You should carefully consider all of the information in this circular including the risk factors described below. The business, financial condition or results of operations of the Enlarged Group could be materially and adversely affected by any of these risk factors. In addition to the risk factors described below, other risks and uncertainties not presently known to the Enlarged Group, or not expressed or implied below, or that the Enlarged Group currently deems immaterial, may also adversely affect the business, operating results and financial condition of the Enlarged Group in a material respect.

The Enlarged Group considers that there are certain risks involved in its business and operations and in connection with the Acquisition. Such risks can be categorised into: (i) risks relating to the Acquisition, the [REDACTED] and the Subscription; (ii) risks relating to the Enlarged Group; (iii) risks relating to the PRC in general; and (iv) risks relating to this circular.

RISKS RELATING TO THE ACQUISITION, THE [REDACTED] AND THE SUBSCRIPTION AGREEMENTS

Completion of the Acquisition is subject to the fulfilment of the conditions precedent and there is no assurance that they can be fulfilled and/or the Acquisition will be completed as contemplated

A number of the conditions precedent to completion of the Acquisition as set out in "7. The Acquisition — Conditions precedent to the Acquisition Agreement" in the section headed "Letter from the Board" in this circular involve the decisions of third parties, including, among others, approvals by the Independent Shareholders at the EGM, the Creditors Schemes becoming effective, the entering into of the Subscription Agreements, the Executive granting the Whitewash Waiver, the Grand Court granting an order confirming the Capital Reduction, the entering into of the Disposal Agreements and approval by the Listing Committee for the [REDACTED] of and permission to deal in all of the New Shares allotted and issued pursuant to the Subscription, the Acquisition and the [REDACTED]. As fulfilment of such conditions precedent is not within the control of the parties involved in the Acquisition, there is no assurance that the Acquisition will be completed in a timely manner as contemplated, or at all.

The shareholding percentage of the existing Shareholders in the Company will be substantially diluted immediately following the completion of the [REDACTED] and the transactions contemplated under the terms of the Subscription Agreements and the Acquisition Agreement

Under the [REDACTED], the Company will allot and issue an aggregate of [REDACTED] to the Qualifying Shareholders and/or the [REDACTED]. In addition, under the Subscription, the Company will allot and issue, in aggregate, 1,167,597,940 New Shares to Jinwu, Time Boomer and First Apex. Furthermore, under the Acquisition, the Company will issue an aggregate of 4,086,592,787 New Shares to the Vendors pursuant to the terms of the Acquisition Agreement. As a result, the shareholding percentages of the existing Shareholders in the Company would be substantially diluted. Any value enhancement of the New Shares as a result of the Acquisition may not necessarily be reflected in their market price and may not offset the dilution effect to the existing Shareholders.

The Company may not be able to attain the public float immediately following the completion of the [REDACTED]

Assuming all existing Shareholders take up their respective entitlements to the [REDACTED] in full, the Company will only attain a public float of approximately 10.0%. Assuming none of the existing Shareholders takes up their respective entitlements to the [REDACTED] under the [REDACTED] and the [REDACTED] takes up the [REDACTED] in full, the Company will only attain a public float of approximately 3.3%. In order to attain the public float, the Subscribers, and the Vendors (if necessary), will take appropriate actions, including entering into [REDACTED] arrangement with third party broker or agent to place down not less than 584,382,770 New Shares to independent [REDACTED], to restore sufficient public float of the Company. However, there is still a risk that the Company may not be able to attain the public float if the Subscribers and/or the Vendors fails to enter into a [REDACTED] agreement with the [REDACTED] agent in time and the Resumption will only take place when the public float requirement is met.

Existing Shareholders will experience further dilution if the Company issues additional New Shares in the future

In order to expand the business of the Company, the Company may consider offering and issuing additional New Shares in the future. Shareholders may experience further dilution in the net tangible asset value per New Share of their New Shares if the Company issues additional New Shares in the future at a price which is lower than the net tangible asset value per New Share.

Immediately following completion of the [REDACTED] and the transactions contemplated in the Subscription Agreements and the Acquisition Agreement, the Vendors will have substantial influence over the Company and their interests may not be aligned with the interests of the other Shareholders

With reference to "Changes in Shareholding Structure" in the section headed "Letter from the Board" in this circular, it is the Vendors' intention to maintain more than 50% of the enlarged issued share capital of the Company at the relevant time of the Resumption. The interests of the Vendors may differ from the interests of the other Shareholders. The Vendors will have substantial influence over the Enlarged Group's business, including matters relating to its management and policies and decisions regarding mergers, expansion plans, consolidations and the sale of all or substantially all of the Enlarged Group's assets, election of directors and other significant corporate actions. It is possible that the Vendors may exercise their substantial influence over the Enlarged Group and cause it to enter into acquisitions or take, or fail to take, other actions or make decisions which conflict with the best interests of the other Shareholders.

RISKS RELATING TO THE ENLARGED GROUP

The growth prospects of the Enlarged Group depend on continual and successful operation and growth of the Target Group, the failure of which would adversely affect the operations, financial condition and business prospects of the Enlarged Group

The Target Group will become the main operating subsidiaries of the Company upon completion of the Acquisition. Upon the Creditors Schemes becoming effective, the Company will transfer the Scheme Subsidiaries to the Scheme Company or the Scheme Administrators for the benefit of the Scheme Creditors and dispose of the Retained Subsidiaries to the Purchaser pursuant to the Disposal Agreement. For more details, please refer to the section headed "Letter from the Board" in this circular. Accordingly, upon completion of the transfer of the Scheme Subsidiaries to the Scheme Company or the Scheme Administrators, the Disposal and the Acquisition, results of operations, financial condition and business prospects of the Enlarged Group will depend solely on those of the Target Group and may be materially and adversely impacted if the Target Group is not able to maintain the continual and successful operation and growth of its business.

The Target Group's operating results are dependent on the sale of properties, which in turn depends on a number of factors including schedule of property development and delivery, and timing of property sales, which may impact on revenue recognition and cash flow and cause the results of operations of the Target Group to fluctuate

As the Target Group derives their revenue from the sale of properties, their operating results may vary significantly from period to period due to factors such as the Target Group's schedule of property development and delivery, and timing of property sales.

According to the Target Group's accounting policies, their revenue is recognised when the respective properties have been completed and delivered to the customers. Periods in which the Target Group delivers properties with a higher aggregate GFA typically generate higher level of revenue. However, the Target Group's revenue is not evenly distributed over different periods of any particular year due to a combination of factors, which include the overall delivery schedules of the Target Group's projects, the market demand for their properties and the timing of the sale of properties that the Target Group developed. Consequently, the Target Group's operating results for any given period may not be indicative of the actual demand for their properties or the pre-sales or sales achieved during such period. The Target Group's revenue and profit during any given period generally reflect property purchase decisions made by purchasers some time earlier. As a result, the Target Group's operating results are not necessarily indicative of results that may be expected for any future period.

Furthermore, the property development and/or the properties delivery schedule of the Target Group may be delayed or adversely affected by a combination of factors, including adverse weather conditions, delays in obtaining requisite permits and approvals from the relevant government authorities, as well as other factors beyond the control of the Target Group, which in turn adversely affect the revenue recognition and consequently the cash flow and results of operations of the Target Group.

The Target Group's historical sales performance may not be taken as an indication of future prospects and results of operations and any failure to overcome challenges or address risks in the future would adversely affect the Target Group's operations, financial condition and prospects

All of the revenue generated from the Target Group's property development business during the Track Record Period was derived from the sales of properties in the Binjiang International Project. The Target Group is developing The Cullinan Bay Project and may expand its business to other cities in the PRC in the future. Therefore, the historical sales performance and revenue attained by the Target Group in respect of the Binjiang International Project during the Track Record Period may not be taken as a reference or indication of its results of operations in the future. There is also no assurance that the gross profit margin of the Target Group will remain at a level similar to those in the Track Record Period or that the Target Group will be successful in meeting all challenges and addressing the risks and uncertainties it may face in developing The Cullinan Bay Project and other projects in other cities in the PRC. Should the Target Group fail in overcoming such challenges or addressing such risks and uncertainties in the future, its business, results of operations, financial condition and prospects may be adversely affected.

The Target Group's business and prospects significantly depend on the performance of the PRC property market, particularly the property markets in Quanzhou and Yangzhou, and any change of market condition in the PRC property market would affect the results of operations and financial condition of the Target Group

The Target Group is a residential property developer primarily focusing on developing and selling residential properties in Huian County, Quanzhou, Fujian Province and Yangzhou, Jiangsu Province through its two projects, namely the Binjiang International Project and The Cullinan Bay Project. As a result, the Target Group's business and prospects significantly depend on the performance of the PRC property market, particularly the property markets in Quanzhou and Yangzhou. The PRC property market may be volatile and may experience undersupply or oversupply of property units and significant property price fluctuations. Any significant downturn in the PRC economy could adversely affect demand for residential properties in the PRC. From time to time, the PRC property market has experienced excessive development. Any excessive development in the property markets where the Target Group operates may result in an oversupply of properties, intensified competition and increases in land acquisition costs due to intensified competition. As such, there is no assurance that the Target Group will be able to respond properly to these changing market condition in an appropriate way to maintain their competitive advantages and in turn the Target Group's business, results of operations and financial condition may be materially and adversely affected.

The Target Group may not be able to acquire land reserves in desirable locations suitable for development at commercially acceptable prices in the future, which could have a material adverse impact on the business, financial condition and results of operations of the Target Group

The growth and success of the Target Group's business depend on its ability to continue acquiring land reserves located in desirable locations that are suitable for residential projects at commercially reasonable prices. The Target Group's ability to acquire land may depend on a variety of factors that the Target Group cannot control, such as overall economic conditions in the PRC, effectiveness in identifying and acquiring land parcels suitable for development, land acquisition cost, competition for such land parcels and availability of financial resources of the Target Group. In addition, there is limited supply of suitable land available for development in such cities and the Target Group may also face competition from other property developers for the sites the Target Group plans to acquire. As a result, the Target Group may not be able to acquire suitable land at reasonable costs. Further changes in government policy with regard to land supply and development may lead to increases in the Target Group's costs of acquiring land and limit its ability to successfully acquire land at reasonable costs, which could have a material adverse impact on its business, financial condition and results of operations.

The Target Group may not successfully maintain its growth and expansion, which could have a material adverse impact on the business, financial condition and results of operations of the Target Group

The Target Group seeks to develop projects in other cities in addition to Quanzhou and Yangzhou in the PRC when appropriate opportunity arises. However, expansion into new geographical locations involves uncertainties and challenges due to the Target Group's unfamiliarity with local regulatory practices and customs, customer preferences and behavior, the reliability of local construction contractors and material suppliers, business practices, business environment and municipal-planning policies. In addition, such expansion would expose the Target Group to competition with developers who may have better-established local presence, more familiarity with local regulatory and business practices and customs, and stronger ties with local suppliers, contractors and purchasers. As the Target Group may face challenges not previously encountered, it may fail to recognise or properly assess risks or take full advantage of opportunities, or otherwise fail to adequately leverage its past experience to meet challenges encountered in these new activities. For example, the Target Group may have difficulty in accurately predicting market demand for its properties in the cities into which it expands. Moreover, business expansion into new geographic locations requires significant amount of capital and management resources, as well as maintaining the growth in its workforce when catering for such expansion. If the Target Group does not successfully maintain its growth and expansion, its business, results of operations, financial condition and prospects could be materially and adversely affected.

The Target Group's operations are subject to extensive governmental regulations and failure to adapt to new policies and regulations in the future would adversely affect the Target Group's operations, financial condition and prospects

The Target Group's business is subject to extensive governmental regulations. As with other PRC property developers, the Target Group must comply with various requirements mandated by the PRC laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. The PRC national and local governments may frequently adjust monetary, fiscal or other economic policies to prevent and curtail the overheating of the economy, in particular, the property market. The PRC government has in recent years taken various measures to regulate the property market in order to discourage speculations in the property market, such as raising benchmark interest rates of commercial banks, placing additional limitations on the ability of commercial banks to grant loans to property developers, imposing additional taxes and levies on property sales, restricting foreign investment in the PRC property market and imposing restrictions on the purchase of properties by domestic individuals. For additional information on the PRC laws and regulations relating to the property market, please refer to the section headed "Summary of principal PRC legal and regulatory provisions" in Appendix V to this circular.

Many of the property industry policies carried out by the PRC government are unprecedented and are expected to be refined and improved over time. This refining and adjustment process may not necessarily have a positive effect on the Target Group's operations and future business development. There is no assurance that the PRC government will not adopt additional and more stringent industry policies and regulations in the future. If the Target Group fails to adapt its operations to the new policies and regulations that may come into effect, or such regulatory measures disrupt its business prospects or cause it to incur additional costs, the Target Group's business, results of operations and financial condition may be materially and adversely affected.

The Target Group may not be able to complete its development projects on time and deliver the properties to its customers according to the terms of the sale and purchase agreements, which could have a material adverse impact on the results of operation and financial condition of the Target Group and expose the Target Group to litigation risk, which in turn affect the reputation and financial condition of the Target Group

The construction of property development projects may take over a year or longer before positive net cash flow may be generated through sales and pre-sales. As a result, the Target Group's cash flow and results of operations may be significantly affected by its project development schedules. The schedules of the projects of the Target Group depend on a number of factors, including, among others, the performance and efficiency of construction contractors and the Target Group's ability to finance construction. Other specific factors that could adversely affect the Target Group's project development schedules include:

- natural catastrophes and adverse weather conditions;
- changes in market conditions, economic downturns and decreases in business;

- consumer sentiment in general;
- changes in relevant regulations and government policies;
- relocation of existing residents and/or demolition of existing constructions;
- shortages of materials, equipment, contractors and skilled labour;
- labour disputes;
- construction accidents; and
- errors in judgment on the selection and acquisition criteria for potential sites.

If a property project is not completed on time and/or the properties are not delivered to the Target Group's customers according to the terms of sale and purchase agreements, the customers would be entitled to compensation for late delivery. If the delay extends beyond a certain period, the purchasers would be entitled to terminate their property sale and purchase agreements and claim damages. As advised by the PRC Legal Advisers, the customers shall have the right to bring legal action against the Target Group for late delivery within two years after delivery of properties. There is no assurance that the Target Group will not experience significant delays in completion or delivery of its properties in the future. Should any such event occurs, the Target Group's results of operation and financial condition may be materially and adversely affected. The Target Group is subject to the risk of legal claims and proceedings in the ordinary course of its business. Any litigation or legal proceedings could expose the Target Group to financial liability, divert its resources away from its business and the reputation and financial condition of the Target Group could be adversely affected.

The Target Group may be liable for delay in delivery of completed property and assisting purchaser to obtain the individual property ownership certificates, which may adversely affect the Target Group's business and reputation

Once a property development project has passed the requisite completion inspections, the Target Group must deliver the completed property to the purchasers within the time frame provided in the sale and purchase agreements. Failure to do so may render the Target Group liable for monetary damages, which may adversely affect the Target Group's reputation and business operations. In addition, the Target Group must complete all necessary registration of the property ownership in respect of these properties within the time frame provided in the sale and purchase agreements.

As advised by the PRC Legal Advisers, an individual purchaser must apply for the individual property ownership certificate within 90 days after execution of the sale and purchase agreement for the purchase of completed properties or within 90 days after the delivery of property for the purchase of pre-sold properties unless it is specified otherwise under the sale and purchase agreement. The Target Group must complete all necessary registration with the relevant authorities before such authorities can issue individual property ownership certificates (namely, Strata-title Building Ownership Certificates (分戶產權證)) to property purchasers and the Target Group must provide the property purchasers with necessary assistance in applying for the individual property ownership certificates. Any delay in assisting property purchasers with the individual property ownership certificate application, including delay in obtaining the general property ownership certificate by the Target Group with respect to one or more of its property development projects, may adversely affect the Target Group's business and reputation.

The Target Group's business may be adversely affected if it fails to obtain, or if it experiences material delay in obtaining, necessary government approvals in carrying out its property development operations

The property industry in the PRC is heavily regulated by the PRC government. Property developers must comply with various laws and regulations, including rules issued by national and local governments to enforce these laws and regulations. To engage in property development business, the Target Group must apply to relevant government authorities to obtain (and renew for those relating to on-going operations) various licences, permits, certificates and approvals, including but not limited to qualification certificates, land use rights certificates, construction work commencement permits, construction work planning permits, construction land planning permits, pre-sale permits and completion certificates. The Target Group must meet specific conditions in order to obtain or renew such certificates or permits. Please refer to the section headed "Summary of principal PRC legal and regulatory provisions" in Appendix V to this circular for details. The Target Group may encounter material delay or difficulties in fulfilling the necessary conditions to obtain or renew all necessary certificates or permits for its operations, or at all, in the future. In the event that the Target Group fails to obtain or renew, or encounter any significant delay or difficulty in obtaining or renewing, the necessary government approvals for any of its property development projects, the Target Group will not be able to continue with its development plans, and as a result, its business, results of operations and financial condition may be materially and adversely affected.

The Target Group's business and financial conditions may be adversely affected if it fails to develop properties in accordance with the terms and time frame set forth in the land acquisition agreement because, in such event, the Target Group may forfeit such land to the PRC government or may be subject to penalties under the land acquisition agreement

Under the PRC laws and regulations, if a property developer fails to develop a project according to the terms of the relevant land acquisition agreement, including those relating to the payment of land grant premium, demolition and relocation costs and other fees, the designated use of the land and the time for commencement and completion of the property development, the PRC government may issue a warning, impose a penalty, and/or order such property developers to forfeit the land. Any failure of the Target Group to comply with the terms of land acquisition agreement may subject the Target Group to penalties, including forfeiture of the relevant land. If the land is forfeited, the Target Group will not only lose the opportunity to develop its property development project on such land, but may also lose all its past investments in the land, which will adversely and materially affect its business, financial condition and results of operations.

According to the land acquisition agreement in respect of The Cullinan Bay Project entered into between the Target Group and the Bureau of Land and Resources of Yangzhou (the "**Yangzhou Land Bureau**") in August 2012, the construction completion shall take place on or before 7 August 2015 and a daily penalty of 0.1% of the land acquisition cost (being approximately RMB327,000) will be imposed by the Yangzhou Land Bureau if construction completion cannot take place on or before the deadline. The Target Group entered into a supplemental agreement with the Yangzhou Land Bureau in September 2015, pursuant to which the Yangzhou Land Bureau agreed to amend the construction completion deadline to 7 August 2016. For details, please refer to the section headed "Business of the Target Group — Property development projects of the Target Group — Description of the property development projects — The Cullinan Bay Project" of this circular. According to the construction plan of the Target Group, the construction of the last phase of The Cullinan Bay Project will be completed by December 2017. The Target Group will apply to the Yangzhou Land Bureau for an extension of the construction completion deadline before 7 August 2016. However, there is no guarantee that an agreement with the Yangzhou Land Bureau to further extend the construction completion deadline will be reached. If the agreement cannot be reached, the Target Group may be subject to a daily penalty of 0.1% of land acquisition cost (being approximately RMB327,000) according to the land acquisition agreement, which could have a material adverse impact on the financial and business conditions of the Target Group.

The reputation and business of the Target Group may be materially and adversely affected by the performance of construction contractors

The Target Group engages construction contractors to carry out various work including construction of buildings and civil engineering, landscaping, water and electricity installation, equipment installation and exploration engineering. The Target Group selects construction contractors mainly through a tender process. There is no assurance that construction contractors will perform construction work with the required quality or in a timely manner. Any failure of the construction contractor to perform according to the quality requirement and timetable set out by the Target Group could increase the Target Group's project development costs and harm its reputation.

The Target Group obtains a significant portion of its construction services, construction design services and construction materials from a few key construction contractors, design firms and construction material suppliers and, any disruption in their supply may have a material adverse effect on the Target Group's business and results of operations

The aggregate purchase costs attributable to the five largest suppliers of the Target Group including construction contractors, design firm and construction material suppliers accounted for approximately 92.8%, 90.8%, 84.2% and 94.7% of the Target Group's total purchase costs for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, respectively. Their relationships with the Target Group range from one to eight years. If there is disruption in provision of materials or services by one or more major suppliers and the Target Group failed to replace these construction contractors, design firms and material suppliers on a timely manner, the business and result of operations of the Target Group may be materially and adversely affected.

The Target Group's sale of properties is subject to fluctuation in the average selling price and may not be able to sustain its gross profit margin

During the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, the overall ASP realised from the delivered properties was approximately RMB3,707 per sq.m., RMB3,766 per sq.m., RMB4,595 per sq.m. and RMB7,318 per sq.m. respectively. The overall ASP of properties within a single property development project is subject to pricing of properties which was based on a number of factors, such as types, features, location of the properties and the supply and demand condition of the local market. In the case that the Target Group experienced a greater decrease in ASP while average cost of sales per sq.m. increase or remain stable, the Target Group may not be able to maintain its gross profit margin as those in the Track Record Period, and its financial performance may be adversely affected.

Any significant increase in the cost of construction and development costs may adversely affect the business, results of operations and financial condition of the Target Group

Construction and development costs constituted the most significant part of the cost of sales of the Target Group during the Track Record Period. Construction and development costs primarily consisted of construction contracting costs incurred for services rendered by construction contractors, including the constructors for major building foundation construction and construction works for ancillary facilities. Any increase in construction and development costs will impact the Target Group's cost of sales and overall project development costs. In addition, as the Target Group pre-sells some of its properties prior to their completion, the Target Group may not be able to pass any increase in construction and development costs subsequent to the time of pre-sale to its customers. As a result, any significant increase in the construction and development costs for its property developments may adversely affect the business, results of operations and financial condition of the Target Group.

The Target Group experienced periods of net cash outflow from operating activities and net current liabilities. There is no assurance that the Target Group will not experience periods of net cash outflow from operating activities and/or net current liabilities in the future

During the year ended 31 December 2012 and the year ended 31 December 2014, the Target Group had net cash outflow from operating activities of approximately RMB157.8 million and RMB58.0 million, respectively. As the property development business is a capital intensive industry, the Target Group may experience net operating cash outflow from time to time. The Target Group's net cash outflows from operating activities for the year ended 31 December 2012 was primarily due to the increase in inventories mainly resulted from the acquisition of land in Yangzhou for The Cullinan Bay Project. The net cash outflow from operating activities for the year ended 31 December 2014 was primarily attributable to the decrease in pre-sale proceeds upon delivery of completed properties of Phase 4 of the Binjiang International Project.

The Target Group had net current liabilities of approximately RMB20.9 million as at 31 December 2012. The net current liabilities position was primarily attributable to the amount due to directors with no fixed repayment term and classified as current liabilities.

There is no assurance that the Target Group will not experience periods of net operating cash outflow and/or net current liabilities in the future. If the Target Group continues to have net operating cash outflow in the future, it could have a material adverse effect on their business, financial condition, results of operations and prospects. If the Target Group continues to have net current liabilities in the future, their working capital for their operations may be subject to constraints.

The financial results of the Target Group during the Track Record Period included changes in fair value of investment properties and any decrease in the fair value of investment properties in the future may have an adverse effect on the Target Group's business, results of operations and financial position

The Target Group is required to reassess the fair value of its investment properties as at each reporting date in accordance with the HKFRSs. See section headed "Financial information of the Target Group" in this circular for details of changes in fair value of investment properties. Gains or losses arising from changes in the fair value of investment properties upon revaluation are included in the profit or loss of the Target Group in the corresponding periods, which may have a substantial effect on its profitability. The fair values of investment properties are based on valuations conducted by a firm of independent and qualified professional valuer, using valuation techniques that involves professional judgments and adopts certain bases and assumptions. Further, the fair value of investment properties during the years were significantly affected by the prevailing property market conditions and are subject to market fluctuations. Unforeseeable changes to the development of property development projects as well as national and local economic conditions may also affect the value of the Target Group's property development projects. There is no assurance that the fair value of investment properties will continue to increase in the future. The fair value of investment properties may decrease in the event that the property markets in the PRC experience a downturn or the PRC government implements any policies resulting in a general decline in property price. Any decrease in the fair value of the investment properties in the future will have an adverse effect on the Target Group's business, results of operations and financial position.

The relevant PRC tax authorities may challenge the basis on which the Target Group calculates its LAT tax obligations

Pursuant to the Interim Ordinance on Land Appreciation Tax of the PRC (中華人民共和國土地增值税暫行條例) and the Implementation Rules of Interim Ordinance on Land Appreciation Tax of the PRC (中華人民共和國土地增值税暫行條例實施細則), the Target Group is subject to LAT in respect of all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC at progressive rates ranging from 30% to 60% of the appreciation of land value, being the proceeds of sales of properties less deductible items, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items. Please refer to the section headed "Summary of principal PRC Legal and Regulatory Provisions" in Appendix V to this circular for a detailed description of the PRC regulations on LAT.

The Target Group makes provisions for the amount of applicable LAT payable in accordance with the relevant PRC laws and regulations from time to time, pending final settlement with the relevant tax authorities. For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, the Target Group recorded approximately RMB1.4 million, RMB1.7 million, RMB5.5 million and RMB7.9 million respectively as LAT expenses. In the event that the LAT provisions made by the Target Group are substantially lower than the actual LAT amounts as assessed by the PRC government in the future, its business, results of operations and financial position may be adversely affected.

The Target Group guarantees mortgage loans of its customers for the purchase of pre-sale units provisionally for a period until the bank receives the individual property ownership certificates of the relevant property or full settlement of mortgage loans by the customers resulting that the Target Group may become liable to mortgagee banks if its customers default on their mortgage loans

The Target Group provides guarantees to the banks in connection with its customers' mortgage loans for the purchase of pre-sale units provisionally to finance their purchase of the residential properties of the Target Group. The Target Group's guarantee is released at the earlier of (i) the bank received the individual property ownership certificate of the relevant property from the customer as security for the mortgage loan; and (ii) the full settlement of mortgage loans by the customers. If any customer defaults on his or her payment obligations under the mortgage loan during the terms of such guarantee, the bank may request the Target Group to fulfill such payment obligation. As at 30 June 2015, the outstanding balance of the mortgage loans guaranteed by the Target Group was approximately RMB351.5 million. The proposed Directors confirm that the Target Group did not experience any material default on mortgage during the Track Record Period and they were not called upon to fulfill material payment obligations under any guarantee provided to the banks. Should any material default by the customers of the Target Group occur under their mortgage loans guaranteed by the Target Group, the Target Group would be called upon to make significant payments to the banks, which could materially and adversely affect its result of operations and financial condition.

The Target Group had borrowings from banks and the Target Group's financing costs may increase due to increases in interest rates which may impact on the results of operations and financial condition of the Target Group

During the Track Record Period, the Target Group financed its property development projects through, inter alia, borrowings from banks. There is no assurance that the Target Group will be able to obtain bank loans or renew existing credit facilities in the future on acceptable terms or at all. Any significant increase in interest rates by the People's Bank of China may have a material adverse effect on the financial condition and results of operations of the Target Group.

The Target Group may be exposed to certain risks for which it does not carry insurance and any resultant loss may affect the Target Group's operations, financial condition and prospect

The Target Group will maintain insurance policies where practicable covering both its assets and employees in line with general practice in the real estate industry, with policy specifications and insured limits which it believes reasonable, or as required under the laws, rules or regulations in places where the Target Group operates. Currently, the Target Group does not carry out insurance for certain risks and does not have insurance coverage against risks of its projects. Should an insured loss occur, the Target Group could suffer loss, including loss of future revenue. The Target Group may also be liable for any debt or other financial obligation related to the relevant property or to third parties. Any such loss could adversely affect the Target Group's business, financial condition, results of operations and prospects.

The appraised value of the Target Group's properties may be different from their actual realisable value and the business, financial condition and results of operations of the Target Group may be adversely affected if the actual realisable value of its properties is significantly lower than its appraised value

The appraised value of the Target Group's properties as contained in the property valuation report in Appendix IV to this circular is based on multiple assumptions that include elements of subjectivity and uncertainty. With respect to properties under development and properties held for future development, the valuations are based on the assumptions that (i) the properties will be completed or developed as currently scheduled; (ii) regulatory and governmental approvals for the proposals have been or will be obtained; and (iii) the properties are free from encumbrances and other restrictions. For properties owned by the project companies in which the Target Group's has an attributable interest of less than 100%, the valuation assumes that the interest of the relevant project companies in the aggregate value of the property or business is equal to the Target Group's proportionate ownership interest in the relevant company or business.

If any of these assumptions turns out to be incorrect or the actual realisable value of any of the Target Group's properties is significantly lower than its appraised value, the Target Group's business, financial condition and result of operations may be materially and adversely affected.

The Target Group relies on its key management members and any failure of the Target Group to recruit suitable successors or employ additional management personnel would adversely affect the business and future growth of the Target Group

The Target Group depends on the services provided by its key management members. In particular, the Target Group is highly dependent on Mr. Shie, a director of the Target Company and the proposed chairman of the Board and Mr. Tsoi, a director of the Target Company, the proposed executive Director and the proposed chief executive officer and proposed executive Director of the Company, respectively. The Target Group does not maintain key employee insurance. In the event that the Target Group loses the services of any key management member, the Target Group may be unable to identify and recruit suitable successors in a timely manner or at all, which may adversely affect its business and operations. Moreover, the Target

Group may need to employ and retain additional management personnel to support its expansion into cities other than Quanzhou and Yangzhou. If the Target Group cannot attract and retain sufficient qualified management staff, its business and future growth may be materially adversely affected.

The Target Group may become involved in legal and other proceedings from time to time and may be subject to significant liabilities or suffer other losses as a result

The Target Group may be involved in disputes with various parties relating to late delivery of properties, development and sale of its properties or other aspects of its business and operations. These disputes may lead to legal or other proceedings. Disputes and legal and other proceedings may require substantial time and expense to resolve, which could divert valuable resources, such as management time and working capital, delay the Target Group's planned projects and increase its costs. Third parties that are found liable to the Target Group may not have the resources to compensate the Target Group for its damages. The Target Group could also be required to pay significant damages and expenses if it does not prevail in any such disputes or proceedings. In addition, the Target Group may have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings and unfavourable decrees that may result in pecuniary liabilities or cause delays to its property development.

The property development business is subject to warranty claims under statutory quality warranties and any significant number of claims against the Target Group may adversely affect the reputation and financial condition of the Target Group

According to the Construction Law of the PRC (《中華人民共和國建築法》) as amended in 2011 and the Administration of Urban Real Estate Development Ordinance (《城市房地產開發經營管理條例》) effective from 20 July 1998, a real estate development enterprise must be responsible for the quality of the real estate development project it develops or constructs. In addition, under the Ordinance on Quality Management of Construction Projects (《建設工程質量管理條例》), which became effective from 30 January 2000, all property developers in the PRC including the Target Group must provide certain quality warranties for the properties they construct or sell. The Target Group normally receives quality warranties from its construction contractors with respect to its property development projects. If a significant number of claims was to be brought against the Target Group under these warranties and the Target Group was unable to obtain reimbursement for such claims from construction contractors in a timely manner or at all, or if the amount of quality warranties retained by the Target Group from payment from the construction contractors was not sufficient to cover such payment obligations under its quality warranties to its customers, the Target Group could incur significant expenses to resolve such claims or fail to rectify the related defects in a timely manner, which could in turn adversely affect its reputation, result of operations and financial condition.

The Target Group is subject to potential environmental liability and may incur significant additional costs if additional or stricter laws or regulations are enforced

The Target Group is subject to a number of environmental laws and regulations. The particular environmental laws and regulations that apply to any given development site vary significantly according to the site's location, environmental condition, the present and former uses of the site and the nature of the adjoining properties. Compliance with environmental laws and regulations may result in delays in development process and increase in development cost and may restrict or even prohibit project development activities. As required by PRC laws and regulations, the Target Group has engaged environmental experts to conduct environmental impact assessments for its development projects. However, there is no assurance that the Target Group will effectively prevent non-compliance with applicable environmental laws and regulations in the future. If any project or any portion of its development project is found to be non-compliant with applicable environmental laws or regulations, the Target Group may be ordered to suspend all or a portion of its operations and may be subject to fines and other penalties, which may materially and adversely affect its business, financial condition and result of operations. In addition, the PRC government may change the existing laws and regulations or impose additional or stricter laws or regulations, the compliance of which may cause the Target Group to incur significant additional costs.

The Target Group may not be able to pursue the intended use of civil defence properties if such properties are used by the PRC government and may suffer a loss of income as a result

Under the Civil Air Defence Law, in times of peace, civil defence properties can be used (including lease) and managed by entities or persons investing in their construction and any revenue generated from the use of such areas belongs to such investors. However, in times of war, such areas may be used by the PRC government at no cost. The Target Group's civil defence areas are used as car parking space. According to the property management agreement entered into between the Target Group and its property management company in relation to the Binjiang International Project, the property management company shall be entitled to the rental income generated from the lease of car park space as part of its management fee. As a result, no income of the Target Group was generated from the use of civil defence properties during the Track Record Period. Should there be any alteration of terms of the property management company or should there be any change of the property management company resulting that the Target Group would generate income from the lease of car parking space, the Target Group may not be able to pursue the intended use when the civil defence areas of the Target Group are used by the PRC government in the event of war, such areas will no longer be a source of income for the Target Group.

The Enlarged Group expects to record a net loss for the year ending [REDACTED]

Assuming that completion of the Acquisition would take place in 2016, the Enlarged Group is expected to record a net loss in relation to the Resumption for the year ending [REDACTED].

Major items causing the loss for the year ending [REDACTED] will be the [REDACTED] expenses of the Proposed Restructuring. Assuming the completion of the Proposed Restructuring takes place in 2016, it is expected that the [REDACTED] expenses will be charged to the profit or loss of the Enlarged Group for the year ending [REDACTED]. For the purpose of preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group which is set out in Appendix III to this circular, the Proposed Restructuring was assumed to have taken place on 30 June 2015, and the [REDACTED] expenses of approximately HK$466.9 million are charged to the profit or loss for the period ended 30 June 2015. Details of the [REDACTED] are set out in note 12(a) of Appendix III to this circular.

RISKS RELATING TO THE PRC IN GENERAL

PRC economic, political and social conditions as well as government policies could adversely affect the Enlarged Group's business and prospects

The PRC economy differs from the economies of most of the developed countries in many aspects, including:

- political structure;
- the amount and degree of the PRC government involvement and control;
- level of corruption;
- growth rate and degree of development;
- level and control of capital investment and reinvestment;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For approximately three decades, the PRC government has implemented economic reform measures to utilise market forces in the development of the PRC economy. The Enlarged Group cannot predict whether changes in the PRC's economic, political and social conditions and in its laws, regulations and policies will have any adverse effect on the Enlarged Group's current or future business, results of operations and financial condition.

In addition, many of the economic reform measures implemented by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. This refining and adjustment process may not necessarily have a positive effect on the Enlarged Group's operations and business development. For example, the PRC government has in the past implemented a number of measures intended to slow down certain segments of the economy, including the real estate industry, which the government believed to be overheating. These actions, as well as other actions and policies of the PRC government, could cause a decrease in the overall level of economic activity in the PRC and, in turn, have an adverse impact on the Enlarged Group's business, result of operations and financial condition.

The PRC's legal system is still evolving and the uncertainties as to the interpretation and enforcement of PRC laws could have a material adverse effect on us

The business and operations of the Target Group are conducted in the PRC, and thus it is governed by PRC laws and regulations. The PRC legal system is civil law system based on written status and past court decisions have limited precedential value and are cited for reference only. Since the late 1970s, the PRC government has made significant progress in the development of its laws and regulations governing economic matters, such as foreign investment, company organisation and management, business, tax and trade. As these laws and regulations are still evolving and there are only limited number of non-binding court cases, there exist uncertainties about the interpretation and enforcement of the laws and regulations. For the same reasons, any legal protections available to us under these laws and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and could result in substantial costs and diversion of resources and management attention.

Fluctuations in the value of the Renminbi may have a material adverse impact on your investment

Even though most of the Target Group's revenue and expenditures are denominated in Renminbi, fluctuations in the exchange rate between Renminbi and the Hong Kong dollar may nonetheless in the future adversely affect the value of our net assets and earnings. In particular distributions to holders of the Shares are made in Hong Kong dollars. In addition, appreciation or depreciation in the value of Renminbi relative to the Hong Kong dollar would affect the Target Group's financial results in Hong Kong dollar terms without giving effect to any underlying change in its business or results of operations.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. Renminbi has been unpegged from US dollar since July 2005 and, although the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rate, Renminbi may appreciate or depreciate significantly in value against Hong Kong dollar in the medium to long term. Moreover, it is possible that the PRC authorities may lift restrictions on fluctuations in Renminbi exchange rates and lessen intervention in the foreign exchange market in the future.

There are limited hedging instruments available in the PRC to reduce the exposure to exchange rate fluctuations between Renminbi and other currencies. The cost of such hedging instruments may fluctuate significantly over time and can outweigh the potential benefit from the reduced currency volatility. To date, the Target Group has not entered into any hedging instrument in an effort to reduce its exposure to foreign currency exchange risks as the proposed executive Directors believe the currency risk is minimal. However, should material foreign currency exchange risks arise, the Target Group's business, result of operations and financial condition may be materially and adversely affected.

The PRC government's control in foreign currency conversion may materially and adversely affect the financial condition, results of operations and ability to meet foreign exchange requirements of the Target Group

Currently, Renminbi still cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, the Target Group will have sufficient foreign exchange to meet its foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange acquisition under the current account conducted by the Target Group, including the payment of dividends, do not require advance approval from the SAFE, but the Target Group is required to present documentary evidence of such acquisition and conduct such acquisition at designated foreign exchange banks within the PRC that have the licences to carry out foreign exchange business. Control over conversion of Renminbi to foreign currencies for capital account transactions (including, for example, direct investment, loan and investment in securities) is more stringent and such conversion is subject to a number of limitations.

Under existing foreign exchange regulations, the Target Group is able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue to be in effect in the future. In addition, any insufficiency of foreign exchange may restrict the Target Group's ability of dividend payments to Shareholders or to satisfy any other foreign exchange requirements. If the Target Group fails to obtain approval from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, its capital expenditure plans, business, result of operations and financial condition may be materially and adversely affected.

The Enlarged Group may be deemed a PRC resident enterprise under the PRC EIT Law and be subject to PRC taxation on its worldwide income

Under the PRC Enterprise Income Tax Law ("**PRC EIT Law**"), which came into effect on 1 January 2008, enterprises established outside the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises" and their global income will generally be subject to the uniform 25% Enterprise Income Tax ("**EIT**") rate. Under the Implementation Rules for the PRC EIT Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. Since a substantial portion of the Target Group's management is currently based in the PRC and may remain in the PRC, the non-PRC members of the Target Group may be considered as PRC resident enterprises even though the non-PRC members of the Target Group have real operations outside the PRC. If the PRC tax authorities subsequently determine that the Company should be classified as a resident enterprise, its worldwide income will be subject to the EIT. The imposition of the EIT on the Target Group's global income as a "resident enterprise" under the PRC EIT Law may have a material adverse effect on the financial condition and result of operations of the Target Group.

Dividends payable by the Target Group to its foreign investors and gains on the sale of its Shares may become subject to withholding taxes under PRC tax laws

Under the PRC EIT Law and its implementation regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends payable by a PRC "resident enterprise" to investors that are "non-resident enterprises"(those enterprises that do not have an establishment or place of business in the PRC, or those that have such an establishment or place of business but the relevant income of which is not effectively connected with the establishment or place of business) to the extent such dividends have their source within the PRC. Similarly, any gain realised on the transfer of shares by such enterprises is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. If the Enlarged Group is regarded as a PRC "resident enterprise", it is unclear whether the dividends the Enlarged Group pays with respect to the New Shares, or the gain you may realise from the transfer of the New Shares, will be treated as income derived from sources within the PRC and be subject to PRC income tax. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC EIT Law and the implementation rules. One example of a limitation on the 10% withholding tax is that, pursuant to a tax treaty between the PRC and Hong Kong, which became effective on 8 December 2006, a company incorporated in Hong Kong is subject to withholding tax at the rate of 5% on dividends it receives from a company incorporated in the PRC if it holds a 25% or greater interest in the PRC company, or 10% if it holds an interest of less than 25% in the PRC company. If the Enlarged Group is required under the PRC EIT Law to withhold PRC income tax on its dividends payable to its foreign Shareholders, or if you are required to pay PRC income tax on the transfer of your New Shares, the value of your investment in the New Shares may be materially and adversely affected.

RISKS RELATING TO THIS CIRCULAR

Certain facts and other statistics with respect to the PRC, the PRC economy and the PRC real estate industry in this circular are derived from various official government sources and third party sources and may not be reliable

Facts, forecasts and other statistics in this circular relating to the PRC, the PRC economy and the PRC real estate industry have been derived from various official government publications generally believed to be reliable. However, the Target Group cannot guarantee the quality or reliability of such materials. They have not been prepared or independently verified by the Target Group or any of its respective affiliates or advisers and, therefore, the Target Group makes no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside the PRC. The Target Group, however, has taken reasonable care in the reproduction and/or extraction of the official government publications for the purpose of disclosure in this circular. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, these facts, forecasts and statistics in this circular may be inaccurate or may not be comparable to facts, forecasts and statistics produced with respect to other economies. Furthermore, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. Therefore, you should not unduly rely upon the facts, forecasts and statistics with respect to the PRC, the PRC economy and the PRC real estate industry contained in this circular.