The property comprises the following carparking spaces:

1st Floor

Hourly : Nos 77, 78, 79, 80, 81, 82, 83, 85, 86, 87, 88, 89, 90, 91, 92, 93, 95, 96, 97, 98, 99, 100, 101, 102, 151, 152, 153, 155, 156, 157, 158, 159, 160, 161, 162, 163 and 165

Monthly : Nos 3, 5, 10, 11, 12, 15, 16, 17, 18, 19, 20, 21, 22, 23, 25, 26, 27, 28, 30, 31, 32, 33, 35, 36, 37, 38, 39, 50, 51, 52, 53, 55, 56, 57, 58, 59, 60, 61, 62, 63, 65, 66, 67, 68, 69, 70, 71, 72, 73, 75, 76, 106, 107, 108, 109, 110, 111, 112, 113, 115, 116, 117, 118, 119, 120, 121, 122, 123, 125, 126, 127, 128, 131, 133, 135, 136, 138, 139 and 150

2nd Floor

Monthly : Nos 155, 156, 157, 159 and 160

Hourly : Nos 120, 121, 123, 125, 127, 130, 131, 150, 163 and 167

3rd Floor

Hourly : No 58

4th Floor

Hourly : Nos 56, 57, 58, 59, 115 and 117

(3) According to Tuen Mun South Outline Zoning Plan No S/TM/28 dated 3 May 2011, the property falls within an area zoned for "Residential (Group A)" uses.

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2011
3.	The upper portion (11/F to 30/F) and the office lobby on G/F (excluding the Shared Facilities) together with the main roof and the loading and unloading bay (CP1) on G/F, No. 3 Lockhart Road, Wan Chai, Hong Kong Situated within Inland Lot No 7418	The property comprises 17 office floors, a ground floor office lobby, the main roof and a loading and unloading bay on G/F of a 28-storey (including a mechanical floor) of a community/office building known as No. 3 Lockhart Road and was completed in 1994. The lower portion of No. 3 Lockhart Road is mainly occupied the Boys' and Girls Clubs Association of Hong Kong as their offices, day nursery, activities rooms, function rooms etc. The upper portion is mainly for office uses. Loading and unloading area is provided on G/F. The total gross floor areas of the property (excluding carparking spaces) is approximately 77,003 sq ft. No. 3 Lockhart Road is held under a Government Lease for a term of 75 years from 8 October 1957. The annual Government rent payable for the lot is HK$964.	Except for the roof which is vacant, the property is fully sub-let to various tenants mostly for terms of 2 years with the latest tenancy expiring in June 2014 at a total rent of about HK$1,861,000 per month exclusive of rates and management fee.	HK$48,800,000

Notes: (1) The registered owner of the property is The Boys' and Girls' Clubs Association of Hong Kong ("the Landlord"). Pursuant to a Lease dated 18 May 1994 registered vide Memorial No UB6016935 ("the Lease"), the Landlord agreed to lease the property to Cogent Spring Limited, a wholly-owned subsidiary of the Company, for a term of 20 years from 15 August 1994 at a yearly rent of HK$1 exclusive of rates and management fees. Furthermore, pursuant to the Lease, Cogent Spring Limited, a wholly-owned subsidiary of the Company, is allowed to sublet the property to tenants of good business repute for use as offices and Cogent Spring Limited had obtained the prior written consent of the Landlord before sub-letting the property to each of the current tenants. Our valuation reflects the value of the leasehold interest held by Cogent Spring Limited in No 3 Lockhart Road.

(2) The designations of 13/F, 14/F and 24/F are omitted in the subject building.

(3) According to Wan Chai Outline Zoning Plan No. S/H5/26 dated 24 September 2010, the property falls within an area zoned for "Government/Institution/Community" uses. The existing town planning zoning as "Government/Institution/Community" use would not affect an existing use of an existing building. According to the current town planning policy, no action is required to make the existing use of any land or building conform to the outline zoning plan until there is a material change of use or the building is redeveloped. Therefore the existing use as an office building (as per occupation permit dated 10 May 1994) shall be able to continue without subject to any enforcement or penalty issue from the Government authority.

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2011
4.	Loading Bay L101 on 1st Floor, Fortune Commercial Building, No. 362 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong 60/27,700th shares of and in the Remaining Portion of Tsuen Wan Town Lot No. 355	The property comprises a loading bay on the 1st Floor of a 22-storey commercial building completed in about 1994. The property is held under a New Grant for a term commencing on 16 November 1991 and expiring on 30 June 2047. The annual Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property.	The property is subject to a monthly licence at a monthly licence fee of HK$3,500.	HK$700,000

Notes: (1) The registered owner of the property is S-Club Limited, a wholly-owned subsidiary of Synergis Holdings Limited.

(2) According to Tsuen Wan Outline Zoning Plan No. S/TW/27 dated 24 December 2010, the property falls within an area zoned for "Commercial (Group 5)" uses.

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2011
5.	Car Park Nos P250, P251, P252, P253, P254, P255, P256 and P257, Sun Hing Garden, No. 2 On Po Lane, Tai Po, New Territories, Hong Kong 24/64,299th shares of and in Tai Po Town Lot No. 26	The property comprises 8 carparking spaces on the Ground Floor of a Private Sector Participation Scheme housing estate comprising a total of 5 residential towers. The development was completed in about 1986. The property is held under a New Grant for a term of 99 years less the last 3 days from 1 July 1898 and the lease term has been statutorily extended until 30 June 2047. The annual Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property.	The property was let on hourly basis at an hourly rate of HK$12 from Monday to Friday and HK$16 on Saturday, Sunday and Public Holiday. The hourly rate has been revised since 15 June 2011 to HK$14 from Monday to Friday and HK$18 on Saturday, Sunday and Public Holiday. The total income generated from the property from 1 July 2010 to 30 June 2011 was approximately HK$204,000.	HK$1,630,000

Notes: (1) The registered owner of the property is S-Club Limited, a wholly-owned subsidiary of Synergis Holdings Limited.

(2) According to Tai Po Outline Zoning Plan No. S/TP/22 dated 17 September 2010, the property falls within an area zoned for "Residential (Group A)" uses.

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of market values of Target Site 1, Target Site 2, Target Site 3, Target Site 4 and Target Site 5 held in the PRC as at 30 June 2011.

DTZ 戴德梁行

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

30 September 2011

The Board of Directors
Hsin Chong Construction Group Ltd.
Hsin Chong Center
107-109 Wai Yip Street
Kwun Tong
Kowloon
Hong Kong

Dear Sirs,

INSTRUCTIONS, PURPOSE & DATE OF VALUATION

In accordance with your instruction for us to carry out the valuation of the market values of Target Site 1, Target Site 2, Target Site 3, Target Site 4 and Target Site 5 (the "Properties") held by Target Co 1, Target Co 2, Target Co 3, Target Co 4 and Target Co 5 with their respective subsidiaries and wholly foreign owned enterprises, WFOE 1, WFOE 2, WFOE 3, WFOE 4 and WFOE 5 together as the ("Target Group") 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 considered necessary for the purpose of providing you ("the Company") with our opinion of the market values of the Properties in existing state as at 30 June 2011 (the "date of valuation").

Extract of the Target Group is as below:

Target Co 1	Rosy China Investments Limited	**WFOE 1**	Liaoning Huisheng Property Investment Limited 遼寧滙盛置業有限公司
Target Co 2	Sorano Investments Limited	**WFOE 2**	Liaoning Tongji Property Investment Limited 遼寧同濟置業有限公司
Target Co 3	Best Elect Investments Limited	**WFOE 3**	Jiangxi Ji Xin Property Investment Limited 江西集信置業有限公司
Target Co 4	Market Elite Investments Limited	**WFOE 4**	Jiangxi Tian Fu Property Investment Limited 江西天福置業有限公司
Target Co 5	Noble Empire Investments Limited	**WFOE 5**	Jiangxi Xie Cheng Property Investment Limited 江西協成置業有限公司

DEFINITION OF MARKET VALUE

Our valuation of each of the Properties represents its market value which in accordance with The HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

VALUATION BASIS AND ASSUMPTION

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

In the course of our valuation of the Properties situated in the PRC, we have prepared our valuation on the basis that transferable land use rights in respect of the Properties for its specific term at nominal annual land use fee have 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 legal adviser, GFE Law Office, regarding the title to the Properties and the interests in the Properties. In valuing the Properties, we have prepared our valuation on the basis that the owners have enforceable title to the Properties and have free and uninterrupted rights to use, occupy or assign the Properties for the whole of the unexpired terms as granted.

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

We have valued the whole interests in the Properties.

METHOD OF VALUATION

In valuing the Properties, which are held for future development in the PRC, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market.

In valuing the Properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institutes of Surveyors.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Company and the opinion of the PRC legal adviser of the Company as to the PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of Properties, particulars of occupancy, development scheme, site and floor areas and all other relevant matters. We are independent and have not relied upon information supplied by any connected person.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximation. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

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 by the Company with copies or extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

SITE INSPECTION

We have inspected the exterior, and wherever possible, the interior of the Properties. However, no tests were carried out to any of the services. Moreover, we have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

CURRENCY

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

We attach herewith a summary of valuations and valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Philip C Y Tsang
Registered Professional Surveyor (GP)
Registered China Real Estate Appraiser
MSc, MRICS, MHKIS
Director

Note: Mr. Philip C Y Tsang is Registered Professional Surveyor who has over 18 years' experience in the valuation of properties in the PRC.

Contributing PRC valuers of various DTZ PRC Offices with professional qualifications include, but not limited to, China Real Estate Appraiser and China Land Valuer.

SUMMARY OF VALUATIONS

	Property	Market Value in existing state as at 30 June 2011 *RMB*
Properties held for future development in the PRC		
1.	Target Site 1, 2 – 17 parcels of nearby land, south of Ganjiang Road, west of National Highway 102, Dafanhe Village and Xintun Village, Fanhe Town, Tieling County, Liaoning Province, the PRC	2,030,000,000
2.	Target Site 3, 4, 5 – 41 parcels of land, Hetang Village and Zenglong Village, Jiangyi Town, Gongqing Cheng, Jiangxi Province, the PRC	1,578,000,000
	Grand Total	3,608,000,000

(In valuing Property 2, we have assumed that the land premium has been fully settled and Land Use Rights Certificate in respect of the Grantee will be issued in due course.)

VALUATION CERTIFICATE

Properties held for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2011
1.	Target Site 1, 2 – 17 parcels of land, south of Ganjiang Road, west of National Highway 102, Dafanhe Village and Xintun Village, Fanhe Town, Tieling County, Liaoning Province, the PRC	The Property comprises Target Site 1, 2 with 17 parcels of land with a total site area of approximately 1,804,165 sq. m. (2,706 mu). According to the information provided by the Company, the Property is designed to be developed into a mixed-use development. Subject to the finalisation of master planning, it is expected that the total developable gross floor area of over 3,000,000 sq. m. will comprise different type of residential properties of about 2,000,000 sq. m. and a variety of commercial facilities of about 1,000,000 sq. m. including an outlet village, big box retail, shopping arcades, food and beverage outlets, entertainment centres, hotel, international school and office blocks. It is currently scheduled that the project will be completed in six to eight years in multiple phases. The land use rights of the Property have been granted for respective term of 40 years for commercial use; 50 years for financial, public facilities uses; and 70 years for residential use.	The Property is vacant land pending development.	RMB2,030,000,000 (The Property was acquired by WFOE 1 and WFOE 2 on 25 March 2011 and 1 June 2011 respectively at a total cost of acquisition of RMB438,897,236.63, including land premium plus 4% deed tax and 0.05% stamp duty on land premium. No other costs have been expended on the Property.)

Note:

(1) According to 18 Land Use Rights Certificates, the land use rights of portion of the Property, comprising a total site area of approximately 1,804,165 sq. m. have been granted with the details as follows:

Certificate No.	Location	Site Area sq. m.	Grantee	Uses	Expiry Date	Issuing Date
(2011)058	Xintun Village, Fanhe Town, Tieling County	226,579	Liaoning Tongji Property Investment Limited 遼寧同濟置業有限公司	Commercial service	25 April 2051	26 April 2011
(2011)059	Xintun Village, Fanhe Town, Tieling County	133,562	Liaoning Huisheng Property Investment Limited 遼寧滙盛置業有限公司	Commercial, residential	25 April 2081	26 April 2011
(2011)060	Xintun Village, Fanhe Town, Tieling County	123,862	Liaoning Huisheng Property Investment Limited 遼寧滙盛置業有限公司	Commercial, residential	25 April 2081	26 April 2011
(2011)061	Xintun Village, Fanhe Town, Tieling County	137,632	Liaoning Huisheng Property Investment Limited 遼寧滙盛置業有限公司	Commercial, residential	25 April 2081	26 April 2011
(2011)081	Xintun Village, Dafanhe Village, Fanhe Town, Tieling County	215,020	Liaoning Tongji Property Investment Limited 遼寧同濟置業有限公司	Commercial, residential	1 June 2081	7 June 2011

Certificate No.	Location	Site Area sq. m.	Grantee	Uses	Expiry Date	Issuing Date
(2011)082	Xintun Village, Fanhe Town, Tieling County	132,764	Liaoning Tongji Property Investment Limited 遼寧同濟置業有限公司	Commercial, residential	1 June 2081	7 June 2011
(2011)083	Xintun Village, Fanhe Town, Tieling County	96,461	Liaoning Tongji Property Investment Limited 遼寧同濟置業有限公司	Commercial, residential	1 June 2081	7 June 2011
(2011)084	Xintun Village, Fanhe Town, Tieling County	8,942	Liaoning Tongji Property Investment Limited 遼寧同濟置業有限公司	Commercial, residential	1 June 2081	7 June 2011
(2011)085	Xintun Village, Fanhe Town, Tieling County	15,319	Liaoning Tongji Property Investment Limited 遼寧同濟置業有限公司	Commercial, residential	1 June 2081	7 June 2011
(2011)086	Xintun Village, Fanhe Town, Tieling County	35,651	Liaoning Tongji Property Investment Limited 遼寧同濟置業有限公司	Commercial, residential	1 June 2081	7 June 2011
(2011)087	Xintun Village, Fanhe Town, Tieling County	108,131	Liaoning Tongji Property Investment Limited 遼寧同濟置業有限公司	Commercial, residential	1 June 2081	7 June 2011
(2011)088	Xintun Village, Fanhe Town, Tieling County	22,650	Liaoning Tongji Property Investment Limited 遼寧同濟置業有限公司	Commercial, residential	1 June 2081	7 June 2011
(2011)089	Xintun Village, Fanhe Town, Tieling County	163,467	Liaoning Huisheng Property Investment Limited 遼寧滙盛置業有限公司	Commercial, residential	1 June 2081	7 June 2011
(2011)090	Xintun Village, Fanhe Town, Tieling County	93,333	Liaoning Huisheng Property Investment Limited 遼寧滙盛置業有限公司	Commercial, residential	1 June 2081	7 June 2011
(2011)091	Xintun Village, Fanhe Town, Tieling County	191,358	Liaoning Huisheng Property Investment Limited 遼寧滙盛置業有限公司	Commercial, residential	1 June 2081	7 June 2011
(2011)092	Xintun Village, Fanhe Town, Tieling County	2,563	Liaoning Huisheng Property Investment Limited 遼寧滙盛置業有限公司	Commercial, residential	1 June 2081	7 June 2011
(2011)093	Xintun Village, Fanhe Town, Tieling County	83,784	Liaoning Huisheng Property Investment Limited 遼寧滙盛置業有限公司	Commercial, residential	1 June 2081	7 June 2011
(2011)094	Xintun Village, Fanhe Town, Tieling County	13,087	Liaoning Huisheng Property Investment Limited 遼寧滙盛置業有限公司	Commercial	1 June 2051	7 June 2011
	Total	**1,804,165**				

In summary Site	Site Area sq. m.	Grantee	Remark
Target Site 1	942,648	Liaoning Huisheng Property Investment Limited 遼寧滙盛置業有限公司	WFOE 1 under Target Co 1 of Target Group
Target Site 2	961,517	Liaoning Tongji Property Investment Limited 遼寧同濟置業有限公司	WFOE 2 under Target Co 2 of Target Group
Total	**1,804,165**		

(2) According to 17 Land Use Rights Grant Contracts, the land use rights of the Property, comprising a total site area of approximately 1,804,165 sq. m. have been granted with the details as follows:

Contract No.	Lot No.	Site Area sq. m.	Land Use	Land Use Term year	Plot Ratio	Building Covenant	Grantee	Land Premium *RMB*	Issuing Date
21120220 10A00028	2010tc 0901	226,579	Wholesale retail	40	not more than 2	Construction commence: 1 May 2012 Construction complete: 1 May 2015	Liaoning Tongji Property Investment Limited 遼寧同濟置業有限公司	52,974,170.00	25 March 2011
21120220 10A00029	2010tc 0902	123,862	Wholesale retail General commodity housing	40 70	Not more than 2	Construction commence: 1 May 2012 Construction complete: 1 May 2015	Liaoning Huisheng Property Investment Limited 遼寧滙盛置業有限公司	28,958,936.00	25 March 2011
21120220 10A00030	2010tc 0903	133,562	Wholesale retail General commodity housing	40 70	Not more than 2	Construction commence: 1 May 2012 Construction complete: 1 May 2015	Liaoning Huisheng Property Investment Limited 遼寧滙盛置業有限公司	31,226,796.00	25 March 2011
21120220 10A00031	2010tc 0904	137,632	Wholesale retail General commodity housing	40 70	Not more than 2	Construction commence: 1 May 2012 Construction complete: 1 May 2015	Liaoning Huisheng Property Investment Limited 遼寧滙盛置業有限公司	32,178,362.00	25 March 2011
21120220 10A00044	2010tc 01201	111,954	Wholesale retail General commodity housing	40 70	Not more than 1.5	Construction commence: 30 May 2012 Construction complete: 30 May 2015	Liaoning Tongji Property Investment Limited 遼寧同濟置業有限公司	26,174,846.00	1 June 2011
21120220 10A00045	2010tc 01202	72,047	Wholesale retail General commodity housing	40 70	Not more than 1.5	Construction commence: 30 May 2012 Construction complete: 30 May 2015	Liaoning Tongji Property Investment Limited 遼寧同濟置業有限公司	16,844,589.00	1 June 2011
21120220 10A00046	2010tc 01203	109,375	Wholesale retail General commodity housing	40 70	Not more than 1.5	Construction commence: 30 May 2012 Construction complete: 30 May 2015	Liaoning Tongji Property Investment Limited 遼寧同濟置業有限公司	25,571,875.00	1 June 2011
21120220 10A00047	2010tc 01204	90,917	Wholesale retail General commodity housing	40 70	Not more than 1.5	Construction commence: 30 May 2012 Construction complete: 30 May 2015	Liaoning Tongji Property Investment Limited 遼寧同濟置業有限公司	21,256,395.00	1 June 2011
21120220 10A00048	2010tc 01205	119,243	Wholesale retail General commodity housing	40 70	Not more than 1.5	Construction commence: 30 May 2012 Construction complete: 30 May 2015	Liaoning Tongji Property Investment Limited 遼寧同濟置業有限公司	27,879,013.00	1 June 2011

Contract No.	Lot No.	Site Area sq. m.	Land Use	Land Use Term year	Plot Ratio	Building Covenant	Grantee	Land Premium *RMB*	Issuing Date
21120220 10A00049	2010tc 01206	61,045	Wholesale retail General commodity housing	40 70	Not more than 1.5	Construction commence: 30 May 2012 Construction complete: 30 May 2015	Liaoning Tongji Property Investment Limited 遼寧同濟置業有限公司	14,272,321.00	1 June 2011
21120220 10A00050	2010tc 01207	70,357	Wholesale retail General commodity housing	40 70	Not more than 1.5	Construction commence: 30 May 2012 Construction complete: 30 May 2015	Liaoning Tongji Property Investment Limited 遼寧同濟置業有限公司	16,449,466.60	1 June 2011
21120220 10A00051	2010tc 01208	98,102	Wholesale retail General commodity housing	40 70	Not more than 1.5	Construction commence: 30 May 2012 Construction complete: 30 May 2015	Liaoning Huisheng Property Investment Limited 遼寧滙盛置業有限公司	22,936,248.00	1 June 2011
21120220 10A00052	2010tc 01209	138,908	Wholesale retail General commodity housing	40 70	Not more than 1.5	Construction commence: 30 May 2012 Construction complete: 30 May 2015	Liaoning Huisheng Property Investment Limited 遼寧滙盛置業有限公司	32,476,690.00	1 June 2011
21120220 10A00053	2010tc 01210	103,353	Wholesale retail General commodity housing	40 70	Not more than 1.5	Construction commence: 30 May 2012 Construction complete: 30 May 2015	Liaoning Huisheng Property Investment Limited 遼寧滙盛置業有限公司	24,163,931.00	1 June 2011
21120220 10A00054	2010tc 01211	110,358	Wholesale retail General commodity housing	40 70	Not more than 1.5	Construction commence: 30 May 2012 Construction complete: 30 May 2015	Liaoning Huisheng Property Investment Limited 遼寧滙盛置業有限公司	25,801,700.00	1 June 2011
21120220 10A00055	2010tc 01212	83,784	Wholesale retail General commodity housing	40 70	Not more than 1.5	Construction commence: 30 May 2012 Construction complete: 30 May 2015	Liaoning Huisheng Property Investment Limited 遼寧滙盛置業有限公司	19,588,699.00	1 June 2011
21120220 10A00056	2010tc 01213	13,087	Wholesale retail General commodity housing	40 70	Not more than 1.5	Construction commence: 30 May 2012 Construction complete: 30 May 2015	Liaoning Huisheng Property Investment Limited 遼寧滙盛置業有限公司	3,059,741.00	1 June 2011
	Total	**1,804,165**						**421,813,778.60**	

(3) According to Business Licence No. 211200400007833 dated 13 September 2011, Liaoning Tongji Property Investment Limited 遼寧同濟置業有限公司 was established as a wholly-foreign owned enterprise with a registered capital of USD25,000,000 for a valid operation period for a term of 40 years from 2 March 2011 to 1 March 2051.

According to Business Licence No. 211200400007841 dated 13 September 2011, Liaoning Huisheng Property Investment Limited 遼寧滙盛置業有限公司 was established as a wholly-foreign owned enterprise with a registered capital of USD25,000,000 for a valid operation period for a term of 40 years from 2 March 2011 to 1 March 2051.

(4) According to the PRC legal opinion:–

(i) Liaoning Tongji Property Investment Limited 遼寧同濟置業有限公司 and Liaoning Huisheng Property Investment Limited 遼寧滙盛置業有限公司 were duly established;

(ii) Liaoning Tongji Property Investment Limited 遼寧同濟置業有限公司 has legally acquired the land use rights of the lands with a total site area of 861,517 sq. m. and is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the land use rights in compliance with relevant PRC laws and regulations; and

(iii) Liaoning Huisheng Property Investment Limited 遼寧滙盛置業有限公司 has legally acquired the land use rights of the land with a site area of 942,648 sq. m. and is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the land use rights in compliance with relevant PRC laws and regulations.

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

Land Use Rights Certificate	Yes
Land Use Rights Grant Contracts	Yes
Listing Transaction Confirmation Letter	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Properties held for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2011
2.	Target Site 3, 4, 5 – 41 parcels of land, Hetang Village and Zenglong Village, Jiangyi Town, Gongqing Cheng, Jiangxi Province, the PRC	The Property comprises Target Site 3, 4, 5 with 41 parcels of land with a total site area of approximately 3,666,666.31 sq. m. (5,500 mu). According to the information provided by the Company, the Property is designed to be developed into a mixed-use development. Subject to the finalisation of master planning, it is expected that the total developable gross floor area of approximately 2,000,000 sq. m. will comprise different type of residential properties of about 1,300,000 sq. m. and a variety of commercial facilities of about 700,000 sq. m. including an outlet village, big box retail, town squares, food and beverage outlets, entertainment plazas, convention and resort centres, international schools and sports facilities. The land use rights of the Property have been granted for respective term of 40 years for commercial use; 50 years for public management and public facilities uses; and 70 years for residential use.	Most portion of the Property is basically vacant land with about 200 existing residents' buildings and structures, of size about 100 to 130 sq. m. each, pending clearance scattered around certain small portion of the Property. The Government will hand over the Property on vacant possession basis in due course.	RMB1,578,000,000 (We have assumed that the land premium has been fully settled and Certificate for the Use of State-owned Land in respect of the Grantee will be issued in due course.) (The Property was acquired by WFOE 3, WFOE 4 and WFOE 5 on 27 October 2010 and 20 January 2011 respectively at a total cost of acquisition of RMB460,150,720, including land premium plus 4% deed tax and 0.05% stamp duty on land premium. No other costs have been expended on the Property.)

Note:

(1) According to 41 Land Use Rights Grant Contracts dated 27 October 2010 and 20 January 2011 and the Supplemental Agreements respectively; Land Grant Announcement No. (2010) Phases 58, 75 and 76, the land use rights of the Property, comprising a total site area of approximately 3,666,666.31 sq. m. have been granted with the details as follows:

Contract No.	Lot No.	Location of Site	Site Area sq. m.	Site Area mu	Land Use	Land Use Term year	Plot Ratio	Building Covenant	Grantee	Land Premium *RMB*
Land Grant Announcement (2010) Phase 58										
36201002 180058A	2010-58A	Hetang Village, Jiangyi Town, Gongqing Cheng	99,333	149	Commercial	40	Not more than 1	Construction commence: 28 January 2011 Construction complete: 28 April 2012	Jiangxi Tian Fu Property Investment Limited 江西天福置業有限公司	14,900,000
36201002 180058B	2010-58B	Hetang Village, Jiangyi Town, Gongqing Cheng	99,333	149	Commercial	40	Not more than 1	Construction commence: 28 January 2011 Construction complete: 28 April 2012	Jiangxi Tian Fu Property Investment Limited 江西天福置業有限公司	14,900,000
36201002 180058C	2010-58C	Zenglong Village, Jiangyi Town, Gongqing Cheng	76,667	115	Residential	70	Not more than 1.5	Construction commence: 28 August 2011 Construction complete: 28 August 2014	Jiangxi Ji Xin Property Investment Limited 江西集信置業有限公司	8,050,000

Contract No.	Lot No.	Location of Site	Site Area sq. m.	Site Area mu	Land Use	Land Use Term year	Plot Ratio	Building Covenant	Grantee	Land Premium *RMB*
36201002 180058D	2010-58D	Zenglong Village, Jiangyi Town, Gongqing Cheng	83,333	125	Residential	70	Not more than 1.5	Construction commence: 28 August 2011 Construction complete: 28 August 2014	Jiangxi Ji Xin Property Investment Limited 江西集信置業有限公司	8,750,000
36201002 180058E	2010-58E	Zenglong Village, Jiangyi Town, Gongqing Cheng	66,667	100	Residential	70	Not more than 1.5	Construction commence: 28 August 2011 Construction complete: 28 August 2014	Jiangxi Ji Xin Property Investment Limited 江西集信置業有限公司	7,000,000
36201002 180058F	2010-58F	Zenglong Village, Jiangyi Town, Gongqing Cheng	78,667	118	Residential	70	Not more than 1.5	Construction commence: 28 August 2011 Construction complete: 28 August 2014	Jiangxi Ji Xin Property Investment Limited 江西集信置業有限公司	8,260,000
36201002 180058G	2010-58G	Zenglong Village, Jiangyi Town, Gongqing Cheng	83,333	125	Residential	70	Not more than 1.5	Construction commence: 28 August 2011 Construction complete: 28 August 2014	Jiangxi Xie Cheng Property Investment Limited 江西協成置業有限公司	8,750,000
36201002 180058H	2010-58H	Zenglong Village, Jiangyi Town, Gongqing Cheng	94,000	141	Residential	70	Not more than 1.5	Construction commence: 28 August 2011 Construction complete: 28 August 2014	Jiangxi Xie Cheng Property Investment Limited 江西協成置業有限公司	9,870,000
		Sub-total	**681,333**	**1,022**						**80,480,000**

Contract No.	Lot No.	Location of Site	Site Area sq. m.	Site Area mu	Land Use	Land Use Term year	Plot Ratio	Building Covenant	Grantee	Land Premium *RMB*
Land Grant Announcement (2010) Phase 75										
36201002 180075A	2010-75a	Hetang Village, Jiangyi Town, Gongqing Cheng	98,666.67	148	Commercial service	40	Not more than 1	Construction commence: 7 May 2012 Construction complete: 7 May 2015	Jiangxi Tian Fu Property Investment Limited 江西天福置業有限公司	14,800,000
36201002 180075B	2010-75b	Hetang Village, Jiangyi Town, Gongqing Cheng	99,333.33	149	Commercial service	40	Not more than 1	Construction commence: 7 May 2012 Construction complete: 7 May 2015	Jiangxi Tian Fu Property Investment Limited 江西天福置業有限公司	14,900,000
36201002 180075C	2010-75c	Hetang Village, Jiangyi Town, Gongqing Cheng	88,000	132	Commercial service	40	Not more than 1	Construction commence: 7 May 2012 Construction complete: 7 May 2015	Jiangxi Ji Xin Property Investment Limited 江西集信置業有限公司	13,200,000
36201002 180075D	2010-75d	Hetang Village, Jiangyi Town, Gongqing Cheng	88,666.67	133	Commercial service	40	Not more than 1	Construction commence: 7 May 2012 Construction complete: 7 May 2015	Jiangxi Ji Xin Property Investment Limited 江西集信置業有限公司	13,300,000
36201002 180075E	2010-75e	Hetang Village, Jiangyi Town, Gongqing Cheng	88,666.67	133	Commercial service	40	Not more than 1	Construction commence: 7 May 2012 Construction complete: 7 May 2015	Jiangxi Ji Xin Property Investment Limited 江西集信置業有限公司	13,300,000

Contract No.	Lot No.	Location of Site	Site Area sq. m.	Site Area mu	Land Use	Land Use Term year	Plot Ratio	Building Covenant	Grantee	Land Premium *RMB*
36201002 180075F	2010-75f	Hetang Village, Jiangyi Town, Gongqing Cheng	90,000	135	Commercial service	40	Not more than 1	Construction commence: 7 May 2012 Construction complete: 7 May 2015	Jiangxi Xie Cheng Property Investment Limited 江西協成置業有限公司	13,500,000
36201002 180075G	2010-75g	Hetang Village, Jiangyi Town, Gongqing Cheng	82,000	123	Commercial service	40	Not more than 1	Construction commence: 7 May 2012 Construction complete: 7 May 2015	Jiangxi Xie Cheng Property Investment Limited 江西協成置業有限公司	12,300,000
36201002 180075H	2010-75h	Hetang Village, Jiangyi Town, Gongqing Cheng	98,666.67	148	Commercial service	40	Not more than 1	Construction commence: 7 May 2012 Construction complete: 7 May 2015	Jiangxi Xie Cheng Property Investment Limited 江西協成置業有限公司	14,800,000
36201002 180075I	2010-75i	Hetang Village, Jiangyi Town, Gongqing Cheng	85,333.33	128	Commercial service	40	Not more than 1	Construction commence: 7 May 2012 Construction complete: 7 May 2015	Jiangxi Xie Cheng Property Investment Limited 江西協成置業有限公司	12,800,000
36201002 180075J	2010-75j	Hetang Village, Jiangyi Town, Gongqing Cheng	92,666.67	139	Commercial service	40	Not more than 1	Construction commence: 7 May 2012 Construction complete: 7 May 2015	Jiangxi Ji Xin Property Investment Limited 江西集信置業有限公司	13,900,000
36201002 180075K	2010-75k	Hetang Village, Jiangyi Town, Gongqing Cheng	99,333.33	149	Commercial service	40	Not more than 1	Construction commence: 7 May 2012 Construction complete: 7 May 2015	Jiangxi Ji Xin Property Investment Limited 江西集信置業有限公司	14,900,000
36201002 180075L	2010-75l	Hetang Village, Jiangyi Town, Gongqing Cheng	99,333.33	149	Commercial service	40	Not more than 1	Construction commence: 7 May 2012 Construction complete: 7 May 2015	Jiangxi Ji Xin Property Investment Limited 江西集信置業有限公司	14,900,000
36201002 180075M	2010-75m	Hetang Village, Jiangyi Town, Gongqing Cheng	91,333.33	137	Commercial service	40	Not more than 1	Construction commence: 7 May 2012 Construction complete: 7 May 2015	Jiangxi Ji Xin Property Investment Limited 江西集信置業有限公司	13,700,000
36201002 180075N	2010-75n	Hetang Village, Jiangyi Town, Gongqing Cheng	85,333.33	128	Residential	70	Not more than 1.5	Construction commence: 7 May 2012 Construction complete: 7 May 2015	Jiangxi Tian Fu Property Investment Limited 江西天福置業有限公司	8,960,000
36201002 180075O	2010-75o	Hetang Village, Jiangyi Town, Gongqing Cheng	69,333.33	104	Residential	70	Not more than 1.5	Construction commence: 7 May 2012 Construction complete: 7 May 2015	Jiangxi Tian Fu Property Investment Limited 江西天福置業有限公司	7,280,000
36201002 180075P	2010-75p	Hetang Village, Jiangyi Town, Gongqing Cheng	72,666.67	109	Residential	70	Not more than 1.5	Construction commence: 7 May 2012 Construction complete: 7 May 2015	Jiangxi Tian Fu Property Investment Limited 江西天福置業有限公司	7,630,000
36201002 180075Q	2010-75q	Hetang Village, Jiangyi Town, Gongqing Cheng	88,000	132	Residential	70	Not more than 1.5	Construction commence: 7 May 2012 Construction complete: 7 May 2015	Jiangxi Tian Fu Property Investment Limited 江西天福置業有限公司	9,240,000

Contract No.	Lot No.	Location of Site	Site Area sq. m.	Site Area mu	Land Use	Land Use Term year	Plot Ratio	Building Covenant	Grantee	Land Premium *RMB*
36201002 180075R	2010-75r	Hetang Village, Jiangyi Town, Gongqing Cheng	98,000	147	Residential	70	Not more than 1.5	Construction commence: 7 May 2012 Construction complete: 7 May 2015	Jiangxi Tian Fu Property Investment Limited 江西天福置業有限公司	10,290,000
36201002 180075S	2010-75s	Hetang Village, Jiangyi Town, Gongqing Cheng	76,666.67	115	Residential	70	Not more than 1.5	Construction commence: 7 May 2012 Construction complete: 7 May 2015	Jiangxi Tian Fu Property Investment Limited 江西天福置業有限公司	8,050,000
36201002 180075T	2010-75t	Hetang Village, Jiangyi Town, Gongqing Cheng	95,333.33	143	Residential	70	Not more than 1.5	Construction commence: 7 May 2012 Construction complete: 7 May 2015	Jiangxi Xie Cheng Property Investment Limited 江西協成置業有限公司	10,010,000
36201002 180075U	2010-75u	Hetang Village, Jiangyi Town, Gongqing Cheng	88,000	132	Residential	70	Not more than 1.5	Construction commence: 7 May 2012 Construction complete: 7 May 2015	Jiangxi Xie Cheng Property Investment Limited 江西協成置業有限公司	9,240,000
36201002 180075V	2010-75v	Hetang Village, Jiangyi Town, Gongqing Cheng	84,000	126	Residential	70	Not more than 1.5	Construction commence: 7 May 2012 Construction complete: 7 May 2015	Jiangxi Xie Cheng Property Investment Limited 江西協成置業有限公司	8,820,000
36201002 180075W	2010-75w	Hetang Village, Jiangyi Town, Gongqing Cheng	79,333.33	119	Residential	70	Not more than 1.5	Construction commence: 7 May 2012 Construction complete: 7 May 2015	Jiangxi Xie Cheng Property Investment Limited 江西協成置業有限公司	8,330,000
36201002 180075X	2010-75x	Hetang Village, Jiangyi Town, Gongqing Cheng	77,333.33	116	Residential	70	Not more than 1.5	Construction commence: 7 May 2012 Construction complete: 7 May 2015	Jiangxi Xie Cheng Property Investment Limited 江西協成置業有限公司	8,120,000
36201002 180075Y	2010-75y	Hetang Village, Jiangyi Town, Gongqing Cheng	86,000.00	129	Residential	70	Not more than 1.5	Construction commence: 7 May 2012 Construction complete: 7 May 2015	Jiangxi Xie Cheng Property Investment Limited 江西協成置業有限公司	9,030,000
		Sub-total	**2,201,999.99**	**3,303**						**285,300,000**

Contract No.	Lot No.	Location of Site	Site Area sq. m.	Site Area mu	Land Use	Land Use Term year	Plot Ratio	Building Covenant	Grantee	Land Premium *RMB*
Land Grant Announcement (2010) Phase 76										
36201002 180076a	2010-76a	Zenglong Village, Jiangyi Town, Gongqing Cheng	98,000.00	147	Public management and public service	50	Not more than 1	Construction commence: 7 October 2011 Construction complete: 7 April 2013	Jiangxi Tian Fu Property Investment Limited 江西天福置業有限公司	8,820,000
36201002 180076b	2010-76b	Zenglong Village, Jiangyi Town, Gongqing Cheng	99,333.33	149	Public management and public service	50	Not more than 1	Construction commence: 7 October 2011 Construction complete: 7 April 2013	Jiangxi Tian Fu Property Investment Limited 江西天福置業有限公司	8,940,000
36201002 180076c	2010-76c	Zenglong Village, Jiangyi Town, Gongqing Cheng	96,666.67	145	Public management and public service	50	Not more than 1	Construction commence: 7 October 2011 Construction complete: 7 April 2013	Jiangxi Tian Fu Property Investment Limited 江西天福置業有限公司	8,700,000
36201002 180076d	2010-76d	Zenglong Village, Jiangyi Town, Gongqing Cheng	99,333.33	149	Public management and public service	50	Not more than 1	Construction commence: 7 October 2011 Construction complete: 7 April 2013	Jiangxi Tian Fu Property Investment Limited 江西天福置業有限公司	8,940,000
36201002 180076e	2010-76e	Zenglong Village, Jiangyi Town, Gongqing Cheng	99,333.33	149	Public management and public service	50	Not more than 1	Construction commence: 7 October 2011 Construction complete: 7 April 2013	Jiangxi Tian Fu Property Investment Limited 江西天福置業有限公司	8,940,000
36201002 180076f	2010-76f	Zenglong Village, Jiangyi Town, Gongqing Cheng	95,333.33	143	Public management and public service	50	Not more than 1	Construction commence: 7 October 2011 Construction complete: 7 April 2013	Jiangxi Tian Fu Property Investment Limited 江西天福置業有限公司	8,580,000
36201002 180076g	2010-76g	Zenglong Village, Jiangyi Town, Gongqing Cheng	96,000	144	Public management and public service	50	Not more than 1	Construction commence: 7 October 2011 Construction complete: 7 April 2013	Jiangxi Tian Fu Property Investment Limited 江西天福置業有限公司	8,640,000
36201002 180076h	2010-76h	Zenglong Village, Jiangyi Town, Gongqing Cheng	99,333.33	149	Commercial service	40	Not more than 1	Construction commence: 7 May 2012 Construction complete: 7 May 2015	Jiangxi Xie Cheng Property Investment Limited 江西協成置業有限公司	14,900,000
		Sub-total	783,333.32	1,175						76,460,000
		Grand Total	**3,666,666.31**	**5,500**						**442,240,000**

In summary Site	Site Area sq. m.	Grantee	Remark
Target Site 3	953,334	Jiangxi Ji Xin Property Investment Limited 江西集信置業有限公司	WFOE 3 under Target Co 3 of Target Group
Target Site 4	1,570,665.99	Jiangxi Tian Fu Property Investment Limited 江西天福置業有限公司	WFOE 4 under Target Co 4 of Target Group
Target Site 5	1,142,666.32	Jiangxi Xie Cheng Property Investment Limited 江西協成置業有限公司	WFOE 5 under Target Co 5 of Target Group
Total	**3,666,666.31**		

The payment term of the land premium is as follows:

Contract No.	Total Site Area sq. m.	Land Hand Over Date	First Installment on 28 October 2010 *RMB*	Second Installment on 28 April 2011 *RMB*	Third Installment on 28 November 2011 *RMB*	Total Land Premium *RMB*
36201002180058A to 36201002180058H	681,333.00	28 October 2010	5,000,000	32,192,000	43,288,000	80,480,000

Contract No.	Total Site Area sq. m.	Land Hand Over Date	First Installment on 20 February 2011 *RMB*	Second Installment on 20 August 2011 *RMB*	Third Installment on 20 January 2012 *RMB*	Total Land Premium *RMB*
36201002180075A to 36201002180075Y	2,201,999.99	7 July 2011	15,300,000	113,900,000	156,100,000	285,300,000

Contract No.	Total Site Area sq. m.	Land Hand Over Date	First Installment on 20 February 2011 *RMB*	Second Installment on 20 August 2011 *RMB*	Third Installment on 20 January 2012 *RMB*	Total Land Premium *RMB*
36201002180076a to 36201002180076h	783,333.32	7 July 2011	3,900,000	30,500,000	42,060,000	76,460,000
		Total	24,200,000	176,592,000	241,448,000	442,240,000

As at the Latest Practical Date, which is defined as 28 September 2011 in this circular, RMB24,200,000 out of the total land premium of RMB442,240,000 has been paid. (Please refer to Note (3)(vi).)

(2) According to Business Licence No. 360400520005784 dated 24 May 2011, Jiangxi Ji Xin Property Investment Limited 江西集信置業有限公司 was established as a wholly-foreign owned enterprise with a registered capital of USD25,000,000 for a valid operation period for a term from 25 March 2011 to 6 March 2051.

According to Business Licence No. 360400520005792 dated 24 May 2011, Jiangxi Tian Fu Property Investment Limited 江西天福置業有限公司 was established as a wholly-foreign owned enterprise with a registered capital of USD25,000,000 for a valid operation period for a term from 25 March 2011 to 6 March 2051.

According to Business Licence No. 360400520005813 dated 24 May 2011, Jiangxi Xie Cheng Property Investment Limited 江西協成置業有限公司 was established as a wholly-foreign owned enterprise with a registered capital of USD25,000,000 for a valid operation period for a term from 25 March 2011 to 6 March 2051

(3) According to the PRC legal opinion:–

(i) Jiangxi Ji Xin Property Investment Limited 江西集信置業有限公司, Jiangxi Tian Fu Property Investment Limited 江西天福置業有限公司 and Jiangxi Xie Cheng Property Investment Limited 江西協成置業有限公司 were duly established;

(ii) The above Land Use Rights Grant Contracts and the relevant Supplemental Agreements are legal, valid and enforceable under the PRC laws;

(iii) Jiangxi Ji Xin Property Investment Limited 江西集信置業有限公司 shall obtain the Land Use Right Certificates, without material legal impediments, with a total site area of 953,334 sq. m. subject to the fully paid-up of land premium according to the Land Use Rights Grant Contracts;

(iv) Jiangxi Tian Fu Property Investment Limited 江西天福置業有限公司 shall obtain the Land Use Rights Certificates, without material legal impediments, with a total site area of 1,669,999.32 sq. m. subject to the fully paid-up of land premium according to the Land Use Rights Grant Contracts;

(v) Jiangxi Xie Cheng Property Investment Limited 江西協成置業有限公司 shall obtain the Land Use Rights Certificates, without material legal impediments, with a total site area of 1,043,332.99 sq. m. subject to the fully paid-up of land premium according to the Land Use Rights Grant Contracts; and

(vi) According to Copy and Informing Note (抄告單) dated 8 September 2011 issued by the Administrative Committee Office of Gongqing Cheng Opening Development District (共青城開放開發區管理委員會), the second installment of land premiums have been approved to defer. The second installment shall be paid in 15 days since the completion capital verification of the first capital contribution of Jiangxi Ji Xin Property Investment Limited 江西集信置業有限公司, Jiangxi Tian Fu Property Investment Limited 江西天福置業有限公司 and Jiangxi Xie Cheng Property Investment Limited 江西協成置業有限公司. Therefore, as so far, Jiangxi Ji Xin Property Investment Limited 江西集信置業有限公司, Jiangxi Tian Fu Property Investment Limited 江西天福置業有限公司 and Jiangxi Xie Cheng Property Investment Limited 江西協成置業有限公司 have not failed to pay the land premiums within time limit.

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

Land Use Rights Certificate	No
Land Use Rights Grant Contract and Supplemental Agreements	Yes
Listing Transaction Confirmation Letter	Yes
Copy and Informing Note	Yes
Business Licence	Yes

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date was, (ii) immediately following the passing of the resolutions to increase the authorised share capital at SGM; and (iii) immediately following completions of the TL Acquisition and the GQC Acquisition and upon issuances of the TL Consideration Shares, the GQC Consideration Shares and the TL Conversion Shares upon full conversion of the TL Convertible Bonds and issue of new Shares under the Specific Mandate will be, as follows:

As at the Latest Practicable Date

Authorised:		*HK$*
1,000,000,000	Shares	100,000,000
Issued and fully paid:		
677,499,662	Shares	67,749,966.20

Immediately following the passing of the resolutions to increase the authorised share capital at SGM

Authorised:		*HK$*
1,000,000,000	Shares	100,000,000
4,000,000,000	Shares	400,000,000
5,000,000,000	Shares	500,000,000
Issued and fully paid:		
677,499,662	Shares	67,749,966.20

Immediately following completions of the TL Acquisition and the GQC Acquisition and upon issuances of the TL Consideration Shares, the GQC Consideration Shares and the TL Conversion Shares upon full conversion of the TL Convertible Bonds and issue of new Shares under the Specific Mandate

Authorised:		*HK$*
1,000,000,000	Shares	100,000,000
4,000,000,000	Shares	400,000,000
5,000,000,000	Shares	500,000,000
Issued and fully paid:		
677,499,662	Shares as at the Latest Practicable Date	67,749,966.20
143,000,000	TL Consideration Shares to be allotted and issued	14,300,000.00
Max. 405,228,758	GQC Consideration Shares to be allotted and issued	40,522,875.80
Max. 496,215,686	TL Conversion Shares to be allotted and issued upon full conversion of the TL Convertible Bonds.	49,621,568.60
Max. 1,900,000,000	new Shares to be allotted and issued under the Specific Mandate	190,000,000.00
Max. 3,621,944,106	Shares	362,194,410.60

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the Shares, underlying Shares and debentures of the Company

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

(i) Interests in ordinary Shares and underlying Shares of the Company

Name of Directors	Capacity	Number of Shares held	Number of underlying Shares held *(Note 1)*	Total	Approximately percentage of interest in the issued share capital *(Note 2)*
Kenneth CHU Ting-kin	Beneficial Owner	–	1,000,000	1,000,000	0.15%
Wilfred WONG Ying-wai	Beneficial Owner	20,000,000	5,000,000	25,000,000	3.69%
	Controlled Corporation	–	1,044,444,444 *(Note 3)*	1,044,444,444	154.16%
Edmund LEUNG Kwong-ho	Beneficial Owner	2,000,000	3,000,000	5,000,000	0.74%
Catherine CHU	Beneficial Owner	790,000	2,000,000	2,790,000	0.42%
Barry John BUTTIFANT	Beneficial Owner	–	3,200,000	3,200,000	0.47%
Jeffrey LAM Kin-fung	Beneficial Owner	–	1,000,000	1,000,000	0.15%
Abraham SHEK Lai-him	Beneficial Owner	–	1,000,000	1,000,000	0.15%
Alexander MAK Kwai-wing	Beneficial Owner	–	1,000,000	1,000,000	0.15%

Notes:

(1) Except for 1,044,444,444 underlying Shares held by Mr. Wong as disclosed in Note 3, the interests in the underlying Shares represented share options granted pursuant to the share option scheme adopted by the Company on 22 May 2008. Details of share options held:

Name of Directors	Number of share options held	Exercise price per Share *(HK$)*	Exercisable period
Kenneth CHU Ting-kin	1,000,000	2.13	01/01/2009 – 22/05/2018
Wilfred WONG Ying-wai	2,500,000	2.13	01/01/2009 – 22/05/2018
	2,500,000	2.13	01/01/2010 – 22/05/2018
Edmund LEUNG Kwong-ho	1,000,000	2.13	01/01/2009 – 22/05/2018
	1,000,000	1.29	30/09/2011 – 31/08/2021
	1,000,000	1.29	30/09/2012 – 31/08/2021
Catherine CHU	1,000,000	1.02	04/12/2011 – 03/12/2019
	1,000,000	1.02	04/12/2012 – 03/12/2019
Barry John BUTTIFANT	1,200,000	2.13	01/01/2009 – 22/05/2018
	1,000,000	1.70	26/04/2012 – 25/04/2021
	1,000,000	1.70	26/04/2013 – 25/04/2021
Jeffrey LAM Kin-fung	1,000,000	2.13	01/01/2009 – 22/05/2018
Abraham SHEK Lai-him	1,000,000	2.13	01/01/2009 – 22/05/2018
Alexander MAK Kwai-wing	1,000,000	1.02	04/12/2010 – 03/12/2019

(2) There were 677,499,662 Shares in issue as at the Latest Practicable Date.

(3) Pursuant to the TL Acquisition Agreement and the GQC Acquisition Agreement entered into by Perfect Mark with, among others, Neo Summit to acquire (i) the Target Co 1 and the Target Co 2; and (ii) the Target Co 3, the Target Co 4 and the Target Co 5 at a total consideration of HK$3,248 million, the Company is required to issue 143,000,000 Shares and a maximum 405,228,758 Shares respectively as part of the consideration upon completions to Neo Summit. In addition, upon completion of the TL Acquisition Agreement, the Company will issue the TL Convertible Bonds in principle amount of HK$759,210,000. The TL Convertible Bonds, if issued, are convertible into a maximum of 496,215,686 Shares at an initial conversion price of HK$1.53 per Share. Mr. Wong is deemed to be interested in these underlying Shares under Part XV of the SFO.

(ii) Interests in debentures of the Company

Name of Director	Capacity	Amount of debentures	Number of underlying Shares	Approximate percentage interest in the issued share capital
Wilfred WONG Ying-wai	Controlled Corporation	HK$759,210,000	496,215,686	73.24%

Note:

Pursuant to the TL Acquisition Agreement entered into by Perfect Mark with Neo Summit to acquire the Target Co 1 and the Target Co 2, the Company is required to allot and issue the TL Convertible Bonds in principle amount of HK$759,210,000 upon completion as part of consideration to Neo Summit. The TL Convertible Bonds, if issued, are convertible into a maximum of 496,215,686 Shares at an initial conversion price of HK$1.53 per Share. Mr. Wong is deemed to be interested in these debentures under Part XV of the SFO.

(iii) Interests in the Shares and underlying Shares of the Company's associated corporations

(1) As at the Latest Practicable Date, Mr. Wilfred WONG Ying-wai, Dr. Catherine CHU and Mr. Barry John BUTTIFANT had the following interests in Synergis:

Name of Directors	Capacity	Number of shares held	Number of share options outstanding	Total	Percentage of shareholding
Wilfred WONG Ying-wai	Beneficial owner	14,420,000	2,000,000	16,420,000	4.95%
Catherine CHU	Beneficial owner	–	900,000	900,000	0.27%
Barry John BUTTIFANT	Beneficial owner	–	300,000	300,000	0.09%

Details of share options held:

Name of Directors	Number of share options held	Exercise price per share *(HK$)*	Exercisable period
Wilfred WONG Ying-wai	400,000	0.82	25/09/2010 – 24/09/2015
	400,000	0.82	25/09/2011 – 24/09/2015
	400,000	0.82	25/09/2012 – 24/09/2015
	400,000	0.82	25/09/2013 – 24/09/2015
	400,000	0.82	25/09/2014 – 24/09/2015
Catherine CHU	180,000	0.82	25/09/2010 – 24/09/2015
	180,000	0.82	25/09/2011 – 24/09/2015
	180,000	0.82	25/09/2012 – 24/09/2015
	180,000	0.82	25/09/2013 – 24/09/2015
	180,000	0.82	25/09/2014 – 24/09/2015
Barry John BUTTIFANT	100,000	0.82	25/09/2010 – 24/09/2013
	100,000	0.82	25/09/2011 – 24/09/2013
	100,000	0.82	25/09/2012 – 24/09/2013

(2) As at 30 June 2011, Dr. Kenneth CHU Ting-kin was interested in the following associated corporation of the Company:

Name of associated corporation	Capacity	Amount of registered capital	Percentage of interest in the registered capital
深圳駿高物業服務有限公司	Beneficial owner	RMB500,000	10%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company was interested 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 were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or the chief executive were taken or deemed to have under such provisions of the SFO) or which are required to be entered into the register maintained by the Company under section 352 of the SFO or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests and short position of Shareholders (in which a Director or a proposed Director is a director or employee of such Shareholders) in the Shares, underlying Shares and debentures of the Company

As at the Latest Practicable Date, the interests and short position of a company (in which a Director or a proposed Director is a director or employee of such company) in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, were as follows:

(i) Interests in Shares of the Company

Name of Director/ proposed Director	Name of Shareholder	Capacity	Number of Shares held	Approximate percentage interest in the issued share capital
Kenneth CHU Ting-kin *(Note)*	Upper Luck Holdings Limited ("Upper Luck")	Director	375,921,240	55.48%
Kenneth CHU Ting-kin *(Note)*	Mission Hills Golf Club Limited ("MHGCL")	Director	375,921,240	55.48%
Kenneth CHU Ting-kin *(Note)*	Carrick Worldwide Limited ("Carrick")	Director	375,921,240	55.48%

Note:

Dr. Kenneth CHU Ting-kin is a director of Upper Luck, MHGCL and Carrick. Carrick is a wholly-owned subsidiary and a controlled corporation of MHGCL. MHGCL is a wholly-owned subsidiary and a controlled corporation of Upper Luck. By virtue of the SFO, both Upper Luck and MHGCL were deemed to be interested in the same lot of 375,921,240 Shares held by Carrick as at the Latest Practicable Date.

(ii) Interests in underlying Shares of the Company

Name of Director/ proposed Director	Name of Shareholder	Capacity	Number of underlying Shares	Approximate percentage interest in the issued share capital
Mr. Wong *(Note)*	Neo Summit	Controlled corporation	10,444,444,444	154.16%

Note:

Pursuant to the TL Acquisition Agreement and the GQC Acquisition Agreement entered into by Perfect Mark with, among others, Neo Summit to acquire (i) the Target Co 1 and the Target Co 2; and (ii) the Target Co 3, the Target Co 4 and the Target Co 5 at a total consideration of HK$3,248 million, the Company is required to allot and issue 143,000,000 Shares and a maximum 405,228,758 Shares respectively as part of the consideration upon completions to Neo Summit. In addition, upon completion of the TL Acquisition Agreement, the Company will issue the TL Convertible Bonds in principle amount of HK$759,210,000. The TL Convertible Bonds, if issued, are convertible into a maximum of 496,215,686 Shares at an initial conversion price of HK$1.53 per Share.

(iii) Interests in debentures of the Company

Name of Director/ proposed Director	Name of Shareholder	Capacity	Amount of debentures	Number of underlying Shares	Approximate percentage interest in the issued share capital
Mr. Wong *(Note)*	Neo Summit	Controlled corporation	HK$759,210,000	496,215,686	73.24%

Note:

Pursuant to the TL Acquisition Agreement entered into by Perfect Mark with Neo Summit to acquire the Target Co 1 and the Target Co 2, the Company is required to allot and issue the TL Convertible Bonds in principle amount of HK$759,210,000 upon completion as part of the consideration to Neo Summit. The TL Convertible Bonds, if issued, are convertible into a maximum of 496,215,686 Shares at an initial conversion price of HK$1.53 per Share.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or a proposed Director is a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. COMPETING INTERESTS

An agreement dated 15 December 2010 was made between Synergis Property Services (Beijing) Co., Ltd.（新昌物業服務（北京）有限公司）(“Synergis Beijing”), a wholly owned subsidiary of Synergis, and PSHK in relation to the provision of consultancy services by PSHK and/or the Beijing WFOE. Mr. Wong is a director and the beneficial owner of PSHK. As such, Mr. Wong is regarded as having interest in this competing business of the Group up to the date of the completion of the PSHK Acquisition.

Save as disclosed above, none of the Directors and their respective associates were interested in any business apart from the Group’s business which competed or were likely to compete, either directly or indirectly, with the business of the Group.

5. MATERIAL INTERESTS IN CONTRACT OR ARRANGEMENT

An agreement dated 15 December 2010 made between Synergis Beijing, a wholly owned subsidiary of Synergis, and PSHK in relation to the provision of consultancy services by PSHK and/or Beijing WFOE (the “Agreement”). Pursuant to the terms of the Agreement, PSHK will receive an monthly fee of RMB270,000 from Synergis Beijing during the term of the Agreement. PSHK will also receive 85% and 15% on any commission received (net of business tax) by Synergis Beijing for any tenants introduced by PSHK and Synergis Beijing respectively. On 27 June 2011, Synergis further announced that Synergis Beijing, 北京中基信和置業有限公司 (Zhongji Hinhe Estate Co. Limited) (the “Landlord”) and Beijing WFOE entered into a contract consolidation and services fee payment agreement (the “Three Parties Agreement”) to change the payment terms under a comprehensive pre-opening business asset management contract（開業前綜合商業資產管理服務合同）dated 1 October 2010 signed between the Landlord and Synergis Beijing ("the Original Contract") and the Agreement. Under the Three Parties Agreement, Synergis Beijing and Beijing WFOE agreed to provide certain consultancy services. Synergis Beijing and Beijing WFOE are entitled to receive RMB80,000 per month and RMB270,000 per month respectively from the Landlord directly as regards all service fees receivable under the Original Contract and the Agreement as from 1 October 2010 by the effect of the Three Parties Agreement. Upon signing of the Three Parties Agreement, Synergis Beijing no longer has payment obligation of the monthly fee to PSHK or the Beijing WFOE under the Agreement and instead Beijing WFOE is entitled to collect such monthly fee from the Landlord directly. PSHK is a company indirectly and beneficially wholly-owned by Mr. Wong, the executive deputy chairman of the Company and Synergis. As such, Mr. Wong has a material interest in the Agreement up to the date of the completion of the PSHK Acquisition. Details of the transactions were set out in the announcements of Synergis dated 16 December 2010 and 29 June 2011.

In addition, Mr. Wong has material interest in the TL Acquisition Agreement, the GQC Acquisition Agreement and the PSHK Acquisition Agreement by virtue of his indirectly interest of approximately 35.5% in Neo Summit and his 100% interest in PSG. He had abstained from voting on the Board resolution(s) approving the TL Acquisition Agreement, the GQC Acquisition Agreement and the PSHK Acquisition Agreement.

Save as disclosed above, none of the Directors was materially interested in any contracts or arrangement entered into by any member of the Group which is subsisting at the date of this circular and which is significant in relation to the business of the Group.

None of the Directors has any direct or indirect interest in any assets which have been, since 31 December 2010, being the date to which the latest published audited accounts of the Group were made up, 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.

6. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010, the date to which the latest published audited accounts of the Group have been made up.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Enlarged Group.

8. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered, or is proposing to enter, into any service contract with any member of the Enlarged Group which is not expiring or may not be terminated by the any member of the Enlarged Group within a year without payment of any compensation (other than statutory compensation).

9. EXPERTS

The following are the qualifications of the experts who have given opinions, letters or advice contained in this circular:

Name	Qualification
DTZ Debenham Tie Leung Limited	independent property valuer
GFE Law Office	PRC legal adviser
Investec	a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Knight Frank Petty Limited	independent property valuer
PricewaterhouseCoopers	Certified Public Accountants

(collectively, the "Experts")

As at the Latest Practicable Date, none of the Experts had any shareholding, directly or indirectly, 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.

Each of the Experts has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of its letter and references to its name in the form and context in which it is included.

As at the Latest Practicable Date, none of the Experts was interested, directly or indirectly, in any assets which had since 31 December 2010 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group or which were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

10. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular and are, or may be, material:

(a) the TL Acquisition Agreement;

(b) the GQC Acquisition Agreement; and

(c) the PSHK Acquisition Agreement.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours of the Company at 10/F, Hsin Chong Center, 107-109 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong up to and including the date of the SGM:

(a) the memorandum of association and bye-laws or its equivalent of the members of the Enlarged Group;

(b) the audited financial statements of the Group for the two financial years ended 31 December 2010;

(c) the letter from the Board, the text of which is set out in pages 11 to 63 of this circular;

(d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in pages 64 to 65 of this circular;

(e) the letter from Investec to the Independent Board Committee and the Independent Shareholders, the text of which is set out in pages 66 to 97 of this circular;

(f) the letters of consent from each of the Experts;

(g) the accountants' reports of the Target Co 1, the Target Co 2, the Target Co 3, the Target Co 4, the Target Co 5 and PSHK, the text of which are set out in appendices IIA, IIB, IIC, IID, IIE and IIF;

(h) the letters from PricewaterhouseCoopers relating to the statements of adjustments of the Target Co 1, the Target Co 2, the Target Co 3, the Target Co 4, the Target Co 5 and PSHK;

(i) the accountants's report on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in appendix III to the circular;

(j) the valuation report on the property interests of the Group, the text of which is set out in appendix IV to this circular;

(k) the valuation report on the property interests of the Target Group, the text of which is set out in appendix V to this circular; and

(l) the material contracts as set out in the section headed "Material Contracts" in this appendix.

12. MISCELLANEOUS

(a) The company secretary of the Company is Ms. Tsang Oi Yin who is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

(b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda and the Hong Kong principal place of business of the Company is at Hsin Chong Center, 107-109 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong.

(c) The share registrars and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

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

HSIN CHONG

HSIN CHONG CONSTRUCTION GROUP LTD.

新昌營造集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00404)

NOTICE IS HEREBY GIVEN THAT the special general meeting (the "**Meeting**") of Hsin Chong Construction Group Ltd. (the "**Company**") will be held at 2nd Floor, Hsin Chong Center, 107-109 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong on Wednesday, 19 October 2011 at 9:30 a.m. for the purposes of considering and, if thought fit, passing, with or without amendments, the following resolutions as the ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the acquisition agreement (the "**TL Acquisition Agreement**") (a copy of which has been produced to the Meeting marked "**A**" and signed by the chairman of the Meeting for the purpose of identification) dated 27 July 2011 entered into among Perfect Mark Investments Limited ("**Perfect Mark**"), a wholly owned subsidiary of the Company, as purchaser, Neo Summit Limited ("**Neo Summit**") as vendor, the Company as purchaser's guarantor and Mr. Wong Ying-wai ("**Mr. Wong**") and Ms. Ma Kwing, Pony as vendor's guarantors in relation to the sale and purchase of the entire issued share capital of Rosy China Investments Limited and Sorano Investments Limited at an aggregate consideration of HK$1,828,000,000, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the allotment and issue by the Company of 143,000,000 new ordinary shares (each, a "**TL Consideration Share**") of HK$0.1 each in the share capital of the Company (the "**Shares**" and each, a "**Share**") credited as fully paid at an issue price of HK$1.53 per TL Consideration Share to Neo Summit pursuant to the terms and conditions of the TL Acquisition Agreement be and is hereby approved;

(c) the issue by the Company of a senior loan note in an aggregate principal amount of HK$500,000,000 (the "**Senior Loan Note**") to Neo Summit pursuant to the terms and conditions of the TL Acquisition Agreement be and is hereby approved;

(d) the issue by the Company of the convertible bonds (the "**TL Convertible Bonds**") to Neo Summit in the principal amount of HK$759,210,000 pursuant to the terms and conditions of the TL Acquisition Agreement be and is hereby approved and any one or more of the directors of the Company (the "**Directors**") be and is/are hereby authorised to take all steps

* *for identification purposes only*

necessary or expedient in his/her/their opinion to implement and/or give effect to the issue of the TL Convertible Bonds including but not limited to the allotment and issue of Shares which may fall to be issued upon the exercise of the conversion rights attached to the TL Convertible Bonds; and

(e) any one or more of the Directors be and is/are hereby authorised to take all steps necessary or expedient in his/her/their opinion to implement and/or give effect to the TL Acquisition Agreement and the transactions contemplated thereunder."

2. "**THAT**

(a) the acquisition agreement (the "**GQC Acquisition Agreement**") (a copy of which has been produced to the Meeting marked "**B**" and signed by the chairman of the Meeting for the purpose of identification) dated 27 July 2011 entered into among Perfect Mark as purchaser, Neo Summit as vendor, the Company as purchaser's guarantor and Mr. Wong and Ms. Ma Kwing, Pony as vendor's guarantors in relation to the sale and purchase of the entire issued share capital of Best Elect Investments Limited, Market Elite Investments Limited and Noble Empire Investments Limited at an aggregate consideration of HK$1,420,000,000, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the allotment and issue by the Company of no more than 405,228,758 new Shares (each, a "**GQC Consideration Share**") credited as fully paid at a per GQC Consideration Share issue price of the higher of (I) HK$1.53; or (II) the issue price of the new Shares to be allotted and issued, for the purpose of fund raising to be conducted by the Company, to Neo Summit pursuant to the terms and conditions of the GQC Acquisition Agreement be and is hereby approved; and

(c) any one or more of the Directors be and is/are hereby authorised to take all steps necessary or expedient in his/her/their opinion to implement and/or give effect to the GQC Acquisition Agreement and the transactions contemplated thereunder."

3. "**THAT**

(a) the acquisition agreement (the "**PSHK Acquisition Agreement**") (a copy of which has been produced to the Meeting marked "**C**" and signed by the chairman of the Meeting for the purpose of identification) dated 27 July 2011 entered into among Perfect Mark as purchaser, Pinnacle State Group Limited ("**PSG**") as vendor, the Company as purchaser's guarantor and Mr. Wong as vendor's guarantor in relation to the sale and purchase of the entire issued share capital of PS Hong Kong Limited ("**PSHK**") at an aggregate consideration of HK$19,500,000 and the settlement of all shareholder's loan and all amounts due to Mr. Wong by Perfect Mark by procuring PSHK to repay the same, by way of a loan from Perfect Mark to PSHK and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one or more of the Directors be and is/are hereby authorised to take all steps necessary or expedient in his/her/their opinion to implement and/or give effect to the PSHK Acquisition Agreement and the transactions contemplated thereunder."

4. "**THAT**

(a) the authorised share capital of the Company be and is hereby increased from HK$100,000,000 divided into 1,000,000,000 shares of HK$0.1 each in the share capital of the Company to HK$500,000,000 divided into 5,000,000,000 Shares by the creation of an additional 4,000,000,000 new shares of HK$0.1 each in the share capital of the Company (the "**Proposed Increase in Authorised Share Capital**"); and

(b) any one or more of the Directors be and is/are hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in and for the completion of the Proposed Increase in Authorised Share Capital."

5. "**THAT**

(a) subject to the completion of the transactions contemplated under the TL Acquisition Agreement, the exercise by the Directors during the Relevant Period (as defined below) of all powers of the Company to allot, issue and deal with not more than 1,900,000,000 new Shares or to issue or grant securities convertible into such Shares, options, warrants or similar rights to subscribe for such Shares (the "**Specific Mandate**"), which might require the exercise of such powers, at an issue price (the "**Issue Price**") with a discount of not more than 20% of the higher of:

(i) the closing price of the Shares as quoted on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on the date of the placing agreement or other agreement involving the proposed issue of securities under the Specific Mandate; and

(ii) the average of the closing prices of the Shares as quoted on the Stock Exchange in the five trading days immediately prior to the earlier of:

(aa) the date of announcement of the placing or the proposed transaction or arrangement involving the proposed issue of securities under the Specific Mandate;

(bb) the date of the placing agreement or other agreement involving the proposed issue of securities under the Specific Mandate; or

(cc) the date on which the Issue Price is fixed,

be and is hereby approved;

(b) the Directors be and are hereby authorised to make or grant offers and agreements in relation to the Specific Mandate; and

(c) for the purposes of this resolution, "**Relevant Period**" means the period from the passing of this resolution up to the earlier of: (i) 30 April 2012; or (ii) the revocation or variation of the authority given under this resolution by ordinary resolution(s) of the shareholders of the Company other than Mr. Wong and his associates in a general meeting."

By order of the Board of
Hsin Chong Construction Group Ltd.
Barry John BUTTIFANT
Executive Director

Hong Kong, 30 September 2011