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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer 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 Ngai Shun Holdings Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

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**Ngai Shun Holdings Limited**  
**毅信控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 01246)**

**(1) SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE;**  
**(2) MAJOR TRANSACTION;**  
**AND**  
**(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**  
**RELATING TO THE ACQUISITION OF 68% INTEREST IN**  
**ANWAY REAL ESTATE LIMITED**

**Financial Adviser to the Company**

 **KINGSTON CORPORATE FINANCE**

**Financial Adviser to the Vendor**



**博大資本國際有限公司**  
**Partners Capital International Limited**

博大金融控股成員  
MEMBER OF PARTNERS FINANCIAL HOLDINGS

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A letter from the Board is set out on pages 7 to 30 of this circular.

A notice convening an EGM to be held at Units 4202-03, 42nd Floor, The Centre, 99 Queen's Road Central, Hong Kong on 14 February 2017 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use at the EGM is enclosed.

Whether or not you are able to attend the meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time of meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

26 January 2017

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## CONTENTS

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	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	7
<b>APPENDIX I — FINANCIAL INFORMATION OF THE ENLARGED GROUP</b> .....	I-1
<b>APPENDIX II — ACCOUNTANT’S REPORT ON THE TARGET GROUP</b> .....	II-1
<b>APPENDIX III — UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP</b> .....	III-1
<b>APPENDIX IV — VALUATION REPORT OF THE PROPERTY</b> .....	IV-1
<b>APPENDIX V — PROPERTY INTEREST, PROPERTY VALUATION AND RECONCILIATION OF APPRAISED PROPERTY VALUES WITH NET BOOK VALUES</b> ...	V-1
<b>APPENDIX VI — GENERAL INFORMATION</b> .....	VI-1
<b>NOTICE OF EGM</b> .....	EGM-1

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## DEFINITIONS

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

“2014 Loan Agreement”	the loan agreement dated 22 September 2014 between the PRC Subsidiary (as lender) and Shenbiao Construction (as borrower), under which the PRC Subsidiary advanced a loan to Shenbiao Construction for a term of twelve months
“2015 Extension Loan Agreement”	the extension loan agreement dated 22 September 2015 between the PRC Subsidiary and Shenbiao Construction, extending the term of the 2014 Loan Agreement for twelve months to 22 September 2016
“2016 Extension Loan Agreement”	the extension loan agreement dated 21 September 2016 between the PRC Subsidiary and Shenbiao Construction with respect to the Shenbiao Construction Loan, further extending the term of the 2014 Loan Agreement for twelve months to 22 September 2017
“Acquisition”	the acquisition of the Sale Shares and the assignment of the Assigned Shareholder’s Loan pursuant to the terms and conditions of the Sale and Purchase Agreement
“Acquisition Completion”	completion of the Acquisition pursuant to the terms of the Sale and Purchase Agreement
“Acquisition Completion Date”	the date on which Acquisition Completion takes place, which shall be 15 December 2016, or the fifth Business Day after satisfaction and/or fulfilment of all the conditions precedent (or any other time agreed between the Purchaser and the Vendor) pursuant to the Sale and Purchase Agreement
“Acquisition Long Stop Date”	30 June 2017, or any later date as agreed between the Purchaser and the Vendor
“Announcement”	the announcement of the Company dated 2 October 2016 in relation to, among other things, the Acquisition and the Subscription
“Articles”	the memorandum and articles of association of the Company
“Assigned Shareholder’s Loan”	68% of the Shareholder’s Loan being assigned by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors

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## DEFINITIONS

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“Boill Holding Group”	Boill Holding Group Company Limited <sup>#</sup> (保集控股集團有限公司), a company incorporated in the PRC with limited liabilities, which is owned as to 76.88% by Shanghai Jiafu Investment Company Limited <sup>#</sup> (上海佳富投資有限公司), as to 10.95% by Mr. Qiu Dongfang, as to 10.95% by Shanghai Tuorong Marketing and Planning Company Limited <sup>#</sup> (上海拓榮行銷策劃有限公司) and as to 1.22% by Ms. Huang Jian
“Boill Holding Group Aijian Guarantee”	a guarantee dated 17 May 2016 executed by Boill Holding Group in favour of Shanghai Aijian Trust Company Limited <sup>#</sup> (上海愛建信託有限責任公司), under which Boill Holding Group irrevocably guarantees the due performance of the obligations of the PRC Subsidiary in accordance with the loan agreement between the PRC Subsidiary and Shanghai Aijian Trust Company Limited in respect of the Aijian Loan, together with all interests, damages under such obligations and costs of Shanghai Aijian Trust Company Limited in enforcing such obligations and the relevant security
“Boill Holding Group Guarantee”	a letter of guarantee dated 30 September 2016 executed by Boill Holding Group in favour of the PRC Subsidiary, under which Boill Holding Group guarantees the due performance of the obligations of Shenbiao Construction in accordance with the 2016 Extension Loan Agreement
“Boill Holding Group Undertakings”	a letter of undertakings dated 23 December 2016 executed by Boill Holding Group in favour of the Purchaser, under which Boill Holding Group unconditionally, independently and irrevocably undertakes to assume indemnification obligations in respect of all penalties, fines and losses arising out of any non-compliance of the Target Company and the PRC Subsidiary prior to the Acquisition Completion Date, including but not limited to losses and/or penalties in connection with the Property Risks and taxation
“Business Day”	means a day other than a Saturday or Sunday or public holiday in Hong Kong
“close associates”	has the meaning ascribed thereto in the Listing Rules
“Company”	Ngai Shun Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed thereto in the Listing Rules

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## DEFINITIONS

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“controlling shareholder”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering, among other things, approving the issue of the Subscription Shares under the Specific Mandate as contemplated under the Subscription Agreement, and the transaction as contemplated under the Sale and Purchase Agreement
“Enlarged Group”	the Group as enlarged by the Acquisition
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huarong”	China Huarong International Holdings Limited (formerly known as Huarong (HK) International Holdings Limited), a company incorporated in Hong Kong with limited liability
“Huarong Bond Documents”	the bond subscription agreement dated 12 December 2013 entered into among others, the Vendor and Huarong; the supplemental agreement dated 19 December 2013 entered into among others, the Vendor, Huarong, the Target Company and the PRC Subsidiary; and the bond subscription agreement dated 10 August 2014 entered into among others, the Vendor, Huarong and the PRC Subsidiary, together with any other documents executed in connection with the above
“Last Trading Day”	30 September 2016, being the last trading day of the Shares immediately before signing of the Subscription Agreement and Sale and Purchase Agreement
“Latest Practicable Date”	20 January 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreements”	the 2014 Loan Agreement, the 2015 Extension Loan Agreement and the 2016 Extension Loan Agreement

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## DEFINITIONS

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“Mr. Qiu Personal Guarantee”	a guarantee dated 17 May 2016 executed by Mr. Qiu Dongfang in favour of Shanghai Aijian Trust Company Limited, under which Mr. Qiu Dongfang irrevocably guarantees the due performance of the obligations of the PRC Subsidiary in accordance with the loan agreement between the PRC Subsidiary and Shanghai Aijian Trust Company Limited in respect of the Aijian Loan, together with all interests, damages under such obligations and costs of Shanghai Aijian Trust Company Limited in enforcing such obligations and the relevant security
“PRC”	the People’s Republic of China
“PRC Subsidiary”	Shanghai Jinshenlong Land Company Limited <sup>#</sup> (上海金盛隆置地有限公司), a company incorporated in the PRC with limited liabilities, a wholly owned subsidiary of the Target Company
“Property”	the property located at No. 1 Sheyuan Road, Sheshan Town, Songjiang District, Shanghai City, PRC, details of which are set out in the sub-section headed “INFORMATION ON THE TARGET GROUP AND THE PROPERTY” in this circular
“Proposed Acquisition”	the proposed indirect acquisition of certain equity interest in Guilin Guangwei Wenhua Tourism and Culture Industry Company Limited <sup>#</sup> (桂林廣維文華旅遊文化產業有限公司)
“Purchaser”	Creative Lane Limited (創途有限公司), a company incorporated in the British Virgin Islands with limited liability, which is directly wholly-owned by the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 30 September 2016 entered into between the Vendor and the Purchaser in relation to the acquisition of the Sale Shares by the Purchaser and assignment of the Assigned Shareholder’s Loan from the Vendor to the Purchaser
“Sale Shares”	68 ordinary shares of the Target Company, representing 68% of the issued share capital of the Target Company held by the Vendor immediately before the Acquisition Completion
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares

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## DEFINITIONS

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“Shareholder’s Loan”	a shareholder’s loan in the amount of approximately HK\$781.38 million owed by the Target Company to the Vendor as at the date of the Sale and Purchase Agreement, subject to further adjustment (if any) at the Acquisition Completion Date
“Shenbiao Construction”	Shanghai Shenbiao Building Construction Company Limited# (上海申標建築工程有限公司), which is owned as to 85% by Mr. Qiu Donghong and as to 15% by Mr. Zhu Wang, and will become a connected person of the Company after the Subscription Completion and Acquisition Completion
“Shenbiao Construction Loan”	a loan of approximately RMB280.28 million from the PRC Subsidiary to Shenbiao Construction pursuant to the terms and conditions under the 2016 Extension Loan Agreement
“Specific Mandate”	the specific mandate proposed to be granted to the Directors to allot, issue and deal with the Subscription Shares at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Liyao Investment Limited (立耀投資有限公司), a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Qiu Dongfang
“Subscription”	the subscription of the Subscription Shares by the Subscriber
“Subscription Agreement”	the subscription agreement dated 30 September 2016 entered into between the Company and the Subscriber
“Subscription Completion”	completion of the Subscription and transactions contemplated under the Subscription Agreement in accordance with its terms
“Subscription Completion Date”	the date on which Subscription Completion takes place, which shall be 15 December 2016 or the fifth Business Day after satisfaction and/or fulfilment of all the conditions precedent (or any other time agreed between the Subscriber and the Company) pursuant to the Subscription Agreement
“Subscription Long Stop Date”	30 June 2017, or any later date as agreed between the Subscriber and the Company
“Subscription Price”	HK\$0.20 per Share
“Subscription Shares”	2,600,000,000 Shares
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules

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## DEFINITIONS

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“Target Company”	Anway Real Estate Limited, a company incorporated in Hong Kong with limited liability, which is a direct wholly-owned subsidiary of the Vendor as at the Latest Practicable Date
“Target Group”	the Target Company and the PRC Subsidiary
“Unassigned Shareholder’s Loan”	represents 32% of the Shareholder’s Loan
“Valuer”	AVISTA Valuation Advisory Limited, an independent valuer
“Vendor”	Boill International Co., Limited, a company incorporated in Hong Kong with limited liability, which is a non wholly-owned subsidiary of the Boill Holding Group
“Xing Miao”	Shanghai Xing Miao Virescence Limited <sup>#</sup> (上海興苗綠化有限公司), a company incorporated in the PRC with limited liabilities, which was wholly owned by the PRC Subsidiary prior to its disposal on 13 May 2016
“%”	per cent.

<sup>#</sup> *The English names of the Chinese entities are translation of their Chinese names and are included herein for identification purpose only.*





**Ngai Shun Holdings Limited**  
**毅信控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 01246)**

*Executive Directors:*

Mr. Mock Wai Yin  
Dr. Wong Yun Kuen

*Non-executive Director:*

Mr. Chui Kwong Kau

*Independent non-executive Directors:*

Mr. Lam Chi Wai  
Ms. Lau Mei Ying  
Ms. Thadani Jyoti Ramesh  
Mr. Eric Todd

*Registered Office:*

P.O. Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

*Head office and Principal place  
of business in Hong Kong:*

Unit 2102, 21/F  
West Tower Shun Tak Centre  
168–200 Connaught Road Central  
Sheung Wan  
Hong Kong

26 January 2017

*To the Shareholders*

Dear Sir or Madam,

**(1) SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE;  
(2) MAJOR TRANSACTION;  
AND  
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING  
RELATING TO THE ACQUISITION OF 68% INTEREST IN  
ANWAY REAL ESTATE LIMITED**

**INTRODUCTION**

**The Subscription Agreement**

Reference is made to the Announcement, where the Company announced that on 30 September 2016, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber conditionally agreed to subscribe for and

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## LETTER FROM THE BOARD

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the Company conditionally agreed to allot and issue, on the Subscription Completion Date, in aggregate 2,600,000,000 Subscription Shares at the Subscription Price of HK\$0.20 per Subscription Share for an aggregate amount of HK\$520 million.

### **The Sale and Purchase Agreement**

On 30 September 2016 (after trading hours), the Purchaser entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to dispose of, the Sale Shares together with assignment of the Assigned Shareholder's Loan from the Vendor to the Purchaser, at a total cash consideration of HK\$1,100 million. Upon the Acquisition Completion, the Target Company will become a non-wholly-owned subsidiary of the Company.

The purpose of this circular is to provide you with, among other things, (i) further information on the Acquisition and Subscription; (ii) the accountant's report on the Target Company; (iii) the unaudited pro forma financial information of the Enlarged Group; (iv) the valuation report on the Property; and (v) other general information as required under the Listing Rules together with a notice of the EGM.

The Acquisition Completion and the Subscription Completion are inter-conditional on each other, and are subject to, amongst other things, the obtaining of relevant Shareholders' and regulatory approval, the satisfaction and/or waiver of the conditions precedent under the Sale and Purchase Agreement and the Subscription Agreement respectively. The Acquisition and the Subscription therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

### **THE SUBSCRIPTION AGREEMENT**

The Subscription Agreement sets out the terms and conditions of the subscription of the Subscription Shares by the Subscriber, the key terms of which are summarised as follows:

#### **Date**

30 September 2016 (after trading hours)

#### **Parties involved**

- (i) the Company; and
- (ii) the Subscriber.

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## LETTER FROM THE BOARD

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### **Subscription Price and Payment**

The Subscription Price of HK\$0.20 per Subscription Share represents:

- (i) a premium of approximately 83.49% over the closing price of approximately HK\$0.109 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 6.95% over the closing price of approximately HK\$0.187 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (iii) a premium of approximately 5.82% over the average closing price of approximately HK\$0.189 per Share as quoted on the Stock Exchange for the last 5 trading days immediately before the Last Trading Day.

The net Subscription Price, after deduction of relevant expenses, is approximately HK\$0.199 per Subscription Share.

The aggregate Subscription Price of HK\$520 million will be remitted into a bank account designated by the Company upon the Subscription Completion.

The Subscription Price was agreed after arm's length negotiations between the Company and the Subscriber with reference to the prevailing market price of the Shares as of the Last Trading Day.

### **Number of Subscription Shares**

The Subscription Shares in the amount of 2,600,000,000 Shares represent approximately 40.16% of the Company's existing issued share capital and approximately 28.65% of its issued share capital as enlarged by the Subscription. The aggregate nominal value of the Subscription Shares is HK\$65,000,000.

The Subscription will not result in a change of control of the Company. Upon the Subscription Completion, the Subscriber would become the single largest substantial shareholder of the Company.

### **Ranking of Subscription Shares**

The Subscription Shares, when issued and fully paid, will rank *pari passu* among themselves and with Shares in issue at the time of allotment and issue of the Subscription Shares.

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## LETTER FROM THE BOARD

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### Conditions of the Subscription Agreement

The Subscription Completion is conditional upon, among other things:

- (i) The passing by the Shareholders at the EGM all necessary resolutions to approve the transactions pursuant to the Sale and Purchase Agreement and the Subscription Agreement, including the approval of the allotment and issuance of the Subscription Shares to the Subscriber;
- (ii) The Stock Exchange has authorized or has agreed to authorise the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange (limited to the issuance of the Subscription Shares and its associated matters);
- (iii) There are no material adverse changes, or any development or potential circumstances which will lead to material adverse changes in the business, operation and performance or such general matters of the Company (whether from a financial perspective or otherwise);
- (iv) All conditions under the Sale and Purchase Agreement have been satisfied or waived accordingly (if applicable);
- (v) No orders, decrees, rulings or decisions have been proposed, formulated or adopted by any government department or regulatory authority in any jurisdiction, which may restrict, prohibit or invalidate the transaction contemplated under the Subscription Agreement;
- (vi) No third parties have initiated or threatened to initiate any litigation or legal proceedings that are pending before any court or government agencies in any jurisdiction, which seek (a) to restrict or prohibit the transaction under the Subscription Agreement; or (b) to declare that such transaction is illegal; or (c) material compensation for damages with respect to such transaction;
- (vii) The Company has obtained all consents and approvals necessary for the transaction contemplated under the Subscription Agreement, and has at all times been in full compliance with all relevant laws and regulations. All such consents and approvals remain valid as of the Subscription Completion Date, and no competent governmental authorities have imposed any rules or regulations which prohibit or substantially delay the performance and completion of the Subscription Agreement;
- (viii) There are no material adverse changes, or any development or potential circumstances which will lead to material adverse changes in the business, operation and performance or such general matters of the Company and its subsidiaries (whether from a financial perspective or otherwise);
- (ix) The warranties made by the Company are true, accurate and not misleading as of the date of the Subscription Agreement, and remain true, accurate and not misleading as of the Subscription Completion Date, as if they were made on such date with reference to the prevailing facts and circumstances under different circumstances; and

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## LETTER FROM THE BOARD

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- (x) The warranties made by the Subscriber are true, accurate and not misleading as of the date of the Subscription Agreement, and remain true, accurate and not misleading as of the Subscription Completion Date, as if they were made on such date with reference to the prevailing facts and circumstances under different circumstances.

The Subscriber may at its absolute discretion at any time waive the conditions set out in paragraphs (iii) and (v) to (ix) above, whereas the Company may at its absolute discretion at any time waive the condition set out in paragraph (x) above. Each of the Company and the Subscriber may upon their agreement, at any time waive the condition set out in paragraph (iv) above. However, to the extent that a waiver of any such conditions would materially affect the substance of the Subscription, the parties do not intend to waive such conditions. Neither the Company nor the Subscriber may waive any of the conditions set out in paragraphs (i) and (ii) above.

As at the Latest Practicable Date, the parties to the Subscription Agreement have not waived and do not intend to waive any of the waivable conditions, whereas none of the conditions have been fulfilled.

### **Termination**

In the event that any of the conditions to the Subscription Agreement are (a) not fulfilled or waived (as the case may be) on or before the Subscription Long Stop Date; or (b) impossible to be fulfilled or waived under circumstances which are not within the control of the Company and the Subscriber, on or before the Subscription Long Stop Date, in respect of the circumstances in sub-paragraph (a), the Subscriber is entitled to terminate the Subscription Agreement upon serving a notice to the Company, whereas each of the Subscriber and the Company may terminate the Subscription Agreement in respect of the circumstances in sub-paragraph (b), upon serving a notice to the other party.

### **Subscription Completion**

Subscription Completion shall take place at the office of the Subscriber or other place as the parties to the Subscription Agreement may agree, on the Subscription Completion Date, provided that such date shall in no event be later than the Subscription Long Stop Date (or such other date as may be agreed between the parties to the Subscription Agreement).

### **Specific Mandate**

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Shareholders at the EGM.

### **Application for Listing of the Subscription Shares**

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

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**LETTER FROM THE BOARD**

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**EFFECTS ON SHAREHOLDING STRUCTURE**

The following table illustrates (by reference to the public information as at the Latest Practicable Date) the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after allotment and issuance of the Subscription Shares, on the assumption that there is no change in the issued share capital of, and the shareholding in, the Company from the Latest Practicable Date other than the issue and allotment of the Subscription Shares pursuant to the Subscription Agreement, up to the Subscription Completion Date:

Shareholders	As at the Latest Practicable Date		Immediately after the allotment and issuance of the Subscription Shares	
	<i>Number of Shares</i>	<i>Approximate shareholding %</i>	<i>Number of Shares</i>	<i>Approximate shareholding %</i>
Public	6,474,000,000	100.00	6,474,000,000	71.35
Subscriber	—	—	2,600,000,000	28.65
Total	<u>6,474,000,000</u>	<u>100.00</u>	<u>9,074,000,000</u>	<u>100.00</u>

**FUNDRAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS**

Date of the Announcement	Fundraising activity	Net proceeds raised (approximately)	Intend use of proceeds	Actual use of proceeds
24 March 2016	Rights issue of 5,478,000,000 rights shares at a subscription price of HK\$0.165 per rights share	HK\$879.87 million	(i) As to approximately HK\$420 million for repayment of the debt of the Group; and  (ii) The remaining balance of approximately HK\$460 million for the Proposed Acquisition.	(i) As to approximately HK\$420 million has been used to settle and repay the debt of the Group;  (ii) As to approximately HK\$109.4 million for the business development of the Group; and  (iii) The Proposed Acquisition has lapsed in August 2016. Therefore, the remaining shall be used to finance the Acquisition if it is completed.

Save as disclosed above, the Company had not conducted any other fundraising activities during the past 12 months immediately preceding the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### INTENDED USE OF PROCEEDS FROM THE SUBSCRIPTION

The gross proceeds arising from the Subscription will amount to HK\$520 million, and the net cash proceeds, after deduction of all relevant costs and expenses, is estimated to be approximately HK\$517 million. The Company intends to apply the net proceeds of the Subscription for the purpose of settling part of the consideration of the Acquisition.

### THE SALE AND PURCHASE AGREEMENT

The Sale and Purchase Agreement sets out the terms and conditions for the sale of the Sale Shares and the assignment of the Assigned Shareholder's Loan from the Vendor to the Purchaser, the key terms of which are summarised as follows:

#### Date

30 September 2016

#### Parties Involved

- (i) the Vendor; and
- (ii) the Purchaser.

#### Assets to be acquired

The Sale Shares comprise 68 issued ordinary shares of the Target Company held by the Vendor representing 68% of the entire issued share capital of the Target Company. The Assigned Shareholder's Loan represents 68% of the Shareholder's Loan owed by the Target Company to the Vendor as at the date of the Sale and Purchase Agreement. As at the Latest Practicable Date, the Target Company is wholly owned by the Vendor. Further information on the Target Group and the Property is set out in the sub-section headed "INFORMATION ON THE TARGET GROUP AND THE PROPERTY" in this circular.

#### Consideration and Basis for Determination

The consideration for the Acquisition shall be HK\$1,100 million. The consideration was determined after arm's length negotiations between the parties to the Sale and Purchase Agreement with reference to the unaudited consolidated management account of the Target Company for the nine months ended 30 September 2016, under which the Target Group recorded net liabilities of approximately HK\$56.94 million as at 30 September 2016 with a Shareholder's Loan of approximately HK\$781.38 million, before taking into account the revaluation surplus of approximately HK\$925 million based on the valuation of the Property by reference to market approach of approximately RMB1,398 million (equivalent to approximately HK\$1,623.69 million) as at 30 September 2016 as appraised by the Valuer (the carrying value of the Property as at 30 September 2016 being approximately HK\$698.69 million). Further details of the valuation of the Property are set out in Appendix IV of this circular.

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## LETTER FROM THE BOARD

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After excluding the Shareholder's Loan, the Target Group would have adjusted net assets of approximately HK\$1,649.44 million (excluding deferred tax liabilities of approximately HK\$231.25 million) as at 30 September 2016. The consideration of HK\$1,100 million represents a discount of approximately 1.97% to the value of 68% of the adjusted net assets of the Target Group as at 30 September 2016 (based on the audited financial information of the Target Group as at 30 September 2016). In assessing the consideration of the Acquisition, having regard to the fact that the Property cannot be subdivided into strata title and the Property will be used for rental purposes rather than for sale, the Directors are of the view that the deferred tax liabilities of approximately HK\$231.25 million were only an estimate by the auditors of the Company in accordance with the relevant accounting standards on the assumption that the Property held by the PRC Subsidiary would be immediately re-sold at the present value and hence it is unlikely to be realized and shall not be taking into account when negotiating the consideration of the Acquisition. In this regard, the Directors consider that the consideration for the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Payment Terms**

The total consideration will be payable in cash upon the Acquisition Completion.

The Company intends to fund the Acquisition by utilizing its internal resource and the proceeds from the Subscription.

### **Conditions precedent**

The Acquisition Completion shall be conditional upon the satisfaction of the following conditions:

- (i) The passing by the Shareholders at the EGM all necessary resolutions to approve the transactions pursuant to the Sale and Purchase Agreement and the Subscription Agreement, including the approval of the Acquisition and the Subscription;
- (ii) All conditions under the Subscription Agreement have been satisfied or waived accordingly (if applicable);
- (iii) No orders, decrees, rulings or decisions have been proposed, formulated or adopted by any government department or regulatory authority in any jurisdiction, which may restrict, prohibit or invalidate the transaction contemplated under the Sale and Purchase Agreement;
- (iv) No third parties have initiated or threatened to initiate any litigation or legal proceedings that are pending before any court or government agencies in any jurisdiction, which seek (a) to restrict or prohibit the transaction under the Sale and Purchase Agreement; or (b) to declare that such transaction is illegal; or (c) material compensation for damages with respect to such transaction;



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## LETTER FROM THE BOARD

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- (v) The Purchaser has obtained all consents and approvals necessary for the transaction contemplated under the Sale and Purchase Agreement, and has at all times been in full compliance with all relevant laws and regulations. All such consents and approvals remain valid as of the Acquisition Completion Date, and no competent governmental authorities have imposed any rules or regulations which prohibit or substantially delay the performance and completion of the Sale and Purchase Agreement;
- (vi) The Vendor has obtained all consents and approvals necessary for the transaction contemplated under the Sale and Purchase Agreement, and has at all times been in full compliance with all relevant laws and regulations. All such consents and approvals remain valid as of the Acquisition Completion Date, and no competent governmental authorities have imposed any rules or regulations which prohibit or substantially delay the performance and completion of the Sale and Purchase Agreement;
- (vii) Representations and warranties made by the Vendor are true, accurate and not misleading as of the date of the Sale and Purchase Agreement, and remain true, accurate and not misleading as of the Acquisition Completion Date, as if they were made on such date with reference to the prevailing facts and circumstances under different circumstances;
- (viii) The Vendor has obtained a written confirmation from Huarong, the contents of which are to the satisfaction of the Purchaser, pursuant to which Huarong agrees that the transactions under the Sale and Purchase Agreement and the Subscription Agreement between the Purchaser and the Vendor shall not be restricted by any Huarong Bond Documents;
- (ix) The Purchaser obtaining a duly executed letter of undertakings from Boill Holding Group (as the warrantor), the contents of which are to the satisfaction of the Purchaser, which unconditionally, independently and irrevocably undertakes to assume indemnification obligations in respect of all penalties, fines and losses arising out of any non-compliance of the Target Company and the PRC Subsidiary prior to the Acquisition Completion Date; and
- (x) The Purchaser has completed the full due diligence work on the Vendor and the Target Group, and the results of such due diligence are satisfactory to the Purchaser.

The Purchaser may at its absolute discretion at any time waive the conditions set out in paragraph (iii) (to the extent of involving the Vendor), paragraph (iv) (to the extent of involving the Vendor) and paragraphs (vi) to (x), whereas the Vendor may at its absolute discretion at any time waive the conditions set out in paragraph (ii) (to the extent of involving the Purchaser), paragraph (iv) (to the extent of involving the Purchaser) and paragraph (v). Each of the Purchaser and the Vendor may upon their agreement, at any time waive the conditions set out in paragraph (ii) above. However, to the extent that a

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## LETTER FROM THE BOARD

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waiver of any such conditions would materially affect the substance of the Acquisition, the parties do not intend to waive such conditions. Neither the Purchaser nor the Vendor may waive the condition set out in paragraph (i) above.

As at the Latest Practicable Date, the parties to the Sale and Purchase Agreement have not waived and do not intend to waive any of the waivable conditions, whereas condition (ix) has been fulfilled.

### **Termination**

In the event that any of the conditions to the Sale and Purchase Agreement are not fulfilled or waived, or impossible to be fulfilled or waived (as the case may be) on or before the Acquisition Long Stop Date, the Purchaser or the Vendor is entitled to terminate the Sale and Purchase Agreement upon serving a notice to the other party.

### **Acquisition Completion**

Acquisition Completion shall take place on the Acquisition Completion Date, provided that such date shall in no event be later than the Acquisition Long Stop Date (or such other date as may be agreed between the Purchaser and the Vendor).

Upon Acquisition Completion, the Company will, through the Purchaser, hold 68% of the issued share capital of the Target Company and the Target Group will be consolidated into the financial statement of the Company.

### **INFORMATION ON THE SUBSCRIBER**

The Subscriber is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Qiu Dongfang, an indirect controlling shareholder and a director of Boill Holding Group. According to information provided by the Subscriber, Boill Holding Group is a property developer based in the Yangtze River Delta and has a wide variety of property development projects including residential, commercial, industrial and geriatric properties with broad geographical coverage including Shanghai, Zhejiang Province, Jiangxi Province, Tianjin and Shandong Province. It has also received various awards including the “China Top 100 Real Estate Developers<sup>#</sup> (中國房地產開發企業百強)” for seven consecutive years since 2010 until present.

To the best of the Directors’ knowledge, the Subscriber and its ultimate beneficial owner(s) are independent from the Company and its connected persons as at the Latest Practicable Date.

### **INFORMATION ON THE VENDOR**

The Vendor is a company incorporated in Hong Kong with limited liability and is a non wholly-owned subsidiary of Boill Holding Group. According to information provided by the Subscriber, Boill Holding Group is a property developer based in the Yangtze River Delta and has a wide variety of property development projects including residential, commercial, industrial and geriatric properties with broad geographical coverage including

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## LETTER FROM THE BOARD

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Shanghai, Zhejiang Province, Jiangxi Province, Tianjin and Shandong Province. The ultimate beneficial owners of the Vendor are Mr. Qiu Dongfang and Ms. Huang Jian (being the spouse of Mr. Qiu Dongfang). The Vendor was introduced to Mr. Mock Wai Yin, an executive Director, by a business acquaintance, but the Vendor has no prior business relationship with the Company. To the best of the Directors' knowledge, the Vendor is an investment holding company, and it and its ultimate beneficial owner(s) are independent from the Company and its connected persons as at the Latest Practicable Date.

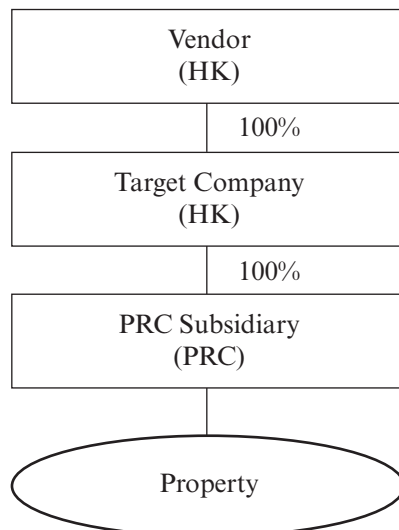
### INFORMATION ON THE PURCHASER

The Purchaser, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands, is principally engaged in investment holding.

### INFORMATION ON THE TARGET GROUP AND THE PROPERTY

#### The Target Group

The Target Company is a company incorporated in Hong Kong with limited liability and is an investment holding company, which is a direct wholly-owned subsidiary of the Vendor. Through the PRC Subsidiary, a direct wholly-owned subsidiary of the Target Company, the Target Company owns, operates and manages the Property. The ownership structure of the Target Group prior to the Acquisition Completion is set out as follows:

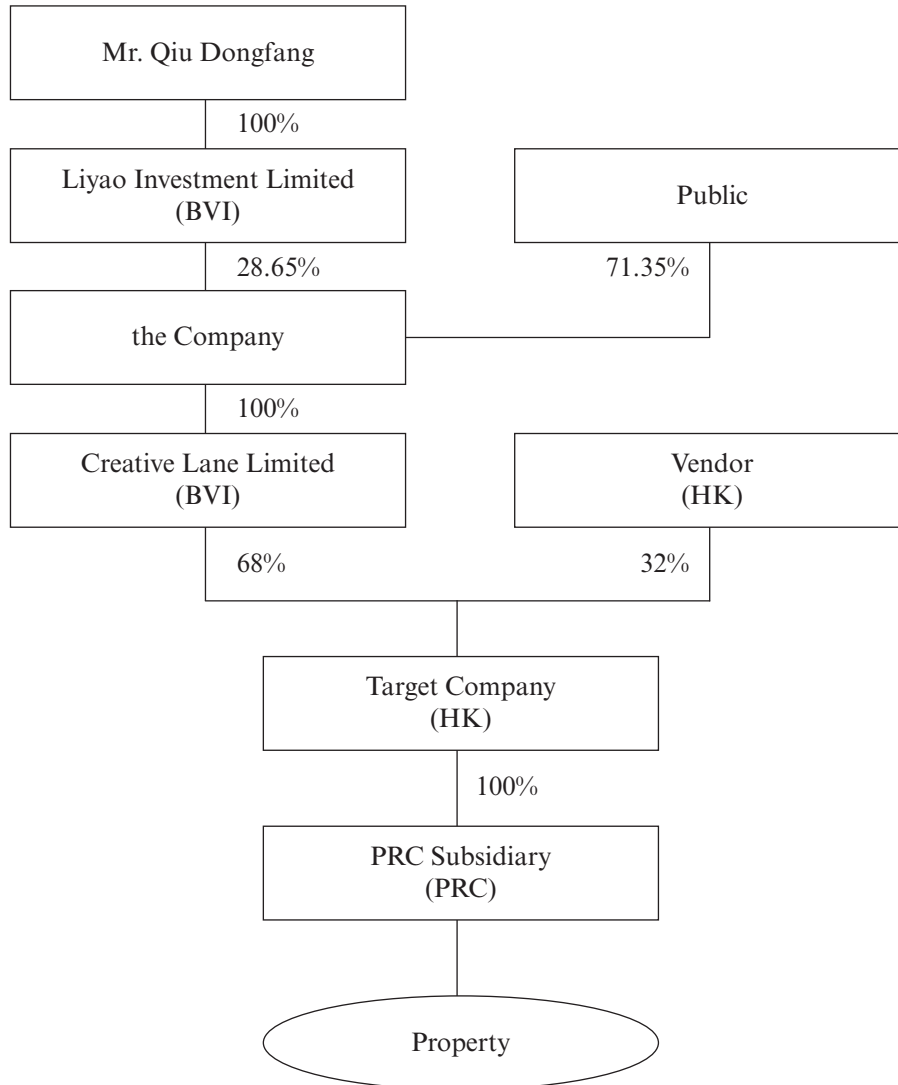


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## LETTER FROM THE BOARD

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The ownership structure of the Target Group immediately after the Subscription Completion and the Acquisition Completion is set out as follows:



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## LETTER FROM THE BOARD

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### The Property

Set out below are the key details of the Property:

Registered Owner:	PRC Subsidiary
Area of the Land:	150,601.6 square meters
Location:	No. 1 Sheyuan Road, Sheshan Town, Songjiang District, Shanghai, PRC
Terms of the Land Use Right:	40 years commencing from 14 March 2008
Type of Land Usage:	Lodging, food and beverage use
Planned gross floor area of development:	79,413.98 square meters

In May 2016, the PRC Subsidiary obtained a facility from Shanghai Aijian Trust Company Limited<sup>#</sup> (上海愛建信託有限責任公司) with a total maximum loan amount of RMB400 million (the “**Aijian Loan**”), for the purpose of the construction and development of the Property, and out of which approximately RMB280 million has been drawn down by the PRC Subsidiary as at the Latest Practicable Date. The loan is secured by a mortgage on the Property (a security provided pursuant to the request of Shanghai Aijian Trust Company Limited, as it is a customary practice for a property developer to provide a mortgage on the development property in obtaining loans for the purpose of developing such property), a charge over the entire equity interest of the PRC Subsidiary in favour of Shanghai Aijian Trust Company Limited, the Boill Holding Group Aijian Guarantee and the Mr. Qiu Personal Guarantee. The loan has a term of 30 months from the date of the first drawdown of the loan. The said loan, mortgage, share charge and guarantees will survive the Acquisition Completion. The loan carries a fixed interest rate of 11% per annum. All of the approximately RMB280 million drawn down by the PRC Subsidiary has been utilized for the construction and development of the Property.

To the best of the Directors’ knowledge, Shanghai Aijian Trust Company Limited and its ultimate beneficial owner(s) are independent from the Company and its connected persons as at the Latest Practicable Date. Further, according to information provided by the Vendor and the Subscriber, Shanghai Aijian Trust Company Limited and its ultimate beneficial owner(s) are independent from each of the Vendor and the Subscriber as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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The Property is intended to be developed in three phases. It is expected that the development of the Property will be completed within around three years. Upon completion of the development of the Property, it is intended that the Property will be used for rental purposes and targeted to customers of a mature age group with high salary, well education and background. The development schedule of the Property is as follows:

- (i) Phase 1 of the Property is intended to be developed into a club house, a supermarket and other ancillary facilities with a total gross floor area of 3,803.83 square meters (and underground area of 150.24 square meters). Construction of phase 1 of the Property commenced in March 2016 and is scheduled to be completed in July 2017, with an estimated total development cost (including finance costs) of approximately RMB49 million;
- (ii) Phase 2 of the Property is intended to be developed into villa type and multi-storey properties with a total gross floor area of 36,932.54 square meters (including underground area of 3,967.1 square meters). Construction of phase 2 of the Property commenced in March 2016 and is scheduled to be completed in December 2017, with an estimated total development cost (including finance costs) of approximately RMB481 million; and
- (iii) Phase 3 of the Property is intended to be developed into multi-storey properties with a total gross floor area of 38,527.37 square meters. Phase 3 of the Property is currently vacant and construction is scheduled to commence in March 2017 and is scheduled to be completed in December 2019, with an estimated total construction cost of approximately RMB364 million.

The total construction and development cost is estimated to be approximately RMB894 million, out of which approximately RMB289 million had already been paid as of 31 October 2016. The remaining construction and development cost is intended to be financed by way of the proceeds from the rental of the Property. Therefore, based on the existing development plan of the Target Group, no material funding is expected to be required to be further injected into the Target Group. As at the Latest Practicable Date, the Property is still under development.

### **Senior management of the PRC Subsidiary**

The following member of the Target Group's senior management team will continue to oversee the development of the Property upon the Acquisition Completion and the Subscription Completion:

Mr. Zhang Shenghai (“**Mr. Zhang**”) is the general manager of the PRC Subsidiary who joined the PRC Subsidiary in 2016. Mr. Zhang has been working in the field of engineering since he graduated from university. He has 10 years of experience in the real estate industry and has extensive experience in construction and management of real estate development. Mr. Zhang was the general manager of Nanchang Real Estate Company<sup>#</sup> (南昌地產公司) from 2012 to 2016.

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## LETTER FROM THE BOARD

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### **Risks associated with the Property being idle properties**

As advised by Jingtian & Gongcheng, the PRC legal advisers appointed by the Company, pursuant to the supplemental agreement dated 28 December 2011 and entered into among the PRC Subsidiary and Shanghai Songjiang District Planning and Land Authority, the construction of the Property should be commenced on or before 30 June 2012 and be completed on or before 30 December 2014. The construction was not commenced for more than 2 years since 30 June 2012 and could not be completed on or before 30 December 2014 in accordance with the supplemental agreement, as the planning and design of the Property took longer than expected, such that construction of the Property could not commence prior to the finalization of the planning and design of the Property. Therefore, the PRC Subsidiary is subject to a risk of liquidated damages for breach of contract, and/or penalties in the amount of 20% of the land consideration, and/or resumption of the Property by the government without compensation (collectively, “**Property Risks**”). It is difficult for the parties to assess the maximum potential amount of penalties, fines and losses which the Target Group may be liable to as a result of the Property Risks, as it is difficult for the parties to assess the potential actions which the relevant governmental authorities might take. As at the Latest Practicable Date, the PRC Subsidiary has not received any notice from the relevant land administration department imposing any penalties on the PRC Subsidiary or resuming the Property in relation to the PRC Subsidiary’s failure to commence and complete construction of the Property in accordance with the timeframe stipulated under the supplemental agreement dated 28 December 2011.

In view of the above Property Risks, Boill Holding Group entered into the Boill Holding Group Undertakings with the Purchaser, under which Boill Holding Group unconditionally, independently and irrevocably undertakes to assume indemnification obligations in respect of all penalties, fines and losses arising out of any non-compliance of the Target Company and the PRC Subsidiary prior to the Acquisition Completion Date, including but not limited to losses and/or penalties in connection with the Property Risks and taxation. In the event that the Property is resumed by the government, Boill Holding Group will indemnify the Purchaser (or any entity designated by the Purchaser) (i) the total consideration paid by the Purchaser pursuant to the transactions under the Sale and Purchase Agreement, or (ii) an amount determined with reference to the market value of the Property as at the date of such resumption (to be appraised by an independent valuer to be appointed by the Company), whichever is higher, plus all other losses/penalties arising out of such resumption.

Therefore, having taken into account the Boill Holding Group Undertakings in assessing the Acquisition and its consideration, the Directors are of the view that any potential penalties, fines and losses arising out of the Property Risks will be adequately covered by the Boill Holding Group Undertakings and borne by the Boill Holding Group.

Further, as advised by Jingtian & Gongcheng, pursuant to the Stated-owned Land Use Rights Grant Contract of the Property, the Property cannot be sub-divided into strata title, yet the PRC Subsidiary is legally entitled to lease out the Property in accordance with the

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## LETTER FROM THE BOARD

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State-owned Land Use Rights Grant Contract and the applicable laws. In this connection, the Directors do not consider that it would have a material impact on the Acquisition since the Property is intended to be used for rental purpose rather than for sale.

### Shenbiao Construction Loan

As disclosed in the Announcement, before the Acquisition and the Subscription, the PRC Subsidiary and Shenbiao Construction had entered into the 2016 Extension Loan Agreement in relation to the Shenbiao Construction Loan, such that the Shenbiao Construction Loan shall survive after the Acquisition Completion.

In this regard, the primary reasons of the Shenbiao Construction Loan surviving the completion of the Acquisition are as follows:

- (i) as Shenbiao Construction provided helpful assistance to the PRC Subsidiary in finding appropriate contractors in respect of certain parts of construction of the Property, the PRC Subsidiary intends to maintain a good working relationship with Shenbiao Construction; and
- (ii) from a financial perspective, the Shenbiao Construction Loan is on normal commercial terms (for instance, the 12% per annum interest rate of the Shenbiao Construction Loan is higher than the 11% per annum interest costs of the Aijian Loan), and the Shenbiao Construction Loan is guaranteed by the Boill Holding Group pursuant to the Boill Holding Group Guarantee. As such, the PRC Subsidiary considers that necessary assurance is in place to protect itself against any risk of default of the Shenbiao Construction Loan.

### Financial Information of the Target Group

Summarised below is the audited financial information of the Target Group as extracted from its accountants report as set out in Appendix II to this circular which is prepared in accordance with the Hong Kong Financial Reporting Standards.

The audited consolidated financial information of the Target Group for the three years ended 31 December 2013, 2014 and 2015 and nine months ended 30 September 2015 and 30 September 2016 respectively, is set out as follows:

	<b>For the year ended 31 December 2013 (HK\$)</b>	<b>For the year ended 31 December 2014 (HK\$)</b>	<b>For the year ended 31 December 2015 (HK\$)</b>	<b>For the nine months ended 30 September 2015 (HK\$)</b>	<b>For the nine months ended 30 September 2016 (HK\$)</b>
Net (loss) before tax	(6,105,000)	(1,159,000)	(5,283,000)	(5,288,000)	(3,966,000)
Net (loss) after tax	(6,105,000)	(1,576,000)	(6,906,000)	(6,515,000)	(4,488,000)

As at the Latest Practicable Date, the Property is still under development.



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## LETTER FROM THE BOARD

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For further details, please refer to the accountants' report on the Target Group set out in Appendix II to this circular.

### MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Set out below is the management discussion and analysis of the Target Group for the three years ended 31 December 2013, 2014 and 2015 and nine months ended 30 September 2016. The following financial information is based on the financial information of the Target Group as set out in Appendix II to this circular.

#### **(1) Revenue and cost of sales**

As the Property is still under construction as at the Latest Practicable Date, no revenue and cost of sales has been generated and incurred from the core business activities of the Target Group during the relevant periods.

#### **(2) Selling and distribution expenses**

For the two years ended 31 December 2013 and 2014, the Target Group did not record any significant selling and distribution expenses.

The Target Group recorded distribution and selling expenses of HK\$535,000 for the year ended 31 December 2015, which further increased to approximately HK\$3,006,000 for the nine months ended 30 September 2016, mainly as a result of an increase in marketing expenses in relation to the Property.

#### **(3) Administrative expenses**

The decrease in the administrative expenses of the Target Group from approximately HK\$6,107,000 for the year ended 31 December 2013 to approximately HK\$1,787,000 for the year ended 31 December 2014 was mainly as a result of an increase in capitalisation of administrative expenses.

The subsequent increases in the administrative expenses of the Target Group from approximately HK\$1,787,000 for the year ended 31 December 2014 to approximately HK\$4,284,000 for the year ended 31 December 2015, when considered in conjunction with the cost of inventories sold of HK\$6,432,000 arising out of sales of woods related to Xing Miao (which was categorized under other income and gains), was mainly as a result of an increase in cost of inventories sold (i.e. woods related to Xing Miao) which was unrelated to the core business activities of the Target Group. For the nine months ended 30 September 2016, the administrative expenses of the Target Group, when considered in conjunction with the fact that there was nil cost of inventories sold arising out of sales of woods related to Xing Miao, decreased to approximately HK\$4,298,000 mainly as a result of a decrease in cost of inventories sold (i.e. woods related to Xing Miao) which was unrelated to the core business activities of the Target Group.

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## LETTER FROM THE BOARD

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### **(4) Other income and gains, net and finance costs**

The increases in other income and gains of the Target Group from HK\$2,000 for the year ended 31 December 2013 to approximately HK\$20,423,000 for the year ended 31 December 2014 and further to approximately HK\$78,450,000 for the year ended 31 December 2015 were mainly due to increases in other interest income associated with interest income arising out of entrusted loans provided by Xing Miao, a subsidiary of the PRC Subsidiary which had been disposed of by the PRC Subsidiary prior to the Acquisition. The subsequent decrease in other income and gains of the Target Group from approximately HK\$78,450,000 for the year ended 31 December 2015 to HK\$26,129,000 for the nine months ended 30 September 2016 was mainly due to a decrease in other interest income associated with interest income arising out of entrusted loans provided by Xing Miao upon completion of the disposal of Xing Miao in May 2016, such that it was no longer a member of the Target Group.

The increase in finance costs of the Target Group from nil for the year ended 31 December 2013 to approximately HK\$19,795,000 for the year ended 31 December 2014, together with the further increase to approximately HK\$78,914,000 for the year ended 31 December 2015 and the subsequent decrease to HK\$22,580,000 for the nine months ended 30 September 2016 were mainly due to corresponding changes in interest on other loans associated with the funds of Xing Miao in providing the entrusted loans above.

### **(5) Loss after taxation**

The Target Group recorded a loss after taxation of approximately HK\$6,105,000, HK\$1,576,000, HK\$6,906,000 and HK\$4,488,000 for the three years ended 31 December 2013, 2014, 2015 and for the nine months ended 30 September 2016 respectively.

### **(6) Liquidity, financial resources, capital structure and gearing ratio**

As at 31 December 2013, 2014 and 2015 and 30 September 2016, the Target Group had debts amounting to a total of approximately HK\$407,787,000, HK\$1,681,924,000, HK\$1,695,776,000 and HK\$1,131,069,000 respectively.

At the end of each of relevant periods, the Target Group had assets amounting to a total of approximately HK\$424,323,000, HK\$1,697,030,000, HK\$1,657,498,000 and HK\$1,068,222,000 respectively.

As at 30 September 2016, the Target Group had a total commitment (contracted for but not provided for in the consolidated financial statements of the Target Group) of approximately HK\$274,361,000 in respect of the investment properties under construction.

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## LETTER FROM THE BOARD

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For the year ended 31 December 2013, 31 December 2014, 31 December 2015 and the nine months ended 30 September 2016, all borrowings of the Target Group are denominated in RMB and are based on a fix interest rate, and cash and cash equivalents of the Target Group are mainly held in RMB.

The Target Group financed its working capital through funds generated from its operation and from its shareholder. The Target Group did not enter into any form of financial arrangement for hedging during the year ended 31 December 2013, 2014 and 2015, and the nine months ended 30 September 2016.

The Target Group relied and will continue to rely on equity capital and debt financing to fund its business. In the future, it is expected that the Target Group will rely on rental income to fund its operation.

The gearing ratio of the Target Group (calculated as total liabilities over total assets) as at 31 December 2013, 2014 and 2015 and 30 September 2016 were approximately 0.96, 0.99, 1.02 and 1.05 respectively.

### **(7) Prospects**

Based on current estimate and development status of the Property, the Target Group is expected to start generating revenue at the commencement of the next financial year, which would create a new revenue stream for the Group and improve its current financial condition. References are also made to the sections “REASONS FOR AND BENEFIT OF THE ACQUISITION” below and “Property Development Business” in Appendix I for further details of the prospects of the Target Group.

### **(8) Significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures**

On 23 July 2014, the PRC Subsidiary acquired Xing Miao at a consideration of RMB600,000. On 13 May 2016, the PRC Subsidiary disposed of Xing Miao at a consideration of RMB600,000. Save as to the above, the Target Group did not have any significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures for the three years ended 31 December 2013, 2014 and 2015 and the nine months ended 30 September 2016.

### **(9) Segment information**

For the three years ended 31 December 2013, 2014 and 2015 and the nine months ended 30 September 2016, the Target Group was principally engaged in one single segment which is the development of the Property.

### **(10) Employment and remuneration policy**

As at 31 December 2013, 2014 and 2015 and 30 September 2016, the Target Group employed a total of about 12, 18, 31 and 25 employees respectively. Total staff costs of the Target Group for the three years ended 31 December 2013, 2014 and 2015 and for

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## LETTER FROM THE BOARD

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the nine months ended 30 September 2016 were approximately HK\$2,518,000, HK\$1,263,000, HK\$2,267,000 and HK\$1,921,000 respectively. Remuneration for employees was maintained at a competitive level and determined with reference to performance, professional experiences and the prevailing market conditions.

### **(11) Charge on assets**

The PRC Subsidiary obtained a facility from Shanghai Aijian Trust Company Limited in May 2016 and has approximately HK\$325 million outstanding as of the Latest Practicable Date. Such borrowing was secured by a charge on 100% of the issued share capital of the PRC Subsidiary as security provided by the Target Company, a mortgage on the Property as security provided by the PRC Subsidiary, the Boill Holding Group Aijian Guarantee and the Mr. Qiu Personal Guarantee.

### **(12) Future plans for material investments or capital assets and their expected sources of funding in the coming year**

The Target Group intends to continue with the current development plan of the Property. As at 30 September 2016, the Target Group did not have any future plans for significant investments.

### **(13) Foreign exchange exposure**

For the three years ended 31 December 2013, 2014 and 2015 and the nine months ended 30 September 2016, the normal operation and investments of the Target Group were solely in one area (i.e. the PRC), with revenue and expenditure denominated in RMB. Therefore the Target Group did not have significant foreign exchange exposure. However, the Target Group will closely monitor this risk exposure as required.

### **(14) Contingent liabilities**

The Target Group did not have any significant contingent liability as at 31 December 2013, 2014, 2015 and 30 September 2016.

## **REASONS FOR AND BENEFIT OF THE ACQUISITION**

The Company, through its subsidiaries, is principally engaged in the foundation business, property development, investment securities and provision of catering services.

Subsequent to the acquisition of the property project located in a parcel of land situated on the western shore of 南湖 (Nanhu Lake<sup>#</sup>), Yueyang, Hunan province, the PRC (which was completed on 24 November 2015), the Company keeps looking for potential acquisition opportunities to develop and strengthen its core businesses of property development in order to enhance the prospects of the Group.

The Directors have been continuously evaluating the current business strategies of the Group with an aim to streamline its businesses, increase its overall performance and prospects, and its attractiveness to investors in the market. Considering the decrease in

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## LETTER FROM THE BOARD

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turnover of the Group's foundation business (with Pearl Swirls Limited and its wholly-owned subsidiary, Ngai Shun Construction & Drilling Company Limited, collectively known as the "Pearl Swirls Group" as the key operating arm) and the fact that the Directors generally do not foresee any strong or high growth potential in the foundation industry, this translated into concerns as to the Company's limited option and ability for future fundraising and a need for the Group to streamline the principal businesses with an aim to optimise the Group's prospects. Accordingly, the Company proposed the disposal of 49% of the Pearl Swirls Group on 25 July 2016 and the said disposal has been completed as at the Latest Practicable Date.

Given that (i) the Proposed Acquisition has lapsed and the need to identify other appropriate acquisition opportunities which are in line with the core business of the Group is imminent; (ii) the Group incurred significant losses in the amount of approximately HK\$193 million for the year ended 31 March 2016 and the need to identify business opportunities that can quickly improve the Group's financial condition intensifies; and (iii) the Group's pressing needs to broaden its revenue streams and generate additional cashflow to support a continuous and sustainable development, the Group considered the Acquisition as an excellent opportunity to strengthen the property development business of the Group and it is in line with the core business of the Group.

In recent years, the Company has been exploring opportunities resulting from an ageing population in the PRC, and the Company believes that healthcare holiday resort development has promising growth potential. In the PRC, healthcare holiday resorts are developed into villas and/or multi-storey type properties where senior citizens can rent the units on a long term basis and have access to all kinds of value added service catered for their wellness, such as daily and personal healthcare services as well as medical services. In the PRC, in particular, in Shanghai, in light of the fact that there has been a growing number of wealthy senior citizens looking for a better quality of life, there has recently been growing interests of senior citizens in services offered by healthcare holiday resort property developers, as well as a growing number of companies in the PRC entering the healthcare holiday resort sector. As a result, the Company is optimistic about the growth potential of the healthcare holiday resort sector.

The Target Group will develop the Property as clubhouse, apartments and underground areas for lodging, food and beverage uses, tailoring the needs of customers within the healthcare holiday resort sector in Shanghai and derive rental income from these premises.

Having considered the prospects and financial conditions of the Target Group and the location, market value and underlying cost of the Property, the Directors are of the view that the Acquisition will benefit the Group in the following ways:

- (i) Strengthen the asset base of the Group as the Group will acquire a valuable piece of land in the tier one city of Shanghai which is a good location for healthcare holiday resort development;
- (ii) Continue to expand and drive the Group's property development business which is in line with the core business and focus of the Group;

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## LETTER FROM THE BOARD

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- (iii) Through the Subscription, the Group will tap into more business opportunities by cooperating with Boill Holding Group, a prominent property developer in the PRC as described in the section titled “INFORMATION ON THE SUBSCRIBER” in this circular; and
- (iv) Based on current estimate and development status of the Property, the Target Group is expected to start generating revenue at the commencement of the next financial year which would create a new revenue stream for the Group and improve its current financial condition.

In view of the above, the Directors believe the consideration for the Acquisition and the other terms of the Sale and Purchase Agreement as well as the terms of the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### FINANCIAL EFFECTS OF THE SUBSCRIPTION AND THE ACQUISITION

Upon Acquisition Completion, each of the Target Company and the PRC Subsidiary will become a non-wholly owned subsidiary of the Company, and their financial results will be consolidated into the financial statements of the Group.

Based on the unaudited pro forma consolidated statement of financial position of the Enlarged Group as set out in Appendix III — UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP and assuming the Subscription Completion and the Acquisition Completion had taken place on 30 September 2016, as a result of the Subscription and the Acquisition (i) the total assets of the Group will increase from HK\$2,303,341,000 to HK\$3,332,928,000; (ii) the total liabilities of the Group will increase from HK\$1,379,978,000 to HK\$1,960,913,000; and (iii) the net assets of the Group will increase from HK\$923,363,000 to HK\$1,372,015,000.

### LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the Acquisition as calculated under Rule 14.07 of the Listing Rules exceed 25% but are less than 100%, the Acquisition (together with the Subscription) constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to reporting, announcement and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

To the best of the Director’s knowledge, information and belief having made all reasonable enquiries, each of the Vendor, the Subscriber and their respective ultimate beneficial owners is a third party independent of the Company and its connected persons as at the Latest Practicable Date.

Incidental to the Acquisition and the Subscription, the Shenbiao Construction Loan, the Boill Holding Group Guarantee, the Boill Holding Group Aijian Guarantee, the Mr. Qiu Personal Guarantee and the Unassigned Shareholder’s Loan will become connected transactions of the Company upon the Acquisition Completion and Subscription Completion, certain details of which have been disclosed in the Announcement. Pursuant

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## LETTER FROM THE BOARD

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to Rule 14A.60 of the Listing Rules, the Company is required to further comply with the applicable reporting requirements under Chapter 14A of the Listing Rules regarding the Loan Agreements in connection with the Shenbiao Construction Loan, and the Company will comply in full with all applicable reporting, disclosure and, if applicable, independent shareholders' approval requirements under Chapter 14A of the Listing Rules upon any variation or renewal of the Loan Agreements after Acquisition Completion and Subscription Completion. On the other hand, while the Boill Holding Group Guarantee, the Boill Holding Group Aijian Guarantee, the Mr. Qiu Personal Guarantee, and the Unassigned Shareholder's Loan will constitute provision of financial assistance from a connected person to a subsidiary of the Company upon Acquisition Completion and Subscription Completion, they will be fully exempt connected transactions pursuant to Rule 14A.90 of the Listing Rules, and thus be fully exempt from all disclosure, annual review and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An EGM will be convened and held for the Shareholders to approve, among other things, (i) the Subscription Agreement and the transactions contemplated thereunder including the allotment and issue of the Subscription Shares under the Specific Mandate, and (ii) the Sale and Purchase Agreement and the transactions contemplated thereunder. To the best knowledge, information and belief of the Directors and having made reasonable enquiries, no Shareholder is involved in or interested in the Acquisition and/or the Subscription who is required to abstain from voting on the relevant resolution(s) to approve the transactions pursuant to the Sale and Purchase Agreement and Subscription Agreement at the EGM.

### GENERAL

To the best of the information and belief of the Directors and having made all reasonable enquiries, save as disclosed, no Shareholder will be required to abstain from voting in respect of the Subscription Agreement, the Sale and Purchase Agreement and the relevant transactions contemplated therein. None of the Directors has any material interest in the Subscription Agreement, the Sale and Purchase Agreement and the relevant transactions contemplated therein.

### THE EGM

A notice convening the EGM at which resolution will be proposed to consider, and if thought fit, to approve, among other things, the Subscription Agreement, the Sale and Purchase Agreement and the relevant transactions contemplated thereunder and the grant of the Specific Mandate, to be held at Units 4202-03, 42nd Floor, The Center, 99 Queen's Road Central, Hong Kong on Tuesday, 14 February 2017 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before

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## LETTER FROM THE BOARD

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the time appointed for holding the 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 meeting or any adjournment thereof should you so wish.

The resolution to be put to vote at the EGM will be taken by way of poll in accordance with the Listing Rules.

Save as disclosed, to the best knowledge, information and belief of the Directors and having made reasonable enquiries, no Shareholder is involved in or interested in the Subscription, the Acquisition, the grant of the Specific Mandate and the relevant transactions contemplated thereunder, who is required to abstain from voting on the relevant resolution(s) to approve the same at the EGM.

### RECOMMENDATION

The Directors consider that the terms of the Subscription Agreement, the Sale and Purchase Agreement and the relevant transactions contemplated thereunder are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolutions in relation to the Subscription, the Acquisition, the grant of the Specific Mandate and the relevant transactions contemplated thereunder as set out in the notice of the EGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,  
By order of the Board  
**Ngai Shun Holdings Limited**  
**Mock Wai Yin**  
*Executive Director and Chairman*



## 1. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Financial information of the Group for the three years ended 31 March 2014, 2015 and 2016 are disclosed in the annual reports of the Company for the years ended 31 March 2014, 2015 and 2016, respectively, which are published on both the website of the Stock Exchange and the website of the Company. Quick links to the annual reports of the Company are set out below:

- (i) annual report of the Company for the year ended 31 March 2014 (pages 35 to 80):

<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0724/LTN20140724995.pdf>

- (ii) annual report of the Company for the year ended 31 March 2015 (pages 39 to 93):

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0720/LTN20150720773.pdf>

- (iii) annual report of the Company for the year ended 31 March 2016 (pages 36 to 106):

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0728/LTN20160728278.pdf>

### Foundation Business

The foundation industry in Hong Kong has been adversely affected by the political environment and dropped continuously during the current interim period. The serious delay in approving new infrastructure projects by the Legislative Council of Hong Kong and the Finance Committee of the Legislative Council of Hong Kong during the six months ended 30 September 2016 has led to suspension of construction projects. The Group continues to foresee that the foundation industry will experience downfall in the future, given the chaotic environment in the Legislative Council of Hong Kong that no meeting can be successfully held since the October session, and that the delay in budget approval is likely to occur in the coming meetings. The construction boom in past few years also allowed more subcontractors to be listed to enlarge their business size. Together with the impact of fewer public projects, there is an increased competition in the private sector and the Group needs to adjust its pricing strategy to have more discounts in the tenders, which further affects the profit margin.

In order to free up the capital invested in the declining foundation industry, on 25 July 2016, the Company as the vendor and Excellent Speed Limited as the purchaser entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell 49% of the issued share capital of Pearl Swirls Limited to Excellent Speed Limited at the consideration of HK\$80 million (the “Disposal”). The Disposal was approved by the Shareholders in the extraordinary general meeting of the Company held on 22 September 2016 and was completed on 30 September 2016. Upon completion of the Disposal, the Company and Excellent Speed Limited holds 51% and

49% of the total issued share capital of Pearl Swirls Limited respectively, and Pearl Swirls Limited (and its wholly-owned subsidiary, Ngai Shun Construction & Drilling Company Limited) remain subsidiaries of the Company.

### **Property Development Business**

Going into the second half of the year, the PRC government implemented a series of tight housing policies to optimise the demand and supply structure in the real estate market. Such policies aimed to lower the overall market risk and assure the real estate market is going on the way of healthy and steady development. Just like most of the real estate markets in other PRC cities, real estate prices in Yueyang, where the property project located on the western shores of 南湖 (Nanhu Lake<sup>#</sup>), Yueyang, Hunan province, the PRC (the “**Property Project**”) which the Group is in the process of development, started to fall in the second half of the year.

The construction works for the residential units under the Property Project have been substantially completed and the residential units under the second development phase are available for pre-sale. The Group’s major focus in the second half of the year will be to expedite the sales of the residential units in an effective manner in order to provide fund sources for the growth of the Group in the coming years.

Considering the possible future change in the government policies in relation to the property and financial markets which may affect the sentiment and performance of the property development business, the management will closely monitor the market conditions, stick to its prudent financial management and control well its gearing level while holding a relatively high level of financial resources. The Group adheres to the principle of prudent financial management, endeavors to strike a balance between the cash inflow and outflow and to improve the financial strength of the Group on a sustainable basis. Apart from the Property Project, the Company keeps looking for potential acquisition opportunities in property business to develop and strengthen its core businesses in order to enhance the prospect of the Group.

Moreover, upon completion of the Acquisition, the Group will expand into the industry of healthcare holiday resort development in Shanghai, a rapidly growing industry in a first-tier city in the PRC. As Shanghai is one of the most economically developed areas in the PRC, and in view of the increasing income of the residents in Shanghai, Shanghai residents are now pursuing better quality of life after retirement. As a result, along with the rapid development of the healthcare holiday resort development sector, the Property will benefit from such a trend.

### **Investment Securities**

Since investment securities became one of its principal business activities during the current year, the Group has been continuously evaluating the performance of its existing investment portfolio and looking for other investment opportunities. The Group will be cautious in making investment decisions based on the then market

situation to obtain a balance between risk and return. Such investment decisions may include diversifying the Group's investment portfolio, investing in new listed securities or disposing its existing listed securities.

### **Provision of Catering Services**

The business of provision of catering services, especially those providing high standard cuisine and targeting at high-value customers, is a promising opportunity in Hong Kong. As people's tastes and requirements on restaurant continuously upgrade, the management is of the view that demand for high-quality restaurant will be even higher in the future. Coupled with the satisfactory profitability of the Group's provision of catering services business, the management is optimistic on its future performance.

## **2. STATEMENT OF INDEBTEDNESS OF THE ENLARGED GROUP**

### **The Group**

As at the close of business on 30 November 2016, being the latest practicable date prior to the printing of this circular for the purpose of this indebtedness statement, the Group had:

- (i) unsecured interest-bearing loans from independent third parties of approximately HK\$776 million;
- (ii) interest-bearing bank borrowings of approximately HK\$23.4 million guaranteed by the directors of the Group's subsidiary; and
- (iii) unsecured interest-bearing loan from a related company of approximately HK\$50 million.

As at 30 November 2016, there were three outstanding cases for compensation and personal injuries claims, against the Group by an employee of the subcontractors and the employees of the Group. The claims were related to the said employees of the subcontractors and the said employees of the Group who alleged to have suffered from bodily injuries during their course of work and employment in the Group's construction sites. Given that (i) the claims are dealt with and handled by the insurers and all potential claims are covered by mandatory insurance with amounts to be assessed by the court; and (ii) the Directors assessed the cases and believed that there would not be a material impact on the financial position of the Group, no provision has been made for the above personal injuries cases and as such, there were no contingent liabilities made in relation thereto. There was no substantial progress on the three cases as at 30 November 2016.

**The Target Group**

As at the close of business on 30 November 2016, being the latest practicable date prior to the printing of this circular for the purpose of this indebtedness statement, the Target Group had:

- (i) loans which are unsecured, interest-free and repayable on demand from the ultimate holding company and related companies of approximately HK\$781 million; and
- (ii) interest-bearing other borrowings of approximately HK\$325 million secured by a mortgage on the Property and a charge over the entire equity interest of the PRC Subsidiary in favour of Shanghai Aijian Trust Company Limited, and guaranteed by the Boill Holding Group Aijian Guarantee and Mr. Qiu Personal Guarantee.

Save as the aforesaid and intra-group liabilities and normal trade payables, as at the close of business on 30 November 2016, the Enlarged Group did not have any outstanding mortgages, charges or debentures, loan capital issued, or bank overdrafts, debt securities or other similar indebtedness, liabilities under acceptances (other than normal trade payables) or acceptable credits, or any hire purchases commitments, guarantees or other material contingent liabilities.

**3. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2016, the date to which the latest published audited consolidated financial statements of the Group were made up.

**4. WORKING CAPITAL STATEMENT**

The Directors, after due and careful consideration, are of the opinion that, in the absence of unforeseeable circumstances, after taking into account of cash flow impact upon the completion of the Acquisition and the financial resources available to the Enlarged Group including internally generated funds and the available credit facilities, the Enlarged Group has sufficient working capital for its present operating requirements, that is for at least the next twelve months from the date of this circular.

*The following is the text of a report received from the Company's reporting accountant, Zenith CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*



ZENITH CPA LIMITED  
Rooms 2103-05, 21/F Dominion Centre  
43-59 Queen's Road East  
Wanchai, Hong Kong

26 January 2017

The Board of Directors  
Ngai Shun Holdings Limited  
Unit 2102, 21/F  
West Tower Shun Tak Centre  
168-200 Connaught Road Central  
Sheung Wan  
Hong Kong

Dear Sirs

We set out below our report on the financial information relating to Anway Estate Company Limited (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group"), which comprises the consolidated statements of financial position of the Target Group as at 31 December 2013, 2014, 2015 and 30 September 2016, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2013, 2014, 2015 and the nine months ended 30 September 2016 (the "Relevant Periods"), together with the notes thereto (the "Financial Information"), for inclusion in the circular of Ngai Shun Holdings Limited (the "Company") dated 26 January 2017 (the "Circular") in connection with the proposed acquisition of the Target Company.

The Target Company was incorporated in Hong Kong with limited liability on 4 September 2007. The Target Company was engaged in investment holding.

All subsidiaries of the Target Company have adopted 31 December as their financial year end date. The statutory financial statements of the Target Company were audited by Ernst & Young (安永會計師事務所) for the period from 4 September 2007 (date of incorporation) to 31 December 2013, and were audited by FALCON Certified Public Accountants Company Limited for the years ended 31 December 2014 and 2015. Details of the Target Company's subsidiaries and the names of their respective auditors are set out in note 1 to the Financial Information. The statutory financial statements of these companies were prepared in accordance with the "Accounting Standards for Business Enterprises" issued by the Ministry of Finance (the "MOF") of the People's Republic of China (the "PRC") and other relevant regulations in the PRC (collectively known as the "PRC GAAP") (the "PRC Accounting Standard Financial Statements").

The directors of the Target Company have prepared the consolidated financial statements of the Target Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”).

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

#### **DIRECTORS RESPONSIBILITY**

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 the applicable disclosure provisions of the Listing Rules.

#### **REPORTING ACCOUNTANT'S RESPONSIBILITY**

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

#### **OPINION**

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Target Group as at 31 December 2013, 2014, 2015 and 30 September 2016 and of the Target Group's financial performance and cash flows for the Relevant Periods then ended.

#### **EMPHASIS OF MATTER**

Without qualifying our opinion, we draw attention to note 2.1 in the Financial Information which indicate that the Target Group incurred a net loss of HK\$24,569,000 during nine months ended 30 September 2016 and, as of that date, the Target Group's net current liabilities of HK\$437,144,000 and net liabilities of HK\$62,847,000. These conditions, along with other matters as set forth in note 2.1, indicate the existence of a material uncertainty that may cast significant doubt about the Target Group's ability to continue as a going concern.

**CORRESPONDING FINANCIAL INFORMATION**

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Target Group comprising the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 30 September 2015, together with the notes thereon (the “Corresponding Financial Information”), for which the directors of the Company are responsible, 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.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, 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 on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

	<i>Notes</i>	<b>Year ended 31 December</b>			<b>Nine months ended 30 September</b>	
		<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2015</b>	<b>2016</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(Unaudited)	
REVENUE	4	—	—	—	—	—
Other income and gains	5	2	20,423	78,450	59,292	26,129
Selling and distribution expenses		—	—	(535)	(291)	(3,006)
Administrative expenses		(6,107)	(1,787)	(4,284)	(3,274)	(4,298)
Loss on disposal of a subsidiary		—	—	—	—	(211)
Finance costs	6	—	(19,795)	(78,914)	(61,015)	(22,580)
<b>LOSS BEFORE TAX</b>	7	<b>(6,105)</b>	<b>(1,159)</b>	<b>(5,283)</b>	<b>(5,288)</b>	<b>(3,966)</b>
Income tax expense	9	—	(417)	(1,623)	(1,227)	(522)
<b>LOSS FOR THE YEAR/PERIOD</b>		<b><u>(6,105)</u></b>	<b><u>(1,576)</u></b>	<b><u>(6,906)</u></b>	<b><u>(6,515)</u></b>	<b><u>(4,488)</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>						
Exchange differences on translation of foreign operations		<u>12,830</u>	<u>146</u>	<u>(46,478)</u>	<u>(30,400)</u>	<u>(20,081)</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD</b>		<b><u>12,830</u></b>	<b><u>146</u></b>	<b><u>(46,478)</u></b>	<b><u>(30,400)</u></b>	<b><u>(20,081)</u></b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD AND ATTRIBUTABLE TO OWNERS OF THE TARGET GROUP</b>		<b><u>6,725</u></b>	<b><u>(1,430)</u></b>	<b><u>(53,384)</u></b>	<b><u>(36,915)</u></b>	<b><u>(24,569)</u></b>



## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	31 December			30 September
		2013	2014	2015	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	12	927	1,472	1,520	806
Investment properties under construction	13	415,834	640,168	638,677	698,694
Total non-current assets		416,761	641,640	640,197	699,500
<b>CURRENT ASSETS</b>					
Inventories	14	7,541	16,337	8,971	—
Prepayments, deposits and other receivables	15	—	23,780	25,268	43,804
Due from a related company	16	—	383,540	361,154	324,658
Due from fellow subsidiaries	19	—	631,245	594,401	—
Due from the ultimate holding company	19	—	—	27,005	—
Cash and bank balances	17	21	488	502	260
Total current assets		7,562	1,055,390	1,017,301	368,722
<b>CURRENT LIABILITIES</b>					
Other payables and accruals	18	8,429	43,365	110,443	24,482
Due to a related company	16	—	—	37,002	—
Due to fellow subsidiaries	19	—	193,402	377,820	—
Due to an immediate holding company	19	399,358	781,322	781,322	781,384
Due to an intermediate holding company	19	—	327,486	107,489	—
Due to a director	19	—	20	20	—
Tax payable		—	418	1,183	—
Total current liabilities		407,787	1,346,013	1,415,279	805,866
<b>NET CURRENT LIABILITIES</b>		<b>(400,225)</b>	<b>(290,623)</b>	<b>(397,978)</b>	<b>(437,144)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>16,536</b>	<b>351,017</b>	<b>242,219</b>	<b>262,356</b>
<b>NON-CURRENT LIABILITIES</b>					
Interest-bearing other borrowings	20	—	(335,911)	(280,497)	(325,203)
Net assets/(liabilities)		16,536	15,106	(38,278)	(62,847)
<b>EQUITY</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	21	—	—	—	—
Other reserves		16,536	15,106	(38,278)	(62,847)
Total equity/(deficiency in assets)		16,536	15,106	(38,278)	(62,847)

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	(Deficiency in asset)/ total equity <i>HK\$'000</i>
At 1 January 2013	—	33,262	(23,451)	9,811
Loss for the year	—	—	(6,105)	(6,105)
Other comprehensive income for the year:				
Exchange difference on translation of foreign operations	—	12,830	—	12,830
Total comprehensive income/(loss) for the year	—	12,830	(6,105)	6,725
At 31 December 2013 and 1 January 2014	—	46,092*	(29,556)*	16,536
Loss for the year	—	—	(1,576)	(1,576)
Other comprehensive income for the year:				
Exchange difference on translation of foreign operations	—	146	—	146
Total comprehensive income/(loss) for the year	—	146	(1,576)	(1,430)
At 31 December 2014 and 1 January 2015	—	46,238*	(31,132)*	15,106
Loss for the year	—	—	(6,906)	(6,906)
Other comprehensive loss for the year:				
Exchange difference on translation of foreign operations	—	(46,478)	—	(46,478)
Total comprehensive loss for the year	—	(46,478)	(6,906)	(53,384)
At 31 December 2015 and 1 January 2016	—	(240)*	(38,038)*	(38,278)
Loss for the period	—	—	(4,488)	(4,488)
Other comprehensive loss for the period:				
Exchange difference on translation of foreign operations	—	(20,081)	—	(20,081)
Total comprehensive loss for the period	—	(20,081)	(4,488)	(24,569)
At 30 September 2016	—	(20,321)*	(42,526)*	(62,847)
<b>Nine months ended 30 September 2015</b>				
At 1 January 2015	—	46,238	(31,132)	15,106
Loss for the period	—	—	(6,515)	(6,515)
Other comprehensive loss for the period:				
Exchange difference on translation of foreign operations	—	(30,400)	—	(30,400)
Total comprehensive loss for the period	—	(30,400)	(6,515)	(36,915)
At 30 September 2015 (Unaudited)	—	15,838	(37,647)	(21,809)

\* These reserve amounts comprise the consolidated other reserves of HK\$16,536,000, HK\$15,106,000, HK\$38,278,000 and HK\$62,847,000 as at 31 December 2013, 2014, 2015 and 30 September 2016, respectively, in the consolidated statements of financial position.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
				(Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Loss before tax	(6,105)	(1,159)	(5,283)	(5,288)	(3,966)
Adjustments for:					
Depreciation	333	421	744	542	686
Finance cost	—	19,795	78,914	61,015	22,580
Interest income from a related company	—	—	—	—	(879)
Interest income from fellow subsidiaries	—	(20,161)	(78,442)	(59,290)	(25,130)
Bank interest income	(2)	(28)	(8)	(2)	—
Gain on bargain purchase	—	(108)	—	—	—
Loss on disposal of a subsidiary	—	—	—	—	211
	(5,774)	(1,240)	(4,075)	(3,023)	(6,498)
(Increase)/decrease in inventories	(7,541)	(8,796)	7,366	7,180	8,971
Increase in investment properties under construction	(4,792)	(205,811)	(13,820)	(11,795)	(62,771)
Decrease/(increase) in prepayment, deposits and other receivables	690	(3,591)	16,442	8,109	(18,420)
Net changes in amounts due from/to:					
— fellow subsidiaries	—	(437,843)	221,262	244,797	216,581
— related company	(2,674)	(383,540)	59,388	52,676	(506)
— ultimate holding company	—	—	(27,005)	(27,565)	27,005
— director	—	20	—	—	(20)
— immediate holding company	—	381,964	—	—	61
— intermediate holding company	(20)	327,486	(219,997)	(217,771)	(107,489)
Increase/(decrease) in accrual and other payables	5,705	8,467	(11,836)	13,956	(99,178)
Cash (used in)/generated from operations	(14,406)	(322,884)	27,725	66,564	(42,264)
Interest received	2	—	60,520	35,336	25,142
Interest paid	—	(12,601)	(22,054)	(19,691)	(23,818)
Income tax paid	—	—	(858)	(1,282)	(1,705)
Net cash flows (used in) from operating activities	(14,404)	(335,485)	65,333	80,927	(42,645)

## CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Year ended 31 December			Nine months ended 30 September	
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000	2016 HK\$'000
Net cash flows (used in)/from operating activities	(14,404)	(335,485)	65,333	80,927	(42,645)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchases of items of property, plant and equipment	—	(1,193)	(856)	(813)	(4)
Proceeds from disposal of items of property, plant and equipment	—	224	—	—	—
Proceeds from disposal of a subsidiary	—	—	—	—	539
Acquisition of a subsidiary	—	(564)	—	—	—
Net cash flows (used in)/from investing activities	—	(1,533)	(856)	(813)	535
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
New other loans	—	335,911	—	—	325,203
Repayment of other loans	—	—	(36,882)	(37,272)	(280,497)
Net cash flows from/(used in) financing activities	—	335,911	(36,882)	(37,272)	44,706
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>					
Cash and cash equivalents at beginning of year/period	6,787	21	488	488	502
Effect of foreign exchange rate changes, net	7,638	1,574	(27,581)	(42,605)	(2,838)
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD</b>	<b>21</b>	<b>488</b>	<b>502</b>	<b>725</b>	<b>260</b>

## NOTES TO THE FINANCIAL INFORMATION

## 1. CORPORATE INFORMATION

Anway Real Estate Limited (the "Target Company") is a limited company incorporated in Hong Kong on 4 September 2007. Its registered office and principal place of business are located at Units 3703-04, 37/F, West Towers Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

The Target Company's immediate holding company is Boill International Co., Limited, which is incorporated in Hong Kong. In the opinion of the Target Company's directors, the ultimate holding company of the Target Company is Shanghai Jiafu Investment Company Limited\* (上海佳富投资有限公司), which is incorporated in the People's Republic of China (the "PRC"). The ultimate controlling shareholder of the Target Group is Mr. Qiu Dongfang ("Mr. Qiu").

The Target Company is an investment holding company. The Target Group is principally engaged in the property development in Mainland China.

Particulars of the Target Company's principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation and operations/date of incorporation	Paid up capital	Percentage of attributable equity interests held by the Target Company as at 31 December			Percentage of attributable equity interests held by the Target Company as at 30 September	Principal activities	Statutory auditors
			2013	2014	2015	2016		
<i>Directly owned</i>								
Shanghai Jin Shenlong Real Estate Co., Ltd.*# 上海金盛隆置地有限公司 ("Jin Shenlong")	PRC/13 July 2008	RMB652,575,078	100%	100%	100%	100%	Property development	Note i
<i>Indirectly owned</i>								
Shanghai Xing Miao Virescence Limited* 上海興苗綠化有限公司 ("Xing Miao")	PRC/4 January 2013	RMB600,000	N/A	100%	100%	N/A	Virescence plant and sale	Note ii

\* The English translation of the names is for reference only. The official names of these entities are in Chinese.

# The entity is registered as a wholly-foreign-owned enterprise under the PRC laws.

*Notes:*

- i) The financial statements of Jin Shenglong for the respective years ended 31 December 2013 and 2014 was audited by An Beixin Certified Public Accountants Company Limited(安倍信會計師事務所), and the financial statements for the year ended 31 December 2015 was audited by Xin Gaoxin Certified Public Accountants Company Limited(新高信會計師事務所).
- ii) As at the date of this report, the audited statutory financial statements of this subsidiary for the years ended 31 December 2014 and 2015 have not been issued. Xing Miao was acquired in July 2014 and subsequently disposed of in May 2016, further details are set out in notes 22 and 23 to the Financial Information, respectively.

## 2.1 BASIS OF PRESENTATION

The Financial Information has been prepared under the going concern basis, notwithstanding that the Target Group had net current liabilities of HK\$437,144,000 and net liabilities of HK\$62,847,000 as at 30 September 2016. The directors of the Target Company consider the going concern basis for the preparation of the financial statements appropriate after taking into consideration the following:

- (a) the Target Group is able to generate operating profits and cash inflows from future rental income; and
- (b) the intermediate holding company has confirmed that it will provide financial support to the Target Group to meet its financial obligations as they fall due.

Should the Target Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts and to provide for further liabilities which might arise and to reclassify the non-current asset as current asset. The Financial Information do not include any adjustments that would result from the failure of the Target Group to continue its business as a going concern.

## 2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. The Financial Information and the Corresponding Financial Information have been prepared under the historical cost convention and are presented in Hong Kong Dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The Financial Information is the first set of the Target Company's consolidated financial statements prepared in accordance with HKFRSs and the Target Company did not issue any consolidated financial statements previously.

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Group has consistently applied all HKASs, HKFRSs, amendments and the related interpretations which are effective for the Relevant Periods.

### **Basis of consolidation**

The Financial Information include the financial statements of the Target Company and its subsidiaries (collectively referred to as the "Target Group") for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Target Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of the subsidiaries are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policies for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

### 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Target Group has not early applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the these Financial Information.

Amendments to HKFRS 2 HKFRS 9	<i>Classification and Measurement of Share-based Payment Transactions<sup>2</sup> Financial Instruments<sup>2</sup></i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>4</sup></i>
HKFRS 15	<i>Revenue from Contracts with Customers<sup>2</sup></i>
Amendments to HKFRS 15 HKFRS 16	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers<sup>2</sup> Leases<sup>3</sup></i>
Amendments to HKAS 7	<i>Disclosure Initiative<sup>1</sup></i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> No mandatory effective date yet determined but available for adoption

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Target Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Target Group's results of operations and financial position.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Target Group, liabilities assumed by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred.

When the Target Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, any fair value of the Target Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Target Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Target Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Target Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

#### **Impairment of non-financial assets**

The Target Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If such an indication exists, the Target Group makes an estimate of the asset's recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).



An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of the impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. The reversal of the impairment loss is credited to profit or loss in the year in which it arises.

**Related parties**

A party is considered to be related to the Target Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Target Group;
  - (ii) has significant influence over the Target Group; or
  - (iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Target Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Target Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the parent of the Target Group.

**Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 50%
Furniture and fixtures	20%
Motor vehicles	25%
Office equipments	33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

#### **Investment properties under construction**

Investment properties under construction are initially measured at cost and subsequently at fair values using the fair value model. If the fair value cannot be reliably determined, the investment properties under construction will be measured at cost less impairment until such time as fair value can be determined or construction is completed, in which time any difference between the fair value and the previous carrying amount is recognised in profit or loss in that period.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

#### **Leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Payment made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight-line basis over the period of lease.

#### **Financial instruments**

##### *(a) Financial assets*

The Target Group's financial assets include deposits and other receivables, amounts due from the fellow subsidiaries, related company and ultimate holding company, cash and bank balances are classified and accounted for as loans and receivables. Financial assets are recognised on the trade date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Any changes in their value are recognised in profit or loss.

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

An assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment loss on loans and receivables is recognised when there is objective evidence that the Target Group will not be able to collect all the amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

*(b) Financial liabilities*

The Target Group's financial liabilities include other payables, amounts due to the related company, fellow subsidiaries, immediate holding company, intermediate holding companies and director, and interest-bearing other borrowings. Financial liabilities are recognised when the Target Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled, or expired.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

**Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

**Provisions**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

**Deferred tax**

Deferred tax is provided using the liability method, no temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine the deferred tax.

Deferred tax liabilities are provided in full while deferred 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.

**Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Target Group and when the revenue can be measured reliably. Interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

**Employee benefits**

The employees of the Target Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentages of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

**Borrowing costs**

Borrowing costs directly attributable to construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**Foreign currencies**

These Financial Information are presented in Hong Kong dollars, which is the Target Company's functional currency. Each entity in the Target Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Target Group are initially recorded using their respective functional currency rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates on the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates on the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item where fair value gain or loss is recognised in other comprehensive income, or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statements of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

### 3. OPERATING SEGMENT INFORMATION

No operating segment or geographical information is presented as the Target Group operated in one single segment during the Relevant Periods and most of its assets and liabilities as at the end of the Relevant Periods were located in Mainland China.

### 4. REVENUE

The Target Group did not earn any revenue during the Relevant Periods.

### 5. OTHER INCOME AND GAINS

	Year ended 31 December			Nine months ended 30 September	
	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Bank and other interest income	2	20,189	78,450	59,292	26,009
Gain on bargain purchase	—	108	—	—	—
Others	—	126	—	—	120
	<u>2</u>	<u>20,423</u>	<u>78,450</u>	<u>59,292</u>	<u>26,129</u>

### 6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest on:					
Other loans	—	28,987	48,143	39,407	22,810
Amount due from fellow subsidiaries	—	9,069	31,137	24,859	8,306
Amount due from an intermediate holding company	—	1,686	18,547	15,054	3,668
Amount due from a related company	—	—	3,141	1,382	2,251
Less: Interest capitalised	—	(19,947)	(22,054)	(19,687)	(14,455)
	<u>—</u>	<u>19,795</u>	<u>78,914</u>	<u>61,015</u>	<u>22,580</u>

## 7. LOSS BEFORE TAX

The Target Group's loss before tax is arrived at after charging/(crediting):

	Year ended 31 December			Nine months ended 30 September	
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000	2016 HK\$'000
				(Unaudited)	
Auditor's remuneration	6	6	6	—	94
Foreign exchange differences, net	93	—	2	2	2
Minimum lease payments under operating leases of land and buildings	—	327	595	516	803
Depreciation	333	421	744	542	686
Staff costs (excluding directors' remuneration (note 8)):					
Wages and salaries	2,328	1,530	2,629	1,978	2,330
Pension costs	190	222	685	409	678
Less: Amount capitalised	—	(489)	(1,047)	(745)	(1,087)
	<u>2,518</u>	<u>1,263</u>	<u>2,267</u>	<u>1,642</u>	<u>1,921</u>

## 8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

No director received any fees or emoluments in respect of their services rendered to the Target Company during the Relevant Periods.

The emoluments paid to the five individuals during the Relevant Periods are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000	2016 HK\$'000
				(Unaudited)	
Salaries, allowances and benefits in kind	1,864	1,175	1,164	988	1,178
Pension costs	<u>143</u>	<u>100</u>	<u>263</u>	<u>175</u>	<u>263</u>
	<u>2,007</u>	<u>1,275</u>	<u>1,427</u>	<u>1,163</u>	<u>1,441</u>

The number of the non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees				
	Year ended 31 December			Nine months ended 30 September	
	2013	2014	2015	2015	2016
				(Unaudited)	
Nil to HK\$1,000,000	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

During the Relevant Periods, no emoluments were paid by the Target Company to directors or any of the non-director, highest paid individuals as an inducement to join or upon joining the Target Company or as compensation for loss of office nor has any director waived or agreed to waive any emoluments.

## 9. INCOME TAX EXPENSE

No provision for Hong Kong profits tax had been made during the Relevant Periods as the Target Group did not generate any assessable profits arising in Hong Kong. Subsidiaries established in the PRC are subject to the PRC Corporate Income Tax at the standard rate of 25%.

	Year ended 31 December			Nine months ended 30 September	
	2013	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Current — PRC	<u>—</u>	<u>417</u>	<u>1,623</u>	<u>1,227</u>	<u>522</u>

A reconciliation of the tax expense applicable to loss before tax at the statutory rate to the tax expense as follow:

	Year ended 31 December			Nine months ended 30 September	
	2013	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Loss before tax	<u>(6,105)</u>	<u>(1,159)</u>	<u>(5,283)</u>	<u>(5,288)</u>	<u>(3,966)</u>
Tax at the statutory tax rate of 16.5%	(1,007)	(191)	(872)	(873)	(654)
Difference in tax rates of subsidiaries operating in other jurisdiction	(515)	(97)	(447)	(449)	(336)
Expenses not deductible for tax	1,522	430	1,319	1,322	1,602
Others	<u>—</u>	<u>275</u>	<u>1,623</u>	<u>1,227</u>	<u>(90)</u>
Tax expense	<u>—</u>	<u>417</u>	<u>1,623</u>	<u>1,227</u>	<u>522</u>

There is no significant unprovided deferred tax in respect of the Relevant Periods.

## 10. DIVIDEND

No dividend has been paid or declared by the Target Company since its date of incorporation.

## 11. EARNINGS/(LOSS) PER SHARE

Earnings/(loss) per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

## 12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>31 December 2013</b>					
At 1 January 2013:					
Cost	—	324	958	127	1,409
Accumulated depreciation	—	(112)	(29)	(40)	(181)
Net carrying amount	—	212	929	87	1,228
At 1 January 2013, net of accumulated depreciation					
Depreciation provided during the year	—	(62)	(231)	(40)	(333)
Exchange realignment	—	5	25	2	32
At 31 December 2013, net of accumulated depreciation	—	155	723	49	927
At 31 December 2013:					
Cost	—	324	958	127	1,409
Accumulated depreciation	—	(169)	(235)	(78)	(482)
Net carrying amount	—	155	723	49	927
<b>31 December 2014</b>					
At 1 January 2014:					
Cost	—	324	958	127	1,409
Accumulated depreciation	—	(169)	(235)	(78)	(482)
Net carrying amount	—	155	723	49	927
At 1 January 2014, net of accumulated depreciation					
Additions	—	192	819	182	1,193
Disposals	—	(158)	—	(66)	(224)
Depreciation provided during the year	—	(18)	(371)	(32)	(421)
Exchange realignment	—	(1)	(2)	—	(3)
At 31 December 2014, net of accumulated depreciation	—	170	1,169	133	1,472
At 31 December 2014:					
Cost	—	192	1,804	182	2,178
Accumulated depreciation	—	(22)	(635)	(49)	(706)
Net carrying amount	—	170	1,169	133	1,472



	Leasehold Improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>31 December 2015</b>					
At 1 January 2015:					
Cost	—	192	1,804	182	2,178
Accumulated depreciation	—	(22)	(635)	(49)	(706)
Net carrying amount	<u>—</u>	<u>170</u>	<u>1,169</u>	<u>133</u>	<u>1,472</u>
At 1 January 2015, net of accumulated depreciation					
Cost	—	170	1,169	133	1,472
Additions	777	7	—	72	856
Depreciation provided during the year	(202)	(36)	(438)	(68)	(744)
Exchange realignment	7	(8)	(56)	(7)	(64)
At 31 December 2015, net of accumulated depreciation	<u>582</u>	<u>133</u>	<u>675</u>	<u>130</u>	<u>1,520</u>
At 31 December 2015:					
Cost	777	188	1,699	243	2,907
Accumulated depreciation	(195)	(55)	(1,024)	(113)	(1,387)
Net carrying amount	<u>582</u>	<u>133</u>	<u>675</u>	<u>130</u>	<u>1,520</u>
<b>30 September 2016</b>					
At 1 January 2016:					
Cost	777	188	1,699	243	2,907
Accumulated depreciation	(195)	(55)	(1,024)	(113)	(1,387)
Net carrying amount	<u>582</u>	<u>133</u>	<u>675</u>	<u>130</u>	<u>1,520</u>
At 1 January 2016, net of accumulated depreciation					
Cost	582	133	675	130	1,520
Additions	—	—	—	4	4
Depreciation provided during the period	(287)	(27)	(314)	(58)	(686)
Exchange realignment	(11)	(3)	(14)	(4)	(32)
At 30 September 2016, net of accumulated depreciation	<u>284</u>	<u>103</u>	<u>347</u>	<u>72</u>	<u>806</u>
At 30 September 2016:					
Cost	756	183	1,653	240	2,832
Accumulated depreciation	(472)	(80)	(1,306)	(168)	(2,026)
Net carrying amount	<u>284</u>	<u>103</u>	<u>347</u>	<u>72</u>	<u>806</u>

## 13. INVESTMENT PROPERTIES UNDER CONSTRUCTION AT COST

	31 December			30 September
	2013	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Carrying amount at beginning of the year/period	405,883	415,834	640,168	638,677
Additions	4,792	225,758	35,874	77,226
Exchange realignment	5,159	(1,424)	(37,365)	(17,209)
Carrying amount at end of the year/period	<u>415,834</u>	<u>640,168</u>	<u>638,677</u>	<u>698,694</u>

The Target Group's investment properties under construction are situated in the PRC and are held under the lease term of 40 years.

As at 31 December 2014, 2015 and 30 September 2016, the Target Group's investment properties under construction at cost with carrying values of HK\$640,168,000, HK\$638,677,000 and HK\$698,694,000, respectively were pledged to secure other loan granted to the Target Group (note 20).

As at the end of the Relevant Periods, the investment properties under construction are measured at cost until such time as fair value can be determined reliably or construction is completed. The Target Group has concluded that the fair value of those investment properties under construction cannot be measured reliably and were therefore measured at cost in the consolidated statements of financial position. Further particulars of the Target Group's investment properties are included in note 32 to the Financial Information.

## 14. INVENTORIES

	31 December			30 September
	2013	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Seedling	<u>7,541</u>	<u>16,337</u>	<u>8,971</u>	<u>—</u>

## 15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December			30 September
	2013	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Prepayments	—	3,311	474	38,085
Deposits	—	80	89	3,384
Other receivables	—	171	6,775	1,468
Interest receivables	—	20,218	17,930	867
	<u>—</u>	<u>23,780</u>	<u>25,268</u>	<u>43,804</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no history of default.

## 16. BALANCES WITH THE RELATED COMPANIES

Particular of amount due from a related company, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	At	Maximum	At	Maximum	At	Maximum	At	Security held
	1 January 2014	amount outstanding during the year	31 December 2014 and 1 January 2015	amount outstanding during the year	31 December 2015 and 1 January 2016	amount outstanding during the period	30 September 2016	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Shanghai Shenbiao Building Construction Company Limited	—	383,540	383,540	383,540	361,154	361,154	324,658	None

The above related company is controlled by the brother of Mr. Qiu, the ultimate shareholder of the Target Company.

The balances with the related companies were unsecured, interest-free and had no fixed term of repayment, except for amount due from a related company for the nine months ended 30 September 2016, which bore interest at the rate of 12% per annum; and loans of HK\$37,002,000 and HK\$36,005,000 advanced to a related company for the year ended 31 December 2015 and nine months ended 30 September 2016, respectively, which bore interest at the rate of 18% per annum.

## 17. CASH AND BANK BALANCES

During the Relevant Periods, the cash and bank balances of the Target Group are all denominated in RMB. RMB is not freely convertible into other currencies, however, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

## 18. OTHER PAYABLES AND ACCRUALS

	31 December			30 September
	2013	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accruals	17	71	679	247
Other payables	8,412	15,722	14,173	4,736
Deposits received	—	431	286	6,283
Interest payables	—	27,141	95,305	13,216
	<u>8,429</u>	<u>43,365</u>	<u>110,443</u>	<u>24,482</u>

Other payables are non-interest-bearing and have an average terms of one to three months.

**19. BALANCES WITH THE FELLOW SUBSIDIARIES, ULTIMATE HOLDING COMPANY, INTERMEDIATE HOLDING COMPANY, IMMEDIATE HOLDING COMPANY AND DIRECTOR**

The balances with fellow subsidiaries were unsecured, interest-free and had no fixed term of repayment, except for loans of HK\$550,120,000, HK\$518,011,000 and HK\$504,053,000 advanced to fellow subsidiaries for the years ended 31 December 2014 and 2015 and nine months ended 30 September 2016, respectively, which bore interest at the rate of 15% per annum; and loans of HK\$193,402,000, HK\$136,481,000 and HK\$178,608,000 advanced from fellow subsidiaries for the years ended 31 December 2014 and 2015 and nine months ended 30 September 2016, respectively, which bore interest at the rate of 18% per annum.

The balances with the ultimate holding company, immediate holding company and director were unsecured, interest-free and had no fixed term of repayment.

The amount due to an intermediate holding company was unsecured, interest-free and had no fixed term of repayment, except for loans of HK\$119,597,000, HK\$71,681,000 and HK\$36,977,000 advanced from an intermediate holding company for the years ended 31 December 2014 and 2015 and nine months ended 30 September 2016, respectively, which bore interest at the rate of 18% per annum.

**20. INTEREST-BEARING OTHER BORROWINGS**

	31 December									30 September		
	2013			2014			2015			2016		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Non-current												
Other loan — secured	—	—	—	—	—	—	—	—	—	11%	2018	325,203
Other loan — unsecured	—	—	—	13–18%	2016–2017	335,911	13–18%	2017	280,497	—	—	—
			—			335,911			280,497			325,203

31 December			30 September	
2013	2014	2015	2016	2016
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

Analysed into:

Other borrowings repayable:

In the second year	—	190,138	280,497	—
In the third to fifth years, inclusive	—	145,773	—	325,203
	—	335,911	280,497	325,203

*Notes:*

- a) Certain of the Target Group's borrowings are secured by investment properties under construction situated in Mainland China, which had an aggregate carrying value as at 31 December 2014, 2015 and 30 September 2016 of HK\$640,168,000, HK\$638,677,000 and HK\$698,694,000, respectively, further details are set out in note 13 to the Financial Information.
- b) The Target Company and an independent third party entered into a share pledge agreement dated 9 May 2016, pursuant to which the Target Company shall provide the share pledge in Jin Shenlung, a subsidiary of the Target Company, in favour of the borrower to secure the repayment obligations in relation to all other loans.
- c) In addition, the Target Group's ultimate controlling shareholder, Mr. Qiu and the Target Group's intermediate holding company, Boill Holding Group Company Limited, have guaranteed certain of the Target Group's other loans of HK\$190,140,000 and HK\$325,203,000 as at 31 December 2014 and 30 September 2016, respectively.
- d) All the Target Group's borrowings are denominated in RMB.

**21. SHARE CAPITAL**

HK\$'000

Issued and fully paid:

100 ordinary shares on 4 September 2007 (date of incorporation),  
31 December 2013, 2014 and 2015 and 30 September 2016 (*note*)

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*Note:* The Target Company was incorporated on 4 September 2007 with an authorised share capital of HK\$100 divided into 100 ordinary shares of HK\$1 each, of which 100 shares were issued at par on the same date.

**22. BUSINESS COMBINATION**

On 23 July 2014, the Target Company acquired a 100% equity interest in Xing Miao from independent third parties. Xing Miao is mainly engaged in the virescence plant and sale in the PRC. The acquisition was made as part of the Target Group's strategy to expand its business segment and generate diversified income in the PRC. Cash consideration in the amount of RMB600,000 (equivalent to HK\$754,000) was settled by cash.

The fair values of the identifiable assets and liabilities of Xing Miao as at the date of acquisition was as follows:

	<b>Fair value recognised on acquisition</b> <i>HK\$'000</i>
Prepayments, deposits and other receivables	147,141
Cash and bank balances	190
Other payables and accruals	<u>(146,469)</u>
Total identifiable net assets acquired	862
Gain on bargain purchase	<u>(108)</u>
	<u><u>754</u></u>
Satisfied by:	
Cash	<u><u>754</u></u>

No transaction cost was incurred by the Target Group for the acquisition.

An analysis of cash flows in respect of the acquisition of Xing Miao is as follows:

	<i>HK\$'000</i>
Cash consideration	(754)
Cash and bank balances acquired	<u>190</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	<u><u>(564)</u></u>

Since the acquisition, Xing Miao contributed nil to the Target Group's revenue and profit of HK\$41,000 to the consolidated loss for the year ended 31 December 2014.

Had the combination taken place at the beginning of the year, the revenue of the Target Group and loss of the Target Group for the year ended 31 December 2014 would have been nil and HK\$1,567,000, respectively.

**23. DISPOSAL OF A SUBSIDIARY**

On 13 May 2016, the Target Group disposed of its 100% equity interest in Xing Miao, which was engaged in the virescence plant and sale in Mainland China to an independent third party at a consideration of RMB600,000 (equivalent to HK\$721,000).

	<i>HK\$'000</i>
Net assets disposed of:	
Inventories	9,027
Prepayments, deposits and other receivables	12,110
Due from group companies, net	218,008
Cash and bank balances	182
Other payables and accruals	(55,999)
Tax payable	(1,714)
Due to a related company	(42,560)
Interest-bearing other borrowings	<u>(138,122)</u>
	932
Loss on disposal of a subsidiary	<u>(211)</u>
	<u>721</u>
Satisfied by:	
Cash	<u>721</u>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	<i>HK\$'000</i>
Cash consideration	721
Cash and bank balances disposed of	<u>(182)</u>
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	<u>539</u>

**24. CONTINGENT LIABILITIES**

At the end of each of the Relevant Periods, the Target Company had no significant contingent liabilities.

**25. OPERATING LEASE ARRANGEMENTS****As leasee**

The Target Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

At the end of each of the Relevant Periods, the Target Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>31 December</b>			<b>30 September</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	—	145	601	211
In the second to fifth years, inclusive	—	87	123	—
	<u>—</u>	<u>232</u>	<u>724</u>	<u>211</u>

**26. COMMITMENTS**

In addition to the operating lease commitments detailed in note 25 above, the Target Group had the following capital commitments at the end of each of the Relevant Periods:

	<b>31 December</b>			<b>30 September</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted, but not provided for:				
Investment properties under construction	—	4,134	284,325	274,361
	<u>—</u>	<u>4,134</u>	<u>284,325</u>	<u>274,361</u>



## 27. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Target Group had the following material transactions with related parties during the Relevant Periods:

	Year ended 31 December			Nine months ended	
				30 September	
	2013	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income received and receivable from:					
— a company of Mr. Qiu Donghong, a brother of the ultimate controlling shareholder of the Target Company	—	—	—	—	879
— fellow subsidiaries	—	20,161	78,442	59,290	25,130
Interest expense paid and payable to:					
— a company of Mr. Qiu Donghong, a brother of the ultimate controlling shareholder of the Target Company	—	—	(3,141)	(1,382)	(2,251)
— fellow subsidiaries	—	(9,069)	(31,137)	(24,859)	(8,306)
— intermediate holding company	—	(1,686)	(18,547)	(15,054)	(3,668)

For the details of the above interest income/expense are set out in notes 16 and 19 to the Financial Information.

- (b) Other transactions with related parties:

The Target Group's ultimate controlling shareholder, Mr. Qiu, and the Target Group's intermediate holding company, Boill Holding Group Company, have guaranteed certain of the Target Group's other loan, further details of which are set in note 20 to the Financial Information.

- (c) Outstanding balances with related parties:

As at 30 September 2016, the Target Group had outstanding interest receivable balances of HK\$867,000 (2015: nil, 2014: nil, 2013: nil) due from a related company and nil (2015: HK\$17,930,000, 2014: HK\$20,218,000, 2013: nil) due from fellow subsidiaries. The Target Group also had an outstanding interest payable balances of nil (2015: HK\$3,049,000, 2014: nil, 2013: nil) due to a related company, nil (2015: HK\$30,231,000, 2014: HK\$9,093,000, 2013: nil) due to fellow subsidiaries and nil (2015: HK\$18,007,000, 2014: HK\$1,690,000, 2013: nil) due to an intermediate holding company. Other outstanding balances with the related parties, fellow subsidiaries, ultimate holding company, immediate holding company and director are set out in notes 16 and 19 to the Financial Information.

- (d) In the opinion of the directors, the directors of the Target Company represented the key management personnel of the Target Group. During the Relevant Periods, no compensation was paid to key management personnel.

**28. FINANCIAL INSTRUMENTS BY CATEGORY**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

**Financial assets**

	31 December			30 September
	2013	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loans and receivables:				
Deposits and other receivables	—	20,469	24,794	5,719
Due from a related company	—	383,540	361,154	324,658
Due from fellow subsidiaries	—	631,245	594,401	—
Due from the ultimate holding company	—	—	27,005	—
Cash and bank balances	21	488	502	260
	21	1,035,742	1,007,856	330,637

**Financial liabilities**

	31 December			30 September
	2013	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial liabilities at amortised cost:				
Other payables	8,412	43,294	109,764	24,235
Due to a related company	—	—	37,002	—
Due to fellow subsidiaries	—	193,402	377,820	—
Due to an immediate holding company	399,358	781,322	781,322	781,384
Due to an intermediate holding company	—	327,486	107,489	—
Due to a director	—	20	20	—
Interest-bearing other borrowings	—	335,911	280,497	325,203
	407,770	1,681,435	1,693,914	1,130,822

**29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

The carrying amounts of the Target Group's financial instruments are reasonably approximate to their fair values.

Management has assessed that the fair values of cash and bank balances, deposit and other receivables, amounts due from the fellow subsidiaries, related company and ultimate holding company, other payables, and amounts due to the related companies, fellow subsidiaries, immediate holding company, intermediate holding company and director, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the non-current portion of interest-bearing other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Target Group's own non-performance risk for interest-bearing other borrowings as at the end of each of the Relevant Periods was assessed to be insignificant. The fair values of the non-current portion of interest-bearing other borrowings approximate to their carrying amounts as at the end of each of the Relevant Periods.

### 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments comprise amounts due from the fellow subsidiaries, related company and ultimate holding company, cash and bank balances, amounts due to the related company, fellow subsidiaries, immediate holding company, intermediate holding company and director and interest-bearing other borrowings. The main purpose of these financial instruments are used to raise finance for the Target Group's operations. The Target Group has various other financial assets and liabilities such as deposits and other receivables and other payables.

The main risks arising from the Target Group's financial instruments are credit risk and liquidity risk. The Target Group does not have any written risk management policies and guidelines. The Board reviews and agrees policies for managing each of these risks and they are summarised below:

#### **Credit risk**

The maximum exposure to credit risk by the Target Group which will cause a financial loss to the Target Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to manage its credit risk, management of the Target Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Group reviews the recoverable amount of individual debt on an ongoing basis to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk on liquid funds of the Target Group is limited because the counterparties are banks with good reputation.

#### **Liquidity risk**

In management of the liquidity risk, the Target Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Target Group's operations and mitigates the effects of fluctuations in cash flows.

The following table details the Target Group's remaining contractual maturity for its financial liabilities based on the undiscounted cash flows of the financial liabilities as well as the earliest date on which the Target Group can be required to pay.

<b>As at 31 December 2013</b>	<b>On demand</b> <i>HK\$'000</i>	<b>1 to 3</b> <b>months</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Other payables	—	8,412	8,412
Due to an immediate holding company	399,358	—	399,358
	<u>399,358</u>	<u>8,412</u>	<u>407,770</u>

<b>As at 31 December 2014</b>	<b>On demand</b> <i>HK\$'000</i>	<b>1 to 3</b> <b>months</b> <i>HK\$'000</i>	<b>3 to less</b> <b>than 12</b> <b>months</b> <i>HK\$'000</i>	<b>1 to 5</b> <b>years</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Other payables	—	15,722	—	—	15,722
Deposits received	—	431	—	—	431
Interest payables	—	27,141	—	—	27,141
Due to a fellow subsidiary	—	—	—	291,471	291,471
Due to an immediate holding company	781,322	—	—	—	781,322
Due to an intermediate holding company	207,889	—	—	162,581	370,470
Due to a director	20	—	—	—	20
Interest-bearing other borrowings	—	6,203	55,618	401,381	463,202
	<u>989,231</u>	<u>49,497</u>	<u>55,618</u>	<u>855,433</u>	<u>1,949,779</u>

<b>As at 31 December 2015</b>	<b>On demand</b> <i>HK\$'000</i>	<b>1 to 3</b> <b>months</b> <i>HK\$'000</i>	<b>3 to less</b> <b>than 12</b> <b>months</b> <i>HK\$'000</i>	<b>1 to 5</b> <b>year</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Other payables	—	14,173	—	—	14,173
Deposits received	—	286	—	—	286
Interest payables	—	95,305	—	—	95,305
Due to a related company	—	—	—	47,627	47,627
Due to fellow subsidiaries	241,339	—	—	180,502	421,841
Due to an immediate holding company	781,322	—	—	—	781,322
Due to an intermediate holding company	35,808	—	—	84,580	120,388
Due to a director	20	—	—	—	20
Interest-bearing other borrowings	—	4,777	49,035	324,142	377,954
	<u>1,058,489</u>	<u>114,541</u>	<u>49,035</u>	<u>636,851</u>	<u>1,858,916</u>

As at 30 September 2016	On demand <i>HK\$'000</i>	1 to 3 months <i>HK\$'000</i>	3 to less than 12 months <i>HK\$'000</i>	1 to 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
Other payables	—	4,736	—	—	4,736
Deposits received	—	6,283	—	—	6,283
Interest payables	—	13,216	—	—	13,216
Due to an immediate holding company	781,384	—	—	—	781,384
Interest-bearing other borrowings	—	—	36,301	368,383	404,684
	<u>781,384</u>	<u>24,235</u>	<u>36,301</u>	<u>368,383</u>	<u>1,210,303</u>

### Capital Risk Management

The Target Group manages its capital to ensure that entities in the Target Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Target Group's overall strategy remains unchanged.

The capital structure of the Target Group consists of debt balance and equity balance. Debt balance consists of amounts due to the related company, fellow subsidiaries, immediate holding company, intermediate holding company and director and interest-bearing other borrowings. Equity balance consists of equity attributable to owners of the Target Company, comprising issued share capital and reserves.

The directors of the Target Company review the capital structure on an on-going annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Target Group will balance its overall capital structure through the payment of dividends, new share issues and share repurchase as well as the issue of new debt.

### 31. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Group have been prepared in respect of any period subsequent to 30 September 2016.

## 32. PARTICULAR OF INVESTMENT PROPERTIES UNDER CONSTRUCTION

Location	Site area ('000 sq. m.)	Gross floor area ('000 sq. m.)	Use	Stage of completion	Expected date of completion	Attributable interest of the Target Group (%)
No. 1 Sheyuan Road, Sheshan Town, Songjiang District, Shanghai, PRC	151	79	Lodging, food and beverage	32%	2019	68

Yours faithfully,

**Zenith CPA Limited**

*Certified Public Accountants*

**Cheng Po Yuen**

Practising Certificate Number: P04887

Hong Kong

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**APPENDIX III      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**

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The following is an illustrative and unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 September 2016 (the “Unaudited Pro Forma Financial Information”) which has been prepared based on the basis of the notes set out below for the purpose of illustrating the effect of the proposed acquisition of the 68% equity interest of the Target Company (the “Proposed Acquisition”), as if the Proposed Acquisition had been taken place on 30 September 2016. This pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Proposed Acquisition been completed as at 30 September 2016 or at any future date.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with other financial information included elsewhere in this circular.

**APPENDIX III      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**

**(A) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND  
LIABILITIES OF THE ENLARGED GROUP**

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 September 2016 <i>HK\$'000</i> <i>Note 1</i>	Target Group as at 30 September 2016 <i>HK\$'000</i> <i>Note 2</i>	Pro forma adjustments			Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group <i>HK\$'000</i>
			<i>HK\$'000</i> <i>Note 3</i>	<i>HK\$'000</i> <i>Note 4</i>	<i>HK\$'000</i> <i>Note 5</i>	
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment	74,478	806				75,284
Investment properties	—	698,694	924,999			1,623,693
Goodwill	17,336	—	139,646			156,982
Available-for-sale financial investments	7,200	—				7,200
	<u>99,014</u>	<u>699,500</u>				<u>1,863,159</u>
<b>Current assets</b>						
Inventories	480	—				480
Completed properties held for sale	369,711	—				369,711
Properties under development	940,427	—				940,427
Trade and retention receivables	98,874	—				98,874
Prepayment, deposit and other receivables	60,436	43,804		324,658		428,898
Equity investments at fair value through profit or loss	231,304	—				231,304
Due from a related company	—	324,658		(324,658)		—
Tax recoverable	27,879	—				27,879
Restricted cash	27,062	—				27,062
Cash and cash equivalents	448,154	260	(1,100,000)		(3,280)	(654,866)
	<u>2,204,327</u>	<u>368,722</u>				<u>1,469,769</u>
<b>Total assets</b>	<u><u>2,303,341</u></u>	<u><u>1,068,222</u></u>				<u><u>3,332,928</u></u>



**APPENDIX III      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**

**(A) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND  
LIABILITIES OF THE ENLARGED GROUP (continued)**

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 September 2016 <i>HK\$'000</i> <i>Note 1</i>	Target Group as at 30 September 2016 <i>HK\$'000</i> <i>Note 2</i>	Pro forma adjustments			Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group <i>HK\$'000</i>
			<i>HK\$'000</i> <i>Note 3</i>	<i>HK\$'000</i> <i>Note 4</i>	<i>HK\$'000</i> <i>Note 5</i>	
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Trade payables	46,104	—				46,104
Other payables and accruals	367,871	24,482				392,353
Due to a related company	49,456	—				49,456
Due to an immediate holding company	—	781,384	(781,384)			—
Interest-bearing bank and other borrowings	528,266	—				528,266
Tax payables	488	—				488
	<u>992,185</u>	<u>805,866</u>				<u>1,016,667</u>
<b>Non-current liabilities</b>						
Provision for long service payments	4,430	—				4,430
Interest-bearing other borrowings	264,311	325,203				589,514
Deferred tax liabilities	119,052	—	231,250			350,302
	<u>387,793</u>	<u>325,203</u>				<u>944,246</u>
<b>Total liabilities</b>	<u>1,379,978</u>	<u>1,131,069</u>				<u>1,960,913</u>

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**APPENDIX III      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**

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**NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF  
ASSETS AND LIABILITIES OF THE ENLARGED GROUP**

1. The unaudited condensed consolidated statement of assets and liabilities of the Group as at 30 September 2016 is extracted from the published interim report of the Group for the six months ended 30 September 2016.
2. The audited consolidated statement of assets and liabilities of the Target Group as at 30 September 2016 is extracted from the accountant’s report of the Target Group as set out in Appendix II to this Circular.
3. Upon completion of the Proposed Acquisition, the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at their fair value under acquisition method in accordance with Hong Kong Financial Reporting Standard 3 “Business Combinations” (“HKFRS 3”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The adjustments represent the recognition of goodwill of approximately HK\$139,646,000 arising from the Proposed Acquisition, being the cash consideration transferred of the Proposed Acquisition and deferred tax liabilities over the fair value of acquired identifiable net assets of the Target Group, and is calculated as follows:

	<i>Notes</i>	<i>HK\$’000</i>
Total cash consideration	(a)	1,100,000
<b>Add/(less): Fair value of identifiable net assets</b>		
Carrying amount of net liabilities of the Target Group		62,847
Pro forma fair value adjustment to investment properties	(b)	(924,999)
Deferred tax liabilities recognised	(c)	231,250
Shareholder’s Loan acquired	(d)	(781,384)
Non-controlling interests	(e)	<u>451,932</u>
Goodwill	(f)	<u><u>139,646</u></u>

*Notes:*

- (a) In accordance with the Sales and Purchases Agreement entered by the Vendor and the Group on 30 September 2016, the total cash consideration of the Proposed Acquisition is HK\$1,100,000,000.
- (b) The directors of the Company assumed that with exception of investment properties, the pro forma fair value of the identifiable assets and liabilities of the Target Group as at 30 September 2016 are the same as their respective carrying amounts as at 30 September 2016. The directors of the Company have determined the fair values of the Target Group’s investment properties as at 30 September 2016 with reference to the valuation report prepared by an independent valuer, AVISTA Valuation Advisory Limited under the depreciated replacement cost approach of RMB1,398,000,000 (equivalent to approximately HK\$1,623,693,000).

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**APPENDIX III      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**

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- (c) Deferred tax liabilities arose from the difference between the tax base and the fair value of investment properties. Tax rate of 25% was used to calculate deferred tax liabilities as it is the tax rate expected to be applied to the Target Group in the period when the liabilities are settled.
- (d) The amount represented the assignment of the Shareholder's Loan owing by the Target Group to the Vendor amounting to approximately HK\$781,384,000 being taken by the Group.
- (e) The amount of non-controlling interests is calculated as 32% of the total fair value of identifiable net assets of HK\$1,412,286,000 of the Target Group as if the Proposed Acquisition had been taken place on 30 September 2016.
- (f) For the purpose of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, fair values of the net assets of Target Group as at 30 September 2016 were used to determine the goodwill of the Proposed Acquisition. Upon completion of the Acquisition, the fair values of the net assets of the Target Group as at the date of completion will be used to determine the actual amount of goodwill of the Proposed Acquisition. Such actual amount may be different from the amount presented herein and such difference may be significant.

The directors of the Company confirm that consistent policies and assumptions have been applied for the purpose of assessing impairment of goodwill under HKAS 36 "Impairment of Assets", and the directors of the Company are not aware of any indications that an impairment of the Enlarged Group's goodwill is required after considering the nature, prospects, financial condition and business risk of the Enlarged Group.

- 4. The adjustment is made to reflect the reclassification of the amount due from a related company of the Target Group upon completion of the Proposed Acquisition. For the purpose of the Unaudited Pro Forma Financial Information, the balance of HK\$324,658,000 is classified as other receivables from amount due from a related company.
- 5. The adjustment is made to reflect the accrual for the estimated transaction expenses, such as professional fees and printing costs of approximately HK\$3,280,000 incurred that directly attributable to the Proposed Acquisition.
- 6. No other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group and the Target Group entered into subsequent to 30 September 2016.

**(B) INDEPENDENT REPORTING ACCOUNTANT’S ASSURANCE REPORT OF THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**



ZENITH CPA LIMITED  
Rooms 2103-05, 21/F, Dominion Centre  
43-59 Queen’s Road East  
Wanchai, Hong Kong

**To the Directors of Ngai Shun Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Ngai Shun Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”), and Anway Real Estate Limited and its subsidiaries (the “Target Group”) (collectively, the “Enlarged Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 September 2016 and the related notes (the “Unaudited Pro Forma Financial Information”) as set out in Appendix III-2 to III-5 of the Company’s circular dated 26 January 2017, in connection with the proposed acquisition of the Target Group (the “Transaction”) by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix III-1 of the Company’s circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Transaction on the financial position of the Group as at 30 September 2016, as if the Transaction had taken place on 30 September 2016. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s unaudited consolidated interim report for the six months ended 30 September 2016.

**Directors’ Responsibility for the Unaudited Pro Forma Financial Information**

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

### **Our Independence and Quality Control**

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

Our firm applies Hong Kong Standard on Quality Control 1 issued by HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountant's Responsibilities**

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 September 2016 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the

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**APPENDIX III      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**

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Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

**Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

**Zenith CPA Limited**  
Certified Public Accountants  
**Cheng Po Yuen**  
Practising Certificate Number: P04887  
Hong Kong

26 January 2017

*The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 31 October 2016 of the property interests of the Target Company.*



23rd Floor, Siu On Centre, No. 188 Lockhart Road,  
Wan Chai, Hong Kong

TEL : (852) 3702 7338      FAX : (852) 3914 6388

info@avaval.com

www.avaval.com

26 January 2017

**Ngai Shun Holdings Limited**

Unit No. 2102, 21st Floor  
West Tower, Shun Tak Centre  
168–200 Connaught Road Central  
Sheung Wan, Hong Kong

Dear Sirs/Madams,

In accordance with the instructions of Ngai Shun Holdings Limited (“Ngai Shun” or the “Company”) for us to carry out the valuation of the property interests held by Anway Real Estate Limited (“Target Company”) and its subsidiary (hereinafter together referred to as the “Target Group”), we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 31 October 2016 (the “valuation date”).

The valuation is our opinion of market value which is defined by the Hong Kong Institute of Surveyors as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion”.

In valuing the property interests, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors, the International Valuation Standards published from time to time by the International Valuation Standards Council.

In the course of our valuation, unless otherwise stated, we have valued the property in their designated uses with the understanding that the property will be used as such (hereafter referred to as “continued uses”).

In valuing the property interest due to the specific nature of the property that was under construction in early stage, there are unlikely relevant market comparable sales readily available. The property interests have been valued basis of depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

We have been shown copies of various title documents, sales and purchase agreements and other document relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests. We have relied considerably on the advice given by the Company’s PRC legal advisers — Jiantian and Gongcheng, concerning the validity of the property interests in the PRC.

We have relied to a very considerable extent on the information given to us by the Company in the course of valuation. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld. We have accepted advice given to us on such matters as title, planning approvals, statutory notices, easements, tenure, particulars of occupancy, identification of property, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been made to verify their correctness. We have been advised by the Company that no material factors have been omitted from the information supplied to reach an informed view, and have no reason to suspect that any material information has been withheld.



We have not been commissioned carry out detailed site measurements to verify the correctness of the land or building areas in respect of the property but have assumed that the areas provided to us are correct. Based on our experience of valuation of similar properties in the PRC, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. We have also assumed that there was not any material change of the property in between date of our inspection and the valuation date.

We have inspected the exterior and, where possible, the interior of the appraised property. However, we must point out that we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible, we are therefore unable to report and any such part of the property are free from rot, infestation or any other defects. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are available and free from defect.

Moreover, we have not carried out any site investigation to determine the suitability of the ground conditions or the services for any property development erected or to be erected thereon. Nor did we undertake archaeological, ecological or environmental surveys for the property interests. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Should it be discovered that contamination, subsidence or other latent defects exists in the property or on adjoining or neighbouring land or that the property had been or are being put to contaminated use, we reserve right to revise our opinion of value.

No allowance has been made in our report neither for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

We have further assumed that the property was not transferred or involved in any contentious or non-contentious dispute as at the valuation date. We have also assumed that there was not any material change of the property in between date of our inspection and the valuation date.

The site inspection was carried in September 2016 by our Ivan Mak (Bachelor of Science (Honors) in Surveying from The Hong Kong Polytechnic University with 4 years' property valuation experience in the PRC, Senior Analyst of AVISTA Valuation Advisory Limited).

In accordance with our standard practice, this valuation certificate is for the exclusive use of the party to whom it is addressed and no responsibility is accepted to the third party for the whole or any part of its contents.

Unless otherwise stated, all monetary figures stated in this report are in RMB.

Our valuation certificate is attached.

Yours faithfully,  
For and on behalf of  
**AVISTA Valuation Advisory Limited**  
**Sr Oswald W Y Au**  
*MHKIS(GP) AAPI MSc(RE)*  
*Registered Professional Surveyor (GP)*  
*Director*

*Note:* Mr. Oswald W Y Au holds a Master's Degree of Science in Real Estate from the University of Hong Kong. He is also a member of Hong Kong Institute of Surveyors (General Practice) and Associate Member of Australian Property Institute. In addition, he is a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has over 10 years' experience in the valuation of properties in the PRC, Hong Kong, the U.S., Canada, East and Southeast Asia including Singapore, Japan and Korea.

## VALUATION CERTIFICATE

## Property interests held by the Target Group under development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2016 RMB
A hotel development located at No. 1 Sheyuan Road, Sheshan Town, Songjiang District, Shanghai City, the PRC	<p>The property comprises a parcel of land having a site area of 150,601.6 sq.m. with hotel and ancillary facilities which are currently being constructed thereon.</p> <p>The development is scheduled in 3 phases. Phase 1 is scheduled to be completed in July 2017, Phase 2 is scheduled to be completed in December 2017, and Phase 3 is scheduled to be completed in December 2019. The development will have a total gross floor area of approximately 79,413.98 sq.m. upon completion.</p>	As at the valuation date, Phase 1 and Phase 2 of the property are currently under construction; and Phase 3 of the property is vacant.	1,405,000,000
	<b>Gross Floor Area</b> (sq.m.)		
	Phase 1		
	— Ancillary	3,803.83	
	— Under Ground Area	<u>150.24</u>	
	<b>Sub-total</b>	<b><u>3,954.07</u></b>	
	Phase 2		
	— Ancillary	559.70	
	— Hotel	32,405.74	
	— Under Ground Area	<u>3,967.1</u>	
	<b>Sub-total</b>	<b><u>36,932.54</u></b>	
	Phase 3		
	— Hotel	<u>38,527.37</u>	
	<b>Sub-total</b>	<b><u>38,527.37</u></b>	
	<b>Total</b>	<b><u>79,413.98</u></b>	

As advised by the Company, the total construction cost is estimated to be approximately RMB894,060,000 of which approximately RMB289,180,000 had been paid as at the valuation date.

The land use rights of the property has been granted for a term expiring on 13 March 2048 for lodging, food and beverage uses.

*Notes:*

1. Pursuant to the State-owned Land Use Rights Grant Contract dated 14 March 2008, the land use rights of a parcel of land with a site area of 150,601.60 sq.m. have been contracted to be granted to Anway Real Estate Limited (“英威房地產有限公司”) for a term expiring on 13 March 2048 for lodging, food and beverage uses.

As revealed from the aforesaid State-owned Land Use Rights Grant Contract, the Property is subject to the following material development conditions:

Plot Ratio:	≤0.5
Site Coverage:	≤35%
Greenery Coverage:	≥45%

2. Pursuant to the Shanghai Certificate of Real Estate Ownership — Hu Fang Di Song Zi (2010) Di No. 035718 dated 25 November 2010, a parcel of land with a site area of 150,601.6 sq.m. has been granted to Shanghai Jinshenlong Land Limited (“上海金盛隆置地有限公司” and hereinafter the “PRC Subsidiary”), a wholly-owned subsidiary of the Target Company, for a term expiring on 13 March 2048 for lodging, food and beverage uses.
3. Pursuant to a Construction Land Planning Permit — Di Zi Di Hu Song Di (2012) No. EA31011720120151 dated 22 March 2012 in favour of the PRC Subsidiary, permission has been given towards the planning of a parcel of land with a total site area of approximately 150,601.60 sq.m.
4. Pursuant to a Construction Works Planning Permit — Jian Zi Di Hu Song Jian (2016) No. FA31011720164027 dated 7 January 2016 in favour of the PRC Subsidiary, permission has been given towards the planning of a parcel of land with a total gross floor area of approximately 3,954.07 sq.m. of Phase 1 for ancillary usage.
5. Pursuant to a Construction Works Planning Permit — Jian Zi Di Hu Song Jian (2016) No. FA31011720164067 dated 14 January 2016 in favour of the PRC Subsidiary, permission has been given towards the planning of a parcel of land with a total gross floor area of approximately 36,932.54 sq.m. of Phase 2 for hotel and ancillary usages.
6. Pursuant to a Construction Works Planning Permit — Jian Zi Di Hu Song Jian (2016) No. FA31011720164028 dated 7 January 2016 in favour of the PRC Subsidiary, permission has been given towards the planning of a parcel of land with a total gross floor area of approximately 38,527.37 sq.m. of Phase 3 for hotel usage.
7. Pursuant to a Construction Works Commencement Permit No. 1502SJ0205D02 dated 24 February 2016 in favour of the PRC Subsidiary, permission by the relevant local authority has been given to commence the construction work of a parcel of land with a total gross floor area of approximately 3,954.07 sq.m. for lodging, food and beverage project Phase 1.
8. Pursuant to a Construction Works Commencement Permit No. 1502SJ0205D01 dated 1 February 2016 in favour of the PRC Subsidiary, permission by the relevant local authority has been given to commence the construction work of a parcel of land with a total gross floor area of approximately 36,932.54 sq.m. for lodging, food and beverage project Phase 2.
9. We have been provided with a legal opinion regarding the property interests by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
  - a. According to the supplemental agreement dated 28 December 2011 and signed in between the PRC Subsidiary and Shanghai Songjiang District Planning and Land Authority, the construction should be commenced on or before 30 June 2012 and to be completed on or before 30 December 2014. The

- construction was not commenced for more than 2 years since 30 June 2012 and cannot be completed on or before 30 December 2014 as stated in the supplemental agreement. The property is subject to a risk of liquidated damages for breach of contract, and/or penalties in the amount of 20% of the land consideration, and/or resumption by the government without compensation. As at the date of the legal opinion, the PRC Subsidiary has confirmed that there is no penalty charged from the lands department; meanwhile, according to the letter of undertakings (the “Boill Holding Group Undertakings”) executed by the Boill Holding Group Company Limited (the “Boill Holding Group”), the losses arising from the delay of construction or completion by the PRC Subsidiary (including but not limited to liquidated damages for breach of contract, and/or penalties in the amount of 20% of the land consideration, and/or resumption of the property by the government without compensation), will be borne by the Boill Holding Group;
- b. The PRC Subsidiary has legally obtained the State-owned Land Use Rights Certificate of the property;
  - c. According to the State-owned Land Use Rights Grant Contract in Note 1, the property cannot be sub-divided into strata title, except such restriction, the PRC Subsidiary is the legally interested party in the property and has the right to occupy, to use, to lease, to transfer and to mortgage the property;
  - d. The property is subject to a mortgage in favour of Shanghai Aijian Trust Company Limited<sup>#</sup> (上海愛建信託有限責任公司) with a consideration of RMB400,000,000 for a term of 30 months;
  - e. The PRC Subsidiary has obtained permission and approval in relation to the construction of the development project and the construction of the development project is legally under the construction law and related rules and guidance; and
  - f. The construction works mentioned in the Construction Works Planning Permits and Construction Works Commencement Permits stated in Notes 4–8 are in line with the usage stated in the Shanghai Certificate of Real Estate Ownership stated in Note 2.
10. In our valuation, we have made reference to the transaction records of the land which have characteristics comparable to the property. We have adopted the range of unit rates of between RMB12,000–RMB20,000/sq.m. on Gross Floor Area basis. It is estimated that upon completion of the development, the capital value of the property will be RMB2,009,880,000.

**PROPERTY INTERESTS AND PROPERTY VALUATION**

AVISTA Valuation Advisory Limited, an independent property valuer, has valued the Target Company's property interests as of 31 October 2016 in the PRC. The texts of its letter and valuation certificates are set out in Appendix IV to this circular.

A reconciliation of the net book value of property interests as of 30 September 2016 to their fair value as stated in Appendix IV to this circular is as follows:

	<i>HK\$'000</i>
<b>Net book value of property interest of the Target Company as at 30 September 2016</b>	
Investment properties under development	<u>698,694</u>
Movement for the period from 30 September 2016 to 31 October 2016	
Add: Additional construction cost (unaudited)	7,775
Net book value as at 31 October 2016 (unaudited)	706,469
Valuation surplus (unaudited)	<u>925,355</u>
<b>Valuation of property interest of the Target Company as at 31 October 2016</b>	<u><u>1,631,824</u></u>

Exchange rate RMB0.861 to HK\$1

## 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 authorized and issued share capital of the Company as at the Latest Practicable Date were, and immediately after the issue of the Subscription Shares (assuming that save for the issue of the Subscription Shares, no new Shares will be issued from the Latest Practicable Date to the completion of the Subscription) will be, as follows:

	<i>Number of Shares</i>	<i>HK\$</i>
Authorized Shares as at the Latest Practicable Date	<u>16,000,000,000</u>	<u>400,000,000</u>
Issued and fully paid Shares in issue as at the Latest Practicable Date	6,474,000,000	161,850,000
Subscription Shares to be issued at the Subscription Completion	<u>2,600,000,000</u>	<u>65,000,000</u>
Total	<u><u>9,074,000,000</u></u>	<u><u>226,850,000</u></u>

All the existing Shares in issue are fully paid and rank *pari passu* in all respects including all rights as to voting, dividends and interests in capital. The Subscription Shares to be issued upon completion of the Subscription will rank *pari passu* in all respects with all other Shares in issue as at the date of the Subscription Completion and be entitled to all dividends and other distributions the record date for which falls on or after the date of the Subscription Completion.

## 3. DISCLOSURE OF INTERESTS

### (a) Directors' interests and short positions in the Company

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 and short positions which he/she was deemed or taken to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be

entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers contained in the Listing Rules adopted by the Company, to be notified to the Company and the Stock Exchange.

**(b) Substantial shareholders' interests and short position in shares and underlying shares**

As at the Latest Practicable Date, so far as is known to any Directors or chief executive of the Company, the persons (other than the Directors or chief executives of the Company) who had an interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or any member of the Enlarged Group are as follows:

<b>Name of Shareholders</b>	<b>Capacity</b>	<b>Number of Shares held</b>	<b>Approximate percentage of shareholding</b>
Mr. Qiu Dongfang	Interest of a controlled corporation ( <i>Note 1</i> )	2,600,000,000	28.65%
Liyao Investment Limited	Beneficial owner	2,600,000,000	28.65%

*Note:*

1. These Shares are wholly owned by Liyao Investment Limited, which is in turn wholly owned by Mr. Qiu Dongfang.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executives of the Company were not aware of any person (other than the Directors and chief executives of the Company) who had an interests or short positions in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group. No Director is a director or employee of a company which has an interest or short position in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.



#### **4. COMPETING INTEREST**

As at the Latest Practicable Date, none of the Directors or their respective close associate(s) had any interests in a business which competed or might compete with the business of the Company and had any other conflicts of interests with the Company.

#### **5. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors or proposed directors of the Company (if any) has any existing or proposed service contracts with any member of the Group which is not determinable by the Company within one (1) year without payment of any compensation (other than statutory compensation).

#### **6. DIRECTORS' INTERESTS IN CONTRACT, ASSETS AND ARRANGEMENT OF SIGNIFICANCE**

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 March 2016 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

#### **7. LITIGATION**

The Enlarged Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Enlarged Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Enlarged Group could incur judgments or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

As at 30 November 2016, there were three outstanding cases for compensation and personal injuries claims, against the Enlarged Group by an employee of the subcontractor and the employees of the Enlarged Group. The claims were related to the said employee of the subcontractor and the said employees of the Enlarged Group who alleged to have suffered from bodily injuries during their course of work and employment in the Enlarged Group's construction sites. Given that (i) the claims are dealt with and handled by the insurers and all potential claims are covered by mandatory insurance with amounts to be assessed by the court; and (ii) the Directors assessed the cases and believed that there would not be a material impact on the financial position of the Enlarged Group, no provision has been made for the above personal injuries cases in the consolidated financial statements.

Save as disclosed above, as at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration proceedings of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

## 8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Enlarged Group within the two years immediately preceding the date of this circular and up to the Latest Practicable Date and are or may be material:

- (i) the Subscription Agreement;
- (ii) the Sale and Purchase Agreement;
- (iii) on 25 July 2016, the Company, as the vendor, entered into a sale and purchase agreement with Excellent Speed Limited, as the purchaser, in relation to the sale of the 49 ordinary shares of Pearl Swirls Limited and Ngai Shun Construction & Drilling Company Limited for a consideration of HK\$80,000,000;
- (iv) on 26 May 2016, the Company entered into the supplemental underwriting agreement with Kingston Securities Limited as the underwriter in relation to the modification and variation of certain terms in the underwriting agreement stated in (ix) below (in relation to the issue of 5,478,000,000 rights shares at the subscription price on the basis of eleven (11) rights shares for every two (2) consolidated shares held by the qualifying shareholders at the close of business on the record date of 24 June 2016 payable in full on acceptance);
- (v) on 13 May 2016, the PRC Subsidiary and Sheng Bing Environmental Technology (Shanghai) Company Limited<sup>#</sup> (升秉環保科技(上海)有限公司) entered into a supplementary agreement to the share transfer agreement referenced in (vi) below, which reduced the consideration of the sale and purchase of the entire issued share capital of Xing Miao from RMB3,000,000 to RMB600,000;
- (vi) on 13 May 2016, the PRC Subsidiary, as the seller, entered into the share transfer agreement with Sheng Bing Environmental Technology (Shanghai) Company Limited<sup>#</sup> (升秉環保科技(上海)有限公司), as the buyer, under which the PRC Subsidiary agreed to sell and Sheng Bing Environmental Technology (Shanghai) Company Limited agreed to purchase the entire issued share capital of Xing Miao at a consideration of RMB3,000,000;
- (vii) on 9 May 2016, the PRC Subsidiary, as the borrower, entered into the loan agreement with Shanghai Aijian Trust Company Limited, as the lender, in relation to the Aijian Loan in the maximum amount of RMB400 million for a term of 30 months from the date of the first drawdown of the loan;

- (viii) on 9 May 2016, the PRC Subsidiary, as the pledgor, entered into the real estate pledge agreement with Shanghai Aijian Trust Company Limited, as the pledgee, under which the state-owned construction land use right and construction work in progress of the Property were pledged by the PRC Subsidiary to Shanghai Aijian Trust Company Limited to guarantee the PRC Subsidiary's performance of its obligations under the loan agreement in relation to the Aijian Loan;
- (ix) on 9 May 2016, the Target Company, as the chargor, entered into the equity charge agreement with Shanghai Aijian Trust Company Limited, as the chargee, under which the entire issued share capital in the PRC Subsidiary and certain rights associated with such share capital were charged by the Target Company to Shanghai Aijian Trust Company Limited to guarantee the PRC Subsidiary's performance of its obligations under the loan agreement in relation to the Aijian Loan;
- (x) on 24 March 2016, the Company entered into the underwriting agreement with Kingston Securities Limited as the underwriter in relation to the issue of 5,478,000,000 rights shares at the subscription price on the basis of eleven (11) rights shares for every two (2) consolidated shares held by the qualifying shareholders at the close of business on the record date of 24 June 2016 payable in full on acceptance;
- (xi) on 29 September 2015 (as supplemental by the supplemental agreement dated 4 November 2015), the Company, as the purchaser, entered into the sale and purchase agreement with Landing International Development Limited, as the vendor, for the acquisition of 100% of the issued share capital of Double Earn Holdings Limited, and the acquisition of all indebtedness, obligations and liabilities due, owing or incurred by the Mass Spring (Hong Kong) Limited (萬泉(香港)有限公司) to Landing International Development Limited for a consideration of HK\$1,000 million;
- (xii) on 10 July 2015, Laurel Stars Limited (桂星有限公司), a wholly-owned subsidiary of the Company, as the vendor, entered into the sale and purchase agreement with Fair Jade Group Limited, as the purchaser, for the sale and purchase of the sale shares and the sale loan of Achieved Success Company Limited at the consideration of HK\$42,000,000;
- (xiii) on 13 April 2015, the Company and Kingston Securities Limited entered into the placing agreement pursuant to which the Company has conditionally appointed Kingston Securities Limited to procure, on a best effort basis, as placing agent of the Company, independent places to subscribe for a maximum of 83,000,000 placing shares at a price of HK\$0.73 per placing share; and
- (xiv) on 23 January 2015, Funa Assets Limited, an indirect wholly-owned subsidiary of the Company, as the vendor, entered into the provisional agreement with, among others, World Mate Investment Limited as the purchaser in relation to the sale

and purchase of Shops nos. 12A, 12B and 12C, Ground Floor, Hip Wo House (Ground Floor of Nos. 167A, 167B and 167C Hip Wo Street), Kowloon, Hong Kong at the total consideration of HK\$50,000,000.

Save as disclosed above, no other material contracts have been entered into by the Enlarged Group within two years immediately preceding the date of this circular and up to the Latest Practicable Date.

## 9. EXPERT AND CONSENT

- (i) The following is the qualification of the experts who have given opinions, letters or advice which are contained in this circular:

Zenith CPA Limited	Certified Public Accountants
AVISTA Valuation Advisory Limited	Independent Qualified Valuer
Jingtian & Gongcheng	PRC legal advisers

- (ii) Each of the above experts has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion of the references to its name and/or its opinion in the form and context in which they are included.
- (iii) As at the Latest Practicable Date, none of the above experts had any shareholding, directly or indirectly, in any member of the Company or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Company.
- (iv) As at the Latest Practicable Date, none of the above experts had any interest, direct or indirect, in any asset which has been, since 31 March 2016, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or was proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

**10. MISCELLANEOUS**

- (i) The registered office of the Company is situated at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and the principal place of business in Hong Kong of the Company is situated at Unit 2102, 21/F, West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong.
- (ii) The Company's Hong Kong branch share registrar is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (iii) The Secretary of the Company is Mr. Yeung Siu Keung, who is a Certified Public Accountant of Hong Kong Institute of Certified Public Accountants.
- (iv) The English text of this circular will prevail over the Chinese text in the event of inconsistency.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be made available for inspection during normal business hours on any weekday (except for public holidays) at the head office and principal place of business in Hong Kong of the Company at Unit 2102, 21/F, West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong from the date of this circular up to and including the date of the EGM:

- (i) the memorandum and articles of association of the Company;
- (ii) the accountants' report on the Target Group prepared by Zenith CPA Limited, the text of which is set out in Appendix II to this circular;
- (iii) the report prepared by Zenith CPA Limited on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;
- (iv) the valuation report prepared by AVISTA Valuation Advisory Limited on the Property, the text of which is set out in Appendix IV to this circular;
- (v) the written consents referred to in the paragraph headed "Expert and Consent" in this Appendix;
- (vi) the Company's annual reports for each of the three financial years ended 31 March 2014, 2015 and 2016;

- (vii) the material contracts referred to under the paragraph headed “Material Contracts” in this appendix;
- (viii) the circular dated 31 August 2016 in connection with a major and connected transaction in relation to the disposal of 49% of the issued share capital of Pearl Swirls Limited; and
- (ix) this circular.

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## NOTICE OF EGM

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### **Ngai Shun Holdings Limited** **毅信控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 01246)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of the shareholders of Ngai Shun Holdings Limited (the “**Company**”) will be held at Units 4202–03, 42nd Floor, The Center, 99 Queen’s Road Central, Hong Kong, on Tuesday, 14 February 2017 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as an ordinary resolution of the Company:

#### **ORDINARY RESOLUTION**

“**THAT**

- (a) the subscription agreement dated 30 September 2016 (the “**Subscription Agreement**”) entered into between (i) the Company, as the issuer and (ii) Liyao Investment Limited (the “**Subscriber**”), as the subscriber, pursuant to which the Subscriber conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue, in aggregate 2,600,000,000 shares (the “**Subscription Shares**”) at the price of HK\$0.20 per share (the “**Subscription Price**”) for an aggregate amount of HK\$520,000,000 (the “**Subscription**”), and all transactions contemplated under the Subscription Agreement and the Subscription and in connection with each of them be and are hereby approved, confirmed and ratified;
- (b) the allotment and issue of the Subscription Shares at the Subscription Price for an aggregate amount of HK\$520,000,000 to the Subscriber in accordance with the terms and conditions of the Subscription Agreement be and are hereby approved;
- (c) subject to and conditional upon (i) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in the Subscription Shares; and (ii) the fulfilment of other conditions precedent as set out in the Subscription Agreement, the Directors be and are hereby granted the unconditional specific mandate (the “**Specific Mandate**”) which shall entitle the directors of the Company (the “**Directors**”; and any one of them, the “**Director**”) to exercise all the powers of the Company to allot and issue the Subscription Shares to the Subscriber, and that the Specific Mandate shall be in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution;

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## NOTICE OF EGM

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- (d) the sale and purchase agreement dated 30 September 2016 (the “**Sale and Purchase Agreement**”) entered into between (i) Creative Lane Limited, a direct wholly owned subsidiary of the Company, as the purchaser (the “**Purchaser**”) and (ii) Boill International Co., Limited (the “**Vendor**”) as the vendor, pursuant to which (1) the Vendor has conditionally agreed to dispose of and the Purchaser has conditionally agreed to purchase 68 ordinary shares of Anway Real Estate Limited (the “**Target Company**”); and (2) the Vendor has conditionally agreed to assign and the Purchaser has conditionally agreed to accept the assignment of 68% of a shareholder’s loan in the amount of approximately HK\$781.38 million owed by the Target Company to the Vendor as at the date of the Sale and Purchase Agreement, subject to further adjustment (if any) at the date on which the completion of the transactions contemplated under the Sale and Purchase Agreement take place (collectively, the “**Acquisition**”) for a total consideration of HK\$1,100,000,000, and all transactions contemplated under the Sale and Purchase Agreement and the Acquisition and in connection with each of them be and are hereby approved, confirmed and ratified; and
- (e) the Director or, if the affixation of the common seal of the Company is necessary, any one Director and the company secretary of the Company or any two Directors or such other person (including a Director) or persons as the board of Directors may appoint be and is/are hereby authorised for and on behalf of the Company to approve and execute all 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 or related to the Subscription Agreement, Sale and Purchase Agreement and transactions contemplated thereunder or incidental thereto and completion thereof as he/she/they may consider necessary, desirable or expedient.”

By order of the Board  
**Ngai Shun Holdings Limited**  
**Mock Wai Yin**  
*Executive Director and Chairman*

Hong Kong, 26 January 2017

**Notes:**

1. To be valid, the instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney authorised in writing or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
2. Any member of the Company entitled to attend and vote at the EGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend on the same occasion.



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## NOTICE OF EGM

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3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the EGM or the adjourned meeting or poll (as the case may be) at which the person named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.
4. Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he/she/it were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.

*As at the date of this announcement, the Company has (i) two executive Directors, namely Mr. Mock Wai Yin and Dr. Wong Yun Kuen; (ii) one non-executive Director, namely Mr. Chui Kwong Kau; and (iii) four independent non-executive Directors, namely Mr. Lam Chi Wai, Ms. Lau Mei Ying, Ms. Thadani Jyoti Ramesh and Mr. Eric Todd.*

*In the case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.*