THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

天譽置業（控股）有限公司
SKYFAME REALTY (HOLDINGS) LIMITED

(incorporated in Bermuda with limited liability)
(Stock Code: 00059)

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF ENTIRE EQUITY INTEREST OF CQ HESHENG AND THE ASSIGNMENT OF SALE LOAN

A letter from the board of directors of Skyfame Realty (Holdings) Limited is set out on pages 5 to 13 of this circular.

27 June 2018

CONTENTS

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

"Acquisition"	the acquisition of the entire equity interest of CQ Hesheng and the assignment of Sale Loan pursuant to the Agreements
"Agreements"	the Equity Transfer Agreement 1, Equity Transfer Agreement 2, Equity Transfer Agreement 3 and the Framework Agreement
"Board"	the board of Directors
"Chongqing Project"	the property development project undertaken by CQ Hesheng in two phases and situated in the junction of Tenglong Da Road and Chaotianmen Yangtze River Bridge, Nanan District, Chongqing, the PRC. The first phase comprises above ground/plot GFA of 244,402 sq.m. and the second phase comprises above ground/plot GFA of 592,387 sq.m.
"CQ Shengdiya"	重慶盛迪亞產業(集團)有限公司 (Chongqing Shengdiya Property (Group) Company Limited*), a company established in the PRC with limited liability
"CQ Hesheng" or "Target Company"	重慶核盛房地產開發有限公司 (Chongqing Hesheng Real Estate Development Company Limited*), a state-owned enterprise in the PRC and a 80% subsidiary of Zhonghe
"Company"	Skyfame Realty (Holdings) Limited (stock code: 00059), a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
"Completion"	the completion of the registration of the Equity Transfer 1 by the relevant authority of administration of industry and commerce which to be performed by Zhonghe with the co-operation of GZ Chuangfu after 30 days from time when the following has been performed: (a) GZ Chuangfu has successfully won the bid of Sale Interest 1, (b) China Beijing Equity Exchange has issued a confirmation for equity transfer of Sale Interest 1, (c) consideration for Sale Interest 1 has been paid, and (d) GZ Chuanghaoyu and the Company, as guarantor, executed a deed of guarantee in favour of Zhonghe in relation to the performance obligation of GZ Chuanghaoyu and CQ Hesheng for the due repayment of shareholder's loan due by CQ Hesheng to Zhonghe
"Director(s)"	director(s) of the Company

"Equity Transfer 1"	the transfer of the Sale Interest 1 from Zhonghe to GZ Chuangfu pursuant to the terms and conditions under the Framework Agreement and Equity Transfer Agreement 1
"Equity Transfer 2"	the transfer of the Sale Interest 2 from Zhonghe to GZ Chuangfu pursuant to the terms and conditions under the Framework Agreement
"Equity Transfer 3"	the transfer of the Sale Interest 3 from CQ Shengdiya to GZ Chuangfu pursuant to the terms and conditions under the Equity Transfer Agreement 3
"Equity Transfer Agreement 1"	an equity transfer agreement dated 13 March 2018 entered into between Zhonghe (as transferor) and GZ Chuangfu (as transferee) in relation to the transfer of the Sale Interest 1 and the Sale Loan
"Equity Transfer Agreement 2"	an equity transfer agreement to be entered into between Zhonghe (as transferor) and GZ Chuangfu (as transferee) in relation to the transfer of the Sale Interest 2
"Equity Transfer Agreement 3"	an equity transfer agreement dated 7 January 2018 entered into between CQ Shengdiya (as transferor), GZ Chuangfu (as transferee), Gu Tao (as guarantor for the transferor) and the Company (as guarantor for the transferee) in relation to the transfer of 20% of the equity interest of CQ Hesheng in three tranche
"Framework Agreement"	the framework agreement dated 25 January 2018 entered into between Zhonghe (as transferor), GZ Chuangfu (as transferee), GZ Chuanghaoyu and the Company (both as guarantor for the transferee) in relation to the conditional transfer of Sale Interest 1, Sale Interest 2 and the Sale Loan
"GFA"	gross floor area
"Group"	the Company and its subsidiaries
"GU Tao"	顧濤 (GU Tao*), the legal representative of CQ Shengdiya
"GZ Chuangfu"	廣州創富置業有限公司 (Guangzhou Chuangfu Realty Company Limited*), a company established in the PRC with limited liabililty and an indirect wholly-owned subsidiary of the Company and a direct wholly-owned subsidiary of GZ Chuanghaoyu

"GZ Chuanghaoyu"	廣州市創豪譽投資管理諮詢有限公司 (Guangzhou Chuanghaoyu Investment Management Consulting Company Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company and immediate holding company of GZ Chuangfu
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Investment Properties"	Certain plots of land estimated of GFA of 248,800 sq.m. to be developed into commercial properties in the Chongqing Project are to be held by the project company itself for long term investment purpose and are not for sales purpose
"Land Use Rights"	Six land use rights certificates in an aggregate site area of 219,336 sq.m. (i.e. 329 mu) which can be developed into GFA of 1,179,000 sq.m. comprising (i) phase 1 of GFA of 313,000 sq.m., that has been/will be developed into saleable area of 305,000 sq.m. of which approximately 66,000 sq.m. has been sold and delivered; and approximately 75,000 sq.m. were contracted and the remaining saleable area of approximately 164,000 sq.m. are currently in the stage of inspection for completion; and (ii) phase 2 of GFA of 866,000 sq.m. which will be developed into commercial and residential properties and Investment Properties
"Latest Practicable Date"	25 June 2018, being the latest practicable date prior to the dispatch of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Properties"	the Unsold Properties and the remaining phases of the development of the project governed by the Land Use Rights
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Interest 1"	the 79% equity interest in CQ Hesheng held by Zhonghe as at the date of the Framework Agreement
"Sale Interest 2"	the further 1% equity interest of CQ Hesheng held by Zhonghe as at the date of the Framework Agreement

"Sale Interest 3"	the 20% equity interest of CQ Hesheng held by CQ Shengdiya
"Sale Loan"	the shareholder's loan due from CQ Hesheng to Zhonghe amount to RMB4,074,760,000 (taken into account Zhonghe's recent repayment of a third party loan of RMB299,000,000 originally due by CQ Hesheng) and outstanding interest of RMB168,078,900 accrued up to 20 December 2017 which will be adjusted by accrual up to the date of full payment of the Sale Loan
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Unsold Properties"	the properties developed for sales in the first phase of the Chongqing Project comprising (i) that are unsold and held by CQ Hesheng, and (ii) that are being under final inspection by government authorities in an aggregate GFA of 268,000 sq.m. as at 31 December 2017
"Zhonghe"	中核房地產開發有限公司 (Zhonghe Real Estate Development Company Limited*), a company established in the PRC with limited liability and a 100% state-owned enterprise in the PRC
"sq.m."	square meters
"%" or "per cent."	percentage or per centum

* *for identification purpose only*

天譽置業(控股)有限公司
SKYFAME REALTY (HOLDINGS) LIMITED
(incorporated in Bermuda with limited liability)
(Stock Code: 00059)

Executive Directors:
Mr. YU Pan *(Chairman and Chief Executive Officer)*
Mr. WEN Xiaobing *(Deputy Chief Executive Officer)*
Mr. WONG Lok

Non-executive Director:
Mr. LI Weijing

Independent Non-executive Directors:
Mr. CHOY Shu Kwan
Mr. CHENG Wing Keung, Raymond
Ms. CHUNG Lai Fong

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of Business in the PRC:
32nd to 33rd Floors of HNA Tower
8 Linhe Zhong Road, Tianhe District
Guangzhou, Guangdong Province, the PRC

Principal place of business in Hong Kong:
Unit 1401, 14/F., Capital Centre
151 Gloucester Road
Wanchai, Hong Kong

27 June 2018

To the Shareholders

Dear Sir and Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF ENTIRE EQUITY INTEREST OF CQ HESHENG AND THE ASSIGNMENT OF SALE LOAN

INTRODUCTION

Reference is made to the Company's announcements dated 13, 15 and 23 March 2018 (the "**Announcements**") in relation to, among other things, the entering into the Agreements regarding the acquisition of the entire equity interest of CQ Hesheng and the assignment of Sale Loan.

The purpose of this circular is to provide you with, among other things, (i) major terms of the Agreements; (ii) the financial and general information of the Group; (iii) the accountants' report of the CQ Hesheng; (iv) the unaudited proforma financial information of the Enlarged Group; and (v) the valuation report on the Properties.

THE ACQUISITION

(I) Acquisition of Sale Interest 1 and assignment of the Sale Loan

On 13 March 2018, GZ Chuangfu and Zhonghe entered into the Equity Transfer Agreement 1 following GZ Chuangfu's successful bidding of Sale Interest 1 and the Sale Loan in a listing-for-sale on China Beijing Equity Exchange on 7 March 2018. The Equity Transfer 1 was completed on 8 April 2018 pursuant to the Framework Agreement. Among other things and subject to the terms and conditions set out in the Framework Agreement, GZ Chuangfu will (i) further participate in the listing-for-sale on China Beijing Equity Exchange to bid the Sale Interest 2 held by Zhonghe; (ii) execute Equity Transfer Agreement 2 and register Equity Transfer 2 by the relevant authority of administration of industry and commerce upon the successful bidding of Sale Interest 2; and (iii) complete the Equity Transfer 1 and Equity Transfer 2.

Equity Transfer Agreement 1

Date:	13 March 2018
Parties:	Zhonghe (as transferor) GZ Chuangfu (as transferee)

Framework Agreement

Date:	25 January 2018
Parties:	Zhonghe (as transferor) GZ Chuangfu (as transferee) GZ Chuanghaoyu and the Company (both as guarantor for the transferee)

Zhonghe is a company established in the PRC with limited liability which is principally engaged in real estate development and property management. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Zhonghe is a PRC 100% state-owned enterprise and a third party independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

Consideration for acquisition of Sale Interest 1 and the Sale Loan

Pursuant to the Equity Transfer Agreement 1, the consideration for the acquisition of the Sale Interest 1 by GZ Chuangfu is RMB434,500,000, and the consideration for the assignment of the Sale Loan from Zhonghe to GZ Chuangfu is the sum of (i) shareholder's loan of RMB4,074,760,000 and (ii) outstanding interest on the Sale Loan amounting to RMB168,078,900 accrued up to 20 December 2017 which will be further adjusted by additional interests accrued up to the date of full payment of the Sale Loan. Pursuant to the Framework Agreement, an earnest money of RMB440,000,000 was paid to Zhonghe in early February 2018 by GZ Chuanghaoyu which was refunded to GZ Chuangfu upon the signing of Equity Transfer Agreement 1.

The consideration for Sale Interest 1 and the Sale Loan of RMB4,677,338,900 (subject to adjustments of accrued interest), shall be paid in cash in the following manner:

(i) an amount of RMB130,350,000, being 30% of consideration for Sale Interest 1, has been paid as deposit three business days after the confirmation of the qualification of the GZ Chuangfu;

(ii) balance of RMB304,150,000, being 70% of consideration for Sale Interest 1, has been paid into Zhonghe's designated bank account after five business days of signing the Equity Transfer Agreement 1;

(iii) 30% of the Sale Loan together with outstanding interests on the Sale Loan accrued up to the date of the payment has been paid up within five business days upon the Completion;

(iv) up to an aggregate of 60% of the Sale Loan (taken into account 30% of the Sale Loan paid before) together with outstanding interests on the Sale Loan accrued up to the date of this payment will be paid up within 90 days upon the Completion; and

(v) all the Sale Loan (taken into account of an aggregate of 60% of the Sale Loan paid before) together with outstanding interests on the Sale Loan accrued up to the date of this payment will be paid up within 180 days upon the Completion.

As at the Latest Practicable Date, the stages of payments as described in (i), (ii) and (iii) above have been paid and the remaining stages of payments are yet to be paid.

Upon the execution of the Equity Transfer Agreement 1, GZ Chuanghaoyu and the Company has executed a deed of guarantee in favour of Zhonghe to guarantee the obligations of GZ Chuangfu, among others, the repayment of the Sale Loan to Zhonghe, under the Equity Transfer Agreement 1.

(II) Acquisition of Sale Interest 2

Pursuant to the terms of the Framework Agreement, after GZ Chuangfu has fully repaid the Sale Loan and its accrued interest, Zhonghe will apply for and GZ Chuangfu will participate in a listing-for-sale to bid the Sale Interest 2 at listing price of RMB5,500,000 on China Beijing Equity Exchange provided the listing price is not higher than RMB5,500,000. It is expected that the listing-for-sale to bid the Sale Interest 2 will be held in October 2018. Should the listing price be higher than RMB5,500,000, GZ Chuangfu is not obliged to participate in the bidding.

If GZ Chuangfu has successfully won the bidding of Sale Interest 2, Zhonghe and GZ Chuangfu will execute the Equity Transfer Agreement 2 within 30 business days after GZ Chuangfu has fully paid the consideration for Sales Interest 2 and Zhonghe will complete the registration of Equity Transfer 2 by the relevant authority of administration of industry and commerce.

Consideration for acquisition of Sale Interest 2

Pursuant to the terms of the Framework Agreement, the consideration for the acquisition of Sale Interest 2 shall not be higher than RMB5,500,000.

As at the Latest Practicable Date, the consideration for Sale Interest 2 is yet to be paid.

(III) Acquisition of Sale Interest 3

On 7 January 2018, CQ Shengdiya, GU Tao, GZ Chuangfu and the Company entered into the Equity Transfer Agreement 3 in relation to the acquisition of Sale Interest 3.

Equity Transfer Agreement 3

Date:	7 January 2018
Parties:	CQ Shengdiya (as transferor) Gu Tao (as guarantor for transferor) GZ Chuangfu (as transferee) the Company (as guarantor for the transferee)

CQ Shengdiya is a company established in the PRC with limited liability which is principally engaged in the sale of automobiles and metal equipment. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, CQ Shengdiya and GU Tao are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

Consideration for acquisition of Sale Interest 3

Pursuant to the Equity Transfer Agreement 3, the consideration for the acquisition of the Sale Interest 3 by GZ Chuangfu is RMB160,000,000, and is as follows:

First tranche for 1% equity interest of CQ Hesheng:	RMB5,500,000
Second tranche for 11% equity interest of CQ Hesheng:	RMB60,500,000
Third tranche for 8% equity interest of CQ Hesheng:	RMB94,000,000
Total consideration for 20% equity interest:	RMB160,000,000

Pursuant to the Equity Transfer Agreement 3, RMB5,500,000 and RMB60,500,000 has been paid into a bank account co-managed by CQ Shengdiya and GZ Chuangfu within three days after Zhonghe's surrender of its pre-emptive right to purchase the 1% equity interest of CQ Hesheng. Within three days after the Completion and three days after the completion of the registration of transfer of 11% equity interest of CQ Hesheng, RMB5,500,000 and RMB60,500,000 has been released from the co-managed account and paid to CQ Shengdiya as consideration for the transfer of 1% and 11% equity interest of CQ Hesheng respectively. Upon the completion of the transfer of 12% equity interest of CQ Hesheng, GZ Chuangfu will lend RMB44,000,000 to CQ Shengdiya which will be used to pay CQ Shengdiya as part of the consideration for 8% equity interest of CQ Hesheng. Upon completion of the transfer of 8% equity interest by CQ Shengdiya within 30 days after the expiry of 300 days after the Completion, GZ Chuangfu will pay RMB50,000,000 to CQ Shengdiya as the balance consideration for 8% equity interest of CQ Hesheng.

As at the Latest Practicable Date, the consideration for first tranche for 1% of CQ Hesheng and second tranche for 11% equity interest of CQ Hesheng has been paid and the third tranche for remaining 8% equity interest of CQ Hesheng is yet to be paid.

Aggregate consideration for the Acquisition

The aggregate consideration for the Acquisition is RMB4,842,838,900 (subject to adjustment of interest accrued up to the date of full repayment of the Sale Loan and the final bidding price of Sale Interest 2). The respective consideration for each of Sale Interest 1 and Sale Loan, Sale Interest 2 and Sale Interest 3 was arrived at after arm's length negotiations between the parties to the Framework Agreement, Equity Transfer Agreement 1 and Equity Transfer Agreement 3 and are on normal commercial terms, with reference to the net asset value of CQ Hesheng of approximately RMB33.0 million and the Unsold Properties and land premium paid for the lands for phase 2 development at carrying costs of approximately RMB4,720.7 million as per the unaudited management account of CQ Hesheng as at 31 December 2017 prepared in accordance with the PRC GAAP, and the amount of the Sale Loan of approximately RMB3,943.8 million as at 20 December 2017.

In particular, the respective consideration for Sale Interest 1, Sale Interest 2 and Sale Interest 3 as a percentage to the aggregate consideration of the Acquisition excluding Sale Loan, is generally proportional to the respective percentage of shareholding acquired, with the consideration for the Sale Interest 3 being proportionally higher than that for Sale Interest 1 and 2 as the Company would like to take full control of the entire equity interest in CQ Hensheng by purchasing the remaining shareholding for ease of management of the Chongqing Project.

Given the aforesaid, the Board considers that (i) the respective consideration for Sale Interest 1, Sale Interest 2 and Sale Interest 3; and (ii) the aggregate consideration for the Acquisition are fair and reasonable.

For avoidance of doubt, the difference of the book value of investment properties and the net asset value between the unaudited management amount of CQ Hesheng as at 31 December 2017 and the accountants' report of CQ Hesheng as at 31 December 2017 as set out in Appendix II to this circular was mainly due to the revaluation gain from investment properties. Other than the Unsold Properties, land premium paid and the Sale Loan, CQ Hesheng does not have other assets nor indebtedness at material values. The valuation of the Properties according to the valuation report as set out in Appendix V to this circular is RMB6,313 million as at 31 March 2018.

Subject assets acquired under the Acquisition

Pursuant to the Agreements, the assets acquired/to be acquired by GZ Chuangfu comprise (i) the Sale Interest 1, Sales Interest 2 and the Sale Loan through two listing-for-sale on China Beijing Equity Exchange, with one of the listing-for-sale held in March 2018 and the other one is expected to held in October 2018, pursuant to the terms as set out in Framework Agreement and (ii) the Sale Interest 3 pursuant to the terms as set out in the Equity Transfer Agreement 3.

Sale Interest 1 represents 79% equity interest in CQ Hesheng held by Zhonghe and the Sale Loan represents the shareholder's loan owed by CQ Hesheng to Zhonghe. Sale Interest 2 represents 1% equity interest in CQ Hesheng held by Zhonghe and Sale Interest 3 represents the 20% equity interest in CQ Hesheng held by CQ Shengdiya. Upon the completion of Equity Transfer 1, Equity Transfer 2 and Equity Transfer 3, GZ Chuangfu will hold 100% equity interest of CQ Hesheng and aggregate consideration of which will be approximately RMB4,842,838,900 (subject to adjustment of interest accrued up to the date of full repayment of the Sale Loan and the final bidding price of Sale Interest 2).

As at 20 December 2017, the shareholder's loan due from CQ Hesheng to Zhonghe amounted to RMB3,943,838,900 of which (i) RMB3,775,760,000 is the principal value of the Sale Loan which will be topped up by Zhonghe's repayment of a third party loan of RMB299,000,000 originally due by CQ Hesheng (that has been repaid as at the Latest Practicable Date) and (ii) RMB168,078,900 is outstanding interests accrued on the Sale Loan accrued up to 20 December 2017 which will be adjusted by additional interests accrued up to the date of full repayment of the Sale Loan.

Please refer to the paragraph headed "Information of CQ Hesheng" below for further details of CQ Hesheng.

Completion

Upon completion of the Acquisition in accordance with the terms and conditions of the Agreements, CQ Hesheng will become a wholly-owned subsidiary of GZ Chuangfu and an indirect wholly-owned subsidiary of the Company.

INFORMATION OF CQ HESHENG

CQ Hesheng was established in the PRC on 11 December 2013 and was a 80%-owned subsidiary of Zhonghe before the Completion. Both CQ Hesheng and Zhonghe are state-owned enterprise. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of CQ Hesheng, Zhonghe and their respective ultimate beneficial owner is an independent third party. The registered and paid-up capital of CQ Hesheng is RMB50 million. CQ Hesheng is principally engaged in property development in Chongqing, the PRC.

The major assets held by CQ Hesheng are the six land use rights certificates covering two land lots, numbered: 106D Real Estate 2014 – 00756 to 00757, 106D Real Estate 2015 – 00420 to 00423 which were granted under "State-owned Construction Land Use Right Transfer Contract" numbers 65 of Yudi (2014) Hezi (South Zone) and 26 of Yudi (2014) Hezi (South Zone), representing site areas of 101 mu in phase 1 and 228 mu in phase 2 for the development of the Chongqing Project. The Chongqing Project, located in at the junction of Tenglong Da Road and Chaotianmen Yangtze River Bridge, Chongqing, the PRC. When fully developed, Chongqing Project comprises a total GFA of 1,179,000 sq.m., comprising residential properties and serviced apartments of 717,000 sq.m., and commercial properties of offices and retail units of 124,000 sq.m. and car-parking spaces of 321,000 sq.m. and municipal and other facilities of 16,000 sq.m.. The Land Use Rights were granted for a term of 50 years for residential properties and 40 years for commercial properties expiring on 29 August 2064.

The development of Chongqing Project in phase 1 undertaken by CQ Hesheng commenced in 2015 with a total GFA of approximately 313,000 sq.m.. Total saleable area of phase 1 is 305,000 sq.m. as at 31 March 2018, of which residential properties and serviced apartments of GFA of approximately 66,000 sq.m. were delivered to buyers in 2017. The other saleable area of phase 1 of approximately 75,000 sq.m. were contracted and the remaining saleable area of approximately 164,000 sq.m. are currently in the stage of inspection for completion. Phase 2 of Chongqing Project consists of a total GFA of 866,000 sq.m. of which construction has not commenced and the surface of the land was cleared. Under the requirement of one of the land transfer contracts for development in phase 2, the project company has to retain 70% GFA of the developed commercial properties, representing an aggregate GFA of 248,800 sq.m., and it will be held by CQ Hesheng for long-term investment purpose and not for sales. Phase 2 of the Chongqing

Project is planned to be developed into an integrated complex development project. It is planned that approximately 248,800 sq.m. will be developed into serviced apartments which will be held for long term investment purpose pursuant to the aforesaid requirement of the land transfer contract. The remaining portion of the Chongqing Project will be developed into properties for sale, comprising (i) residential units with GFA of approximately 217,000 sq.m.; (ii) serviced apartments with GFA of approximately 85,000 sq.m.; (iii) commercial properties for retail and office uses with GFA of approximately 60,000 sq.m.; and (iv) underground carparks with GFA of approximately 245,000 sq.m..

The construction cost of the project, estimated to be RMB3,213 million, will be financed as to approximately RMB2,000 million by borrowing secured by the land and works in progress on the site and the remaining costs will be financed by the pre-sale proceeds of the project.

Set out below is the financial summary of CQ Hesheng as extracted from the Accountants' Report of CQ Hesheng as set out in Appendix II to this circular for the two years ended 31 December 2016 and 2017:

	For the year ended 31 December	
	2016	**2017**
	RMB'000	*RMB'000*
	(audited)	(audited)
Revenue	0	277,027
(Loss)/Profit before tax	(21,980)	21,377
(Loss)/Profit after tax	(24,833)	11,939

Based on the Accountants' Report on CQ Hesheng as set out in Appendix II to this circular, CQ Hesheng recorded net assets value of approximately RMB154 million as at 31 December 2017. Total assets of CQ Hesheng aggregated to approximately RMB5,350 million, comprising of aggregate book value of RMB5,020 million for the Unsold Properties in GFA of 268,000 sq.m. and land premium paid for land for the development of phase 2 of the project. The investments in the assets of CQ Hesheng were mainly financed by prepaid sale deposits of RMB743 million, the Sale Loan and accrued interests of approximately RMB4,248 million and issued capital of RMB50 million.

REASONS AND BENEFITS FOR THE ACQUISITION

The Company is an investment holding company and its principal subsidiaries are engaged in property development, property investment and property management.

The Properties are situated in a prime location in a commercial business district in the city of Chongqing. The investment in CQ Hesheng represents a very unique opportunity to the Group to build up its land bank in its development of high-end properties in the coming years. The Group's intention is to sell the properties that are being developed on the land, except for the Investment Properties of a total GFA of 248,800 sq.m. which will be developed to commercial properties for investment purposes in compliance with the land grant conditions. The valuation of the Properties, according to the valuation report as set out in Appendix V to this circular, is RMB6,313 million as at 31 March 2018.

Taking into account the aforesaid and the fact that the total consideration for the Acquisition is determined with reference to, among other things, Directors' preliminary valuation of the Unsold Properties and the Land Use Rights and Investment Properties, the Board considered that the Acquisition is in the ordinary and usual course of business of the Group and is in the interests of the Company and its shareholders as a whole and the terms of the Agreement are fair and reasonable.

FINANCIAL EFFECTS OF THE ACQUISITION

Pursuant to the Agreements, the aggregate consideration for the Acquisition is RMB4,842,838,900 (subject to adjustment of interest accrued up to the date of full repayment of the Sale Loan and the final bidding price of Sale Interest 2). The Group intends to finance the Acquisition by way of internal resources, bank borrowings and pre-sale proceeds to be received from the sales of Unsold Properties.

In light of the prosperous property market in Chongqing, the management expects that the sales of the large volume of the Unsold Properties will bring solid cash inflow to the project company and positive earnings that contributes to the profit of the Group when the properties are delivered and the related revenue is recognized in the coming years. To the extent that the construction costs are to be financed by bank borrowings, interest expenses will be incurred by the Group and capitalised as cost of development of the properties which will be charged to the profit and loss of the Group when the properties are delivered to the buyers. The Directors expect that the interest expenses do not have material impact on the operating results of the Company.

Upon completion of the Acquisition in accordance with the terms and conditions of the Agreements, CQ Hesheng will become an indirect wholly-owned subsidiary of the Company and the assets, liabilities and results of CQ Hesheng will be consolidated into the financial statements of the Group.

Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV to this circular and the bases and assumptions taken into account in preparing such unaudited pro forma financial information, had Completion taken place on 31 December 2017, the unaudited consolidated total assets of the Enlarged Group would have been increased to approximately RMB22,215.5 million on a pro forma basis; and its unaudited consolidated total liabilities would have been increased to approximately RMB19,292.2 million on a pro forma basis. Accordingly, the unaudited pro forma consolidated net assets of the Enlarged Group as at 31 December 2017 would be approximately RMB2,923.3 million. Details of the unaudited pro forma financial information of the Enlarged Group are set out in "Appendix IV — Unaudited Pro Forma Financial Information of the Enlarged Group" to this circular.

LISTING RULES IMPLICATIONS

As one or more percentage ratios (as defined under the Listing Rules) for the Acquisition exceeds 25% but are below 100%, the Acquisition constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders's approval requirements under the Listing Rules.

As no Shareholder has a material interest in the Acquisition, no Shareholder will be required to abstain from voting on the resolutions approving the Acquisition. The Company has obtained written approvals from Mr. YU Pan (an executive Director and the controlling Shareholder) and Grand Cosmos Holdings Limited (a company wholly owned by Mr. YU Pan), holding 228,364,000 and 1,680,664,407 Shares respectively which represent in aggregate approximately 72.51% of the total issued share capital of the Company as the Latest Practicable Date, in lieu of holding a general meeting to approve the Acquisition pursuant to Rule 14.44 of the Listing Rules.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information contained in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Skyfame Realty (Holdings) Limited
YU Pan
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2015, 2016 and 2017 are disclosed in the following documents respectively which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tianyudc.com)

(i) Annual report of the Company for the year ended 31 December 2015 published on 21 April 2016 (pages 63 to 149);

(ii) Annual report of the Company for the year ended 31 December 2016 published on 26 April 2017 (pages 72 to 155); and

(iii) Annual report of the Company for the year ended 31 December 2017 published on 26 April 2018 (pages 73 to 165).

2. INDEBTEDNESS STATEMENT

As at the close of business on 30 April 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group and the Target Company had outstanding bank and other borrowings in aggregated principal value of approximately RMB10,159.6 million which comprised:

(i) bank loans of approximately RMB1,924.6 million secured by mortgages of ownership titles of properties under development, leasehold land and building, and investment properties. In addition to mortgages, the Company also provides a corporate guarantee to secure for the repayment of a term loan and a revolving loan of approximately RMB513.0 million, a term loan and construction loans of approximately RMB1,483.6 million secured by the personal guarantee provided by Mr. Yu Pan and/or his spouse;

(ii) money market loan of approximately RMB40.4 million extended by a bank in China that are secured by a bank deposit of RMB40.0 million;

(iii) a trust loan of principal amount RMB500 million granted to a subsidiary by a trust company with mortgages to the trust company by some residential units developed in Zhoutouzui project and secured by the personal guarantee provided by Mr. Yu Pan;

(iv) a secured loan due 2019 in the principal amount of HK$500 million (RMB404.0 million) secured by a share charge over the entire equity interest in Guangzhou Zhoutouzui Development Limited ("**GZ Zhoutouzui**"), the project company of Zhoutouzui project. The loan is also secured by legal charge over 321,860,000 shares of the Company beneficially owned by Mr. Yu Pan and personal guarantee provided by Mr. Yu Pan and his spouse.

(v) unsecured loan of HKD100 million (RMB80.8 million) advanced from a shareholder, Grand Cosmos Holdings Limited;

(vi) unsecured bonds in aggregated principal value of HK$403.7 million (equivalent to approximately RMB326.1 million) issued to a number of bondholders with maturity term of three years due respectively in 2019, 2020 and 2021;

(vii) unsecured bonds issued under a medium-term bond program at aggregated principal value of HK$4,990.0 million (equivalent to approximately RMB4,031.4 million) at respective principal amount in aggregate of HK$290.0 million (RMB234.3 million) due in 2024, HK$80.0 million (RMB64.6 million) due in 2025, HK$100.0 million (RMB80.8 million) due in 2026, HK$10.0 million (RMB8.1 million) due in 2027, HK$570.0 million (RMB460.5 million) due in 2031, HK$960.0 million (RMB775.6 million) due in 2032, HK$1,300.0 million (RMB1,050.3 million) due in 2033 and HK$1,680.0 million (RMB1,357.3 million) due in 2034; and

(viii) loan balance of the Sale Loan of approximately RMB2,852.3 million is due to a shareholder by the Target Company.

In addition, as at 30 April 2018, the Group had commitments contracted but not provided for in respect of the property development costs of approximately RMB2,086.6 million.

The Group provided guarantees to the extent of approximately RMB5,409.9 million as at 30 April 2018 in respect of credit facilities granted by certain banks for mortgaged bank loans extended to some buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these buyers, the Group is responsible for repaying the outstanding mortgaged loans, accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take legal action against the defaulted buyers for losses and take possession of the related properties from the defaulted buyers. Such guarantees shall terminate upon delivery of properties and issuance of relevant property ownership certificates to the property buyers. The management, with its assessment of the current and outlook of the market, perceives that the possibility of default in mortgage loans by home buyers is remote and, in the event of default, the liabilities caused to the Group will be minimal as the loss will be adequately mitigated by the proceeds recovered from the sales of the repossessed properties. Accordingly, no provision is made in the accounts for the financial guarantees.

Save as aforesaid and apart from intra-group liabilities, and the normal trade and other payables incurred in the ordinary course of business, the Group and the Target Company did not have any debt securities issued and outstanding or agreed to be issued, outstanding bank borrowings, bank overdrafts, liabilities under acceptances, acceptance credits, mortgages, charges, other indebtedness in the nature of borrowing, finance lease or hire purchase commitments, guarantees or material contingent liabilities as at 30 April 2018.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into account the Enlarged Group's available financial resources, including the existing credit facilities and internal resources, and the Acquisition can be completed as currently envisaged, the Enlarged Group has sufficient working capital for its present requirements and for at least twelve months from the date of this circular in the absence of unforeseeable circumstances.

4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

As at the Latest Practicable Date, the Group is principally engaged in property development, property investment, property management and operations in youth community projects completed by the Group.

After the Acquisition, the Group will be undergoing eight projects in regions in the southern China covering Guangzhou, Shenzhen and Zhongshan in the Great Bay Area and Nanning, Chongqing in the south-west region and Xuzhou in Huaihai economic zone in Jiangsu province. Development costs of these projects are expected to be largely self-financed by sale proceeds of the projects which are due to be completed in the coming years up to 2023 and external borrowings at project and corporate levels. In light of the progress in the development of the projects and assuming that there are no unforeseeable material adverse changes in the business environment that affect the project development timelines and demand in the property market, and the capital market environment that affect the availability of financing, the expected cash generated from the sales and financing activities of the Enlarged Group will be sufficient to serve the obligations owed to the creditors of the Enlarged Group. The cash generated from operation of the Enlarged Group in the foreseeable years will be in positive and upward trend, strengthening the Enlarged Group in its expansion of land reserves to cope with its future business growth.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that they are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. RECONCILIATION OF VALUATION OF THE PROPERTIES

The following reconciliation statement reconciles the carrying amount of the Properties as at 31 December 2017 extracted from Appendix II to this circular to the valuation of the Properties as at 31 March 2018 set out in the valuation report in Appendix V to this circular.

	RMB'000
Carrying amount of the Properties as at 31 December 2017:	
Investment Properties	1,144,000
Properties under development	3,644,604
Properties held for sale	430,678
	5,219,282
Movements in carrying amount of the Properties from 1 January to 31 March 2018:	
Additions to the investment properties	19,000
Additions to the properties under development	378,998
Sales of Properties	(419,260)
Carrying amount of the Properties as at 31 March 2018	5,198,020
Net valuation surplus	1,114,560
Valuation of the Properties as at 31 March 2018	6,312,580

ACCOUNTANTS' REPORT ON THE TARGET COMPANY

The following is the text of a report set out on pages 18 to 58, received from the Target Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

TO THE DIRECTORS OF CHONGQING HESHENG REAL ESTATE DEVELOPMENT COMPANY LIMITED

Introduction

We report on the historical financial information of Chongqing Hesheng Real Estate Development Company Limited (the "Target Company") set out on pages 20 to 58, which comprises the statements of financial position as at 31 December 2015, 2016 and 2017 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages 20 to 58 forms an integral part of this report, which has been prepared for inclusion in the investment circular of Skyfame Realty (Holdings) Limited (the "Company") dated 27 June 2018 (the "Circular") in connection with a proposed acquisition of the entire paid capital of the Target Company pursuant to the Acquisition Agreement as defined in the Circular.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Company's as at 31 December 2015, 2016 and 2017 and of its financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

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

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 20 have been made.

BDO Limited
Certified Public Accountants
Chan Wing Fai
Practising Certificate Number: P05443
Hong Kong, 27 June 2018

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

PREPARATION OF THE HISTORICAL FINANCIAL INFORMATION

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

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		2015	**2016**	**2017**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	8	–	–	277,027
Cost of sales		–	–	(243,773)
Gross profit		–	–	33,254
Other income	9	95	484	1,269
Sales and marketing expenses		(6,084)	(18,751)	(18,285)
Administrative and other expenses		(9,946)	(11,817)	(12,158)
Fair value changes in investment properties	16	42,570	8,223	23,076
Finance costs	10	(5)	(119)	(5,779)
Profit/(loss) before taxation	11	26,630	(21,980)	21,377
Income tax expenses	12	(10,643)	(2,853)	(9,438)
Profit/(loss) and total comprehensive income attributable to owners of the Target Company for the year		15,987	(24,833)	11,939

STATEMENT OF FINANCIAL POSITION

	Notes	2015 RMB'000	2016 RMB'000	2017 RMB'000
Non-current assets				
Property, plant and equipment	15	1,594	3,104	18,838
Investment properties	16	981,000	1,065,000	1,144,000
Deferred tax assets	27	–	1,179	2,246
		982,594	1,069,283	1,165,084
Current assets				
Properties under development	17	3,284,679	3,846,157	3,644,604
Properties held for sale	18	–	–	430,678
Trade and other receivables	19	3,940	32,726	31,681
Amount due from a shareholder	20	–	55,000	9,114
Prepaid income tax		–	4,717	14,944
Restricted and pledged deposits	21	–	90,240	26,000
Cash and cash equivalent	22	4,229	19,783	28,259
		3,292,848	4,048,623	4,185,280
Current liabilities				
Trade and other payables	23	81,224	144,896	151,439
Pre-sale deposits		–	495,653	742,565
Amount due to a shareholder	24	3,350,608	3,654,547	3,943,839
Obligation under share repurchase agreement	25	–	650,000	–
Other borrowing – current portion	26	–	–	6,980
Income tax payable		–	1,977	–
		3,431,832	4,947,073	4,844,823
Net current liabilities		(138,984)	(898,450)	(659,543)
Total assets less current liabilities		843,610	170,833	505,541
Non-current liabilities				
Obligation under share repurchase agreement	25	650,000	–	–
Other borrowing – non-current portion	26	–	–	297,000
Deferred tax liabilities	27	46,356	48,412	54,181
		696,356	48,412	351,181
Net assets		147,254	122,421	154,360
Capital and reserves				
Registered capital	28	30,000	30,000	50,000
Retained profits		117,254	92,421	104,360
Total equity		147,254	122,421	154,360

STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2015	30,000	101,267	131,267
Profit and total comprehensive income for the year	–	15,987	15,987
At 31 December 2015 and 1 January 2016	30,000	117,254	147,254
Loss and total comprehensive income for the year	–	(24,833)	(24,833)
At 31 December 2016 and 1 January 2017	30,000	92,421	122,421
Profit and total comprehensive income for the year	–	11,939	11,939
Capital injection	20,000	–	20,000
At 31 December 2017	50,000	104,360	154,360

STATEMENT OF CASH FLOWS

	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES			
Profit/(loss) before tax	26,630	(21,980)	21,377
Adjustments for:			
Finance costs	5	119	5,778
Finance income	(95)	(484)	(1,237)
Fair value changes in investment properties	(42,570)	(8,223)	(23,076)
Depreciation of property, plant and equipment	89	400	647
Operating cash flows before movements in working capital	(15,941)	(30,168)	3,489
(Increase)/decrease in properties under development	(116,900)	(367,981)	380,513
Increase in properties held for sales	–	–	(430,678)
(Increase)/decrease in trade and other receivables	(3,666)	(28,786)	1,045
(Decrease)/increase in trade and other payables	(405,401)	63,670	6,543
Increase in properties pre-sale deposits	–	495,653	246,912
Cash (used in)/generated from operations	(541,908)	132,388	207,824
Income tax paid	–	(4,717)	(16,939)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(541,908)	127,671	190,885

	Note	2015 *RMB'000*	2016 *RMB'000*	2017 *RMB'000*
INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(1,163)	(1,959)	(63)
(Increase)/decrease in restricted and pledged deposits		–	(90,240)	64,240
Interest received		95	484	1,237
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		(1,068)	(91,715)	65,414
FINANCING ACTIVITIES				
Loan from a shareholder		923,260	92,500	600,000
Proceeds from sale and leaseback payable		–	–	300,000
Advance from/(to) a shareholder		3,000	(55,000)	45,886
Repayment of obligation under share repurchase agreement		(300,000)	–	(630,000)
Repayment of a shareholder's loan		–	–	(510,000)
Repayment of other borrowing		–	–	(1,000)
Interest paid		(82,359)	(57,902)	(52,709)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		543,901	(20,402)	(247,823)
NET INCREASE IN CASH AND CASH EQUIVALENTS		925	15,554	8,476
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		3,304	4,229	19,783
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	22	4,229	19,783	28,259

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Target Company was established in the People's Republic of China (the "PRC") as a limited liability company on 11 December 2013. Its registered office and its principal place of business is located at 15/F., No.1 Xueyuan Road, Nanan Qu, Chongqing, China.

The Target Company is principally engaged in property development during the Track Record Period. The Historical Financial Information is presented in RMB, which is the same as the functional currency of the Target Company.

2. BASIS OF PREPARATION AND PRESENTATION

The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 5 below which conform with the applicable HKFRSs issued by the HKICPA and complied with the disclosure requirements of the Hong Kong Companies Ordinary applicable for a PRC established company. All HKFRSs effective for the accounting period commencing from 1 January 2017, together with the relevant transitional provisions, have been adopted by the Target Company in the preparation of the Historical Financial Information throughout the Track Record Period.

The Historical Financial Information has been prepared under the historical cost basis, except that the investment properties are stated at fair value. The measurement bases are fully described in the accounting policies below in Note 5.

It should be noted that accounting estimates and assumptions are used in preparation of the Historical Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are described in Note 6.

3. GOING CONCERN

As at 31 December 2015, 2016 and 2017, the Target Company had net current liabilities of approximately RMB138,984,000, RMB898,450,000 and RMB659,543,000 respectively. This condition indicates the existence of a material uncertainty that may cast significant doubt on the Target Company's ability to continue as a going concern. The Target Company meets its day-to-day work capital requirements through its financial support from the shareholder. Its shareholder has confirmed its intention to provide continuing financial support to the Target Company so as to enable the Target Company to continue as a going concern and to meet its liabilities as and when they fall due. Accordingly, the financial statements have been prepared on a going concern basis.

4. ISSUED BUT NOT YET EFFECTIVE HKFRSs

The following new standards relevant to the operations of the Target Company have been issued and are not yet effective for its financial year beginning 1 January 2017 and have not been early adopted:

Amendments to HKFRSs	Annual improvement to HKFRSs 2014-2016 cycle except for amendments to HKFRS 12[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKAS 40	Transfers of Investments Property[1]
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC) – Int 23	Uncertainty Over Income Tax Treatments[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2021
[4] No mandatory effective date yet determined but available for adoption

The directors of the Target Company are in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Target Company's result of operations and financial positions. Specifically, the Target Company assesses the impact of HKFRS 9, HKFRS 15 and HKFRS 16 as follows:

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

During the year ended 31 December 2017, the Target Company has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts related to the classification and measurement and the impairment requirements and summerised as follows:

(i) Classification and measurement

The Target Company does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets.

(ii) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Target Company will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade or other receivables. Furthermore, the Target Company will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Target Company has expected that the provision for impairment will increase upon the initial adoption of the standard.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The Target Company principal activities consisted of property development, investment and management. During the year ended 31 December 2015, 2016 and 2017, the Target Company has performed a detailed assessment of the impact of the adoption of HKFRS 15. The Target Company does not expect the adoption of HKFRS 15 will have a significant impact on the Target Company's financial performance and financial position.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Target Company is in the process of making an assessment of the potential impact on its financial statements. So far, the most significant impact identified is that the Target Company will recognize new assets and liabilities for its operating leases. In addition, the nature of expenses related to those leases will now change as HKFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expenses on lease liabilities.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to the periods presented, unless otherwise stated.

(a) Property, plant and equipment

The property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings	40 – 50 years
Furniture, fixtures and equipment	2 – 5 years
Motor vehicles	8 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount. The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(b) Investment properties

Investment properties are properties held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

(c) Properties under development

Properties under development is initially recognised at cost, and subsequently at the lower of cost and net realisable value. The cost of properties comprises land costs, development expenditure, professional fees and borrowing costs capitalised. Land costs include prepaid lease payments representing up-front payments to acquire long-term interests in lessee-occupied properties. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(d) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost represents the carrying amount of properties under development upon the completion of the construction of properties. Net realisable value represents the estimated selling price of properties sold in the ordinary course of business less estimated costs to be incurred in selling the properties.

(e) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(f) Financial instruments

(i) Financial assets

The Target Company's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Target Company's loans and receivables comprise amount due from a director in the statement of financial position. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Target Company, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account unless the recovery of the amount is remote, in which case the impairment loss is written off against the financial asset directly. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities

The Target Company classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost, including trade and other payables and other borrowings, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Target Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Target Company measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 "*Provisions, Contingent Liabilities and Contingent Assets*"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "*Revenue*".

(vii) Obligation under share repurchase agreement

A contract that contains an obligation for the Target Company to repurchases its own equity instruments for cash upon the end of the contract term is classified as a financial liability. The financial liabilities are initially measured at the present value of the repurchase amount and subsequently measured at amortised cost using the effective interest method.

The potential cash payment related to equity instruments issued by the Target Company are accounted for as financial liabilities as such equity instrument only be settled by exchange of a fixed amount of cash.

(viii) Derecognition

The Target Company derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with *HKAS 39*.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged or cancelled or expires.

(g) Fair value measurement

The Target Company measures its investment properties, and certain financial assets at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Target Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(h) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable from goods sold or services provided, net of discounts and sales related taxes as follows:

(i) Revenue from sale of properties is recognised when the risks and rewards of ownership of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed, the properties have been delivered to the purchasers pursuant to the sales agreement and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are presented as current liabilities in the statement of financial position.

(ii) Rental income under operating leases is recognised on a straight-line basis over the terms of the relevant leases.

(iii) Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

(i) Income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "*Investment Property*". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Target Company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(j) Assets sold under a sale and leaseback agreement

Assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the statements of financial position. The proceeds from selling such assets are presented under "obligation under a sale and leaseback agreement" in the statements of financial position. The difference between the selling price and repurchasing price is recognised as interest expense during the term of the agreement using the effective interest method.

(k) Cash and cash equivalents

For the purpose of the statements 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 amount of cash, and 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 Company's cash management.

(l) Foreign currency

Transactions entered into by the Target Company in currencies other than the functional currency, which is the currency of the primary economic environment in which it operates, are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

(m) Impairment of non-financial assets other than goodwill

At the end of each reporting period, the Target Company reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment under cost model; and

- interests in leasehold land held for own use under operating leases.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of a non-financial asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(n) Government grants

Government grants are not recognised until there is reasonable assurance that the Target Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Target Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Target Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Target Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Company has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Target Company as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expenses, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

(q) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution pension plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Target Company can no longer withdraw the offer of those benefits and when the Target Company recognises restructuring costs involving the payment of termination benefits.

(r) Related parties

(1) A person or a close member of that person's family is related to the Target Company if that person:

(i) has control or joint control of the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of the key management personnel of the Target Company or its parent.

(2) An entity is related to the Target Company if any of the following conditions apply:

(i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities 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 the employees of the Target Company or an entity related to the Target Company;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of 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 Company or to the Target Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

6. CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Key sources of estimation uncertainty are as follows:

(a) Impairment of non-financial assets other than goodwill

If a triggering event occurs indicating that the carrying amount of an asset may not be recoverable, an assessment of the carrying amount of that asset will be performed. Triggering events include significant adverse changes in the market value of an asset, changes in the business or regulatory environment, or certain legal events. The interpretation of such events requires judgement from management with respect to whether such an event has occurred.

Upon the occurrence of triggering events, the carrying amounts of non-financial assets are reviewed to assess whether their recoverable amounts have declined below their carrying amounts. The recoverable amount is the present value of estimated net future cash flows which the Target Company expects to generate from the future use of the asset, plus residual value of the asset on disposal. Where the recoverable amount of non-financial assets is less than its carrying value, an impairment loss is recognised to write the assets down to its recoverable amount.

The impairment assessment is performed based on the discounted cash flow analysis. This analysis relies on factors such as forecast of future performance and long-term growth rates and the selection of discount rates. If these forecast and assumptions prove to be inaccurate or circumstances change, further write-down or reversal of the write-down of the carrying value of the non-financial assets may be required.

(b) Land appreciation taxes

PRC land appreciation tax ("**LAT**") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including land use rights, borrowing costs and all property development expenditures.

The Target Company which is engaged in property development business in the PRC is subject to land appreciation taxes, which have been included in income tax expense in profit or loss. However, the implementation of these taxes varies amongst various PRC cities and the Target Company has not finalised its LAT returns with the relevant tax authority in respect of the property development project. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Target Company recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expense and provision for land appreciation taxes in the period in which such determination is made.

(c) Income taxes and deferred taxes

The Target Company is subject to taxation in the PRC. Significant judgement is required in determining the amount of the provision for taxation and the timing of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will have impact on the income tax and/or deferred tax provisions in the period in which such determination is made.

(d) Provision for write-down in value of properties under development and properties held for sale

Management of the Target Company reviews the development budget and the estimation of net realisable value of the properties at the end of each reporting period, and makes provision for write-down in value, if any. These estimates are based on management's monitoring of the development progress, the current market conditions which may affect the cost to complete and/or the selling price, and the historical experience of selling the properties of similar nature. It could change as a result of changes in market conditions or internal factors of the Target Company. Such changes will have impact on the carrying amounts of the properties and the provision for write-down in value in the period in which such estimates have been changed. The Target Company reassesses these estimates at the end of each reporting period.

(e) Depreciation and useful lives of property, plant and equipment

At the end of each reporting period, the directors of the Target Company review and determine the estimated useful lives, residual values and related depreciation charges of property, plant and equipment, with reference to the estimated periods that the Target Company intends to derive future economic benefits from the use of these assets. The directors of the Target Company will revise the residual value, depreciation charge and the useful lives of the property, plant and equipment previously estimated, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Periodic review could result in a change in depreciable lives and residual lives and therefore depreciation charges in the future periods. During the Track Record Period, there is no revision of the estimated useful lives, residual values and the related depreciation charges of the property, plant and equipment.

7. SEGMENT REPORTING

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Target Company that are regularly reviewed by the chief operating decision maker (the "CODM"), being the directors of the Target Company, in order to allocate resources to segments and to assess their performance.

The Target Company's operating activities are attributable to a single operating segment focusing on the property development. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies which conform to HKFRSs, that is regularly reviewed by the CODM. The CODM monitors the revenue from the property development with no discrete information available to the CODM. The CODM reviews the profit for the year of the Target Company as a whole for performance assessment. No analysis of segment assets or liabilities is presented as they are not regularly provided to the CODM.

Geographical information

The Target Company's revenue from external customers based on the location of operation is derived solely in Chongqing. Non-current assets of the Target Company based on the location of assets are all located in the PRC. Accordingly, no segment analysis by geographical information is presented.

8. REVENUE

Revenue represents the gross proceeds from the sale of properties which is net of business tax and related taxes.

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Sale of properties	–	–	277,027

9. OTHER INCOME

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Bank interest income	95	484	1,237
Others	–	–	32
	95	484	1,269

10. FINANCE COSTS

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Interest expenses on:			
– amount due to a shareholder	218,775	212,815	199,292
– obligation under share repurchase agreement	82,353	57,784	46,930
– other borrowing	–	–	23,589
– others	5	119	54
Total finance costs	301,133	270,718	269,865
Less: Amount capitalised as properties under development	(301,128)	(270,599)	(264,086)
Finance costs charged to profit or loss	5	119	5,779

Borrowing costs capitalised for the years ended 31 December 2015, 2016 and 2017 are calculated by applying a capitalisation rate of 8.55%, 8.55% and 6% respectively, which is the weighted average of the borrowing costs applicable to the borrowings of the Target Company that are outstanding during the Track Record Period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

11. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSES

Profit/(loss) before income tax expenses is arrived at after charging/(crediting):

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Cost of properties sold	–	–	243,773
Write-down of properties under development/ properties held for sale	–	–	–
Cost of inventories recognised in profit or loss	–	–	243,773
Staff costs (including directors' emoluments)			
– Salaries, allowances and other benefits	6,388	9,579	10,469
– Contributions on defined contribution retirement plans	750	940	1,126
Less: Amount capitalised as properties under development	(3,037)	(4,541)	(5,210)
Total staff costs charged to profit or loss (including directors' emoluments *(note 13)*)	4,101	5,978	6,385
Auditors' remuneration	30	25	25
Depreciation of property, plant and equipment	114	449	696
Less: Amount capitalised as properties under development	(25)	(49)	(49)
Depreciation charged to profit or loss	89	400	647
Minimum lease payments paid under operating leases in respect of rented premises	599	595	451

12. INCOME TAX EXPENSES

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Current year			
– PRC enterprise income tax ("EIT")	–	1,976	1,710
– Land appreciation tax ("LAT")	–	–	3,026
– Deferred tax *(note 27)*	10,643	877	4,702
	10,643	2,853	9,438

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Target Company and its PRC subsidiaries is 25%.

The provision of PRC LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided, as appropriate, at ranges of progressive rates from 30% to 60% on the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditure.

The income tax expense can be reconciled to the profit before income tax expense per the statement of profit or loss and other comprehensive income as follows:

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) before income tax expense	26,630	(21,980)	21,377
Tax calculated at tax rate of 25%	6,657	(5,494)	5,344
Tax effect of deductible temporary differences	987	–	1,453
Tax effect of tax losses not recognised	2,999	–	5,162
Tax effect of tax losses recognised	–	(4,390)	–
Tax effect of specific allowance taxable for tax purposes	–	14,678	(699)
Tax effect of income not taxable for tax purposes	(2,377)	(2,817)	(6,525)
Tax effect of LAT	2,377	876	4,703
Income tax expenses for the year	10,643	2,853	9,438

13. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(i) Directors' emoluments

The aggregate amounts of the directors' emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) (the Ordinance) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) (the Regulation) are as follows:

For the year ended 31 December 2015

	Fees	**Basic salaries and allowances**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Directors				
陳良莊	–	–	–	–
劉會風	–	–	–	–
王高 *(note a)*	–	–	–	–
黄新	–	234	37	271
顧濤	–	–	–	–
	–	234	37	271

For the year ended 31 December 2016

	Fees	Basic salaries and allowances	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Directors				
陳良莊 *(note c)*	–	–	–	–
劉會風 *(note c)*	–	–	–	–
趙月君 *(note b)*	–	–	–	–
黄新 *(note c)*	–	242	54	296
顧濤 *(note c)*	–	–	–	–
	–	242	54	296

For the year ended 31 December 2017

	Fees	Basic salaries and allowances	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Directors				
謝曉華 *(note d)*	–	–	–	–
謝梅紅 *(note d)*	–	–	–	–
戴斌 *(note d)*	–	–	–	–
楊再卓 *(note d)*	–	212	47	259
邱良 *(note d)*	–	–	–	–
	–	212	47	259

Notes:

(a) Director was resigned in 2016.

(b) Director was appointed in 2016.

(c) Directors were resigned in 2017.

(d) Directors were appointed in 2017.

No emoluments were paid by the Target Company to directors of the Target Company as an inducement to join or upon joining the Target Company or as compensation for loss of office during the Track Record Period.

No directors have waived or agreed to waive any emolument paid by the Target Company during the Track Record Period.

(ii) Five highest paid individuals

The five highest paid employees of the Target Company during the Track Record Period were as follows:

	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Basic salaries and allowances	805	686	686
Discretionary bonus	528	420	397
Retirement scheme contributions	403	421	421
	1,736	1,527	1,504

Their emoluments were within the following bands:

	2015	**2016**	**2017**
	Number of individuals	*Number of individuals*	*Number of individuals*
Nil to HK$1,000,000	5	5	5

During the Track Record Period, none of the five highest paid individuals waived or agreed to waive any remuneration and there were no emoluments paid by the Target Company to any of the five highest paid individuals as an inducement to join, or upon joining the Target Company, or as compensation for loss of office.

14. DIVIDEND

No dividend was paid or declared by the Target Company during the Track Record Period.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture, fixtures and equipment	Motor vehicle	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost				
At 1 January 2015	–	229	322	551
Additions	–	232	931	1,163
Disposals	–	–	–	–
At 31 December 2015 and 1 January 2016	–	461	1,253	1,714
Additions	–	1,853	106	1,959
Disposals	–	–	–	–
At 31 December 2016 and 1 January 2017	–	2,314	1,359	3,673
Transfer from properties under development *(note 17)*	16,366	–	–	16,366
Additions	–	63	–	63
Disposals	–	–	–	–
At 31 December 2017	16,366	2,377	1,359	20,102
Accumulated depreciation				
At 1 January 2015	–	6	–	6
Charge for the year	–	59	55	114
Disposals	–	–	–	–
At 31 December 2015 and 1 January 2016	–	65	55	120
Charge for the year	–	296	153	449
Disposals	–	–	–	–
At 31 December 2016 and 1 January 2017	–	361	208	569
Charge for the year	86	448	161	695
Disposals	–	–	–	–
At 31 December 2017	86	809	369	1,264
Carrying value				
At 31 December 2015	–	396	1,198	1,594
At 31 December 2016	–	1,953	1,151	3,104
At 31 December 2017	16,280	1,568	990	18,838

16. INVESTMENT PROPERTIES

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January	877,000	981,000	1,065,000
Additions *(note 17)*	61,430	75,777	55,924
Net change from a fair value adjustment	42,570	8,223	23,076
Carrying amount at the end of the Track Record Period	981,000	1,065,000	1,144,000

The Target Company's investment properties consist of land and properties under construction located in the PRC.

The Target Company's investment properties were revalued individually during the Track Record Period and the valuations were performed by Cushman & Wakefield International Properties Advisers (Guangzhou) Co., Ltd., independent valuer who hold recognised and relevant professional qualifications, at RMB981,000,000, RMB1,065,000,000 and RMB1,144,000,000 as at 31 December 2015, 2016 and 2017 respectively. The Target Company's management appointed the external valuer in consideration of their market knowledge, reputation, independence and relevant professional standards. The Target Company's management has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed at each reporting date during the Track Record Period.

Fair value hierarchy

The fair value measurement of the Target Company's investment properties adopted income capitalisation approach and was classified as level 3 hierarchy as the investment properties have significant unobservable inputs. Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

Year	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
2015	Level 3	Income capitalisation approach The key inputs are: (1) Capitalisation rate; (2) Daily unit rent	(a) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 4.0%	The higher the capitalisation rate, the lower the fair value.
			(b) Daily unit rent, using direct comparables and taking into account of time, location and individual factors such as size of property and facilities, of RMB1.51/sq.m./day for the base level	The higher the daily unit rent, the higher the fair value.
2016	Level 3	Income capitalisation approach The key inputs are: (1) Capitalisation rate; (2) Daily unit rent	(a) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 4.0%	The higher the capitalisation rate, the lower the fair value.
			(b) Daily unit rent, using direct comparables and taking into account of time, location and individual factors such as size of property and facilities, of RMB1.57/sq.m./day for the base level	The higher the daily unit rent, the higher the fair value.

Year	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
2017	Level 3	Income capitalisation approach The key inputs are: (1) Capitalisation rate; (2) Daily unit rent	(a) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 4.0%	The higher the capitalisation rate, the lower the fair value.
			(b) Daily unit rent, using direct comparables and taking into account of time, location and individual factors such as size of property and facilities, of RMB1.64/sq.m./day for the base level	The higher the daily unit rent, the higher the fair value.

There were no changes to the valuation techniques during the Track Record Period.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

During the Track Record Period, there were no transfers into or out of Level 3 or any other levels. The Target Company's policy is to recognise transfers between Levels of the fair value hierarchy as at the end of each of the reporting periods in which they occur.

A reconciliation of the opening and closing fair value balance is provided below:

	Fair value of the investment property *RMB'000*	Change in unrealised gains included in profit or loss for the year *RMB'000*
Balance at 1 January 2015	877,000	
Additions	61,430	
Net Change revaluation of investment properties	42,570	42,570
(Level 3 recurring fair value)		
Balance at 31 December 2015 and 1 January 2016	981,000	
Additions	75,777	
Net Change revaluation of investment properties	8,223	8,223
(Level 3 recurring fair value)		
Balance at 31 December 2016 and 1 January 2017	1,065,000	
Additions	55,924	
Net Change revaluation of investment properties	23,076	23,076
(Level 3 recurring fair value)		
Balance at 31 December 2017	1,144,000	

17. PROPERTIES UNDER DEVELOPMENT

Properties under development in the PRC are as follows:

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Land use rights *(note)*	2,755,422	2,848,082	2,637,873
Construction costs	115,358	362,046	299,546
Others	413,899	636,029	707,185
Less: Accumulated write-down in value	–	–	–
	3,284,679	3,846,157	3,644,604

Note: Land use rights comprise cost of acquiring rights to use of lands located in the PRC for property development.

At 31 December 2017, certain properties under development were transferred to a counterparty under a sale and leaseback agreement. The Target Company retains the right for the development of such properties. In the meantime, the Target Company pledged its land use rights under the sale and leaseback agreement. Details are set out at note 26.

The following table reconciles the movement of the carrying amount of properties under development during the Track Record Period:

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of year	2,928,057	3,284,679	3,846,157
Additions			
– Capitalisation of depreciation of property, plant and equipment	25	49	49
– Capitalisation of finance costs	240,374	215,714	209,265
– Land and other development costs	116,223	345,715	270,313
Less: Completed properties transferred to property, plant and equipment	–	–	(16,366)
Less: Completed properties transferred to properties held for sale	–	–	(664,814)
Less: Accumulated write-down in value	–	–	–
At end of year	3,284,679	3,846,157	3,644,604

18. PROPERTIES HELD FOR SALE

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Completed properties held for sale	–	–	430,678
Less: Accumulated write-down in value	–	–	–
	–	–	430,678

All completed properties held for sale as at 31 December 2017 were located in the PRC (2015 and 2016: nil).

19. TRADE AND OTHER RECEIVABLES

		2015	2016	2017
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	(i)	–	832	841
Prepayment and deposits		3,039	2,441	5,449
Other receivables	(ii)	901	29,453	25,391
		3,940	32,726	31,681

Notes:

(i) The amount represented the consideration recoverable in respect of properties sold in accordance with the terms in the related sale and purchase agreements. The trade receivables are related to contracts of payment terms by instalment.

The Target Company has a policy of allowing an average credit period of 8 to 30 days to its trade customers. The Target Company's formal credit policy in place is to monitor the Target Company's exposure to credit risk through regular reviews of receivables and follow-up actions taken on overdue accounts. Credit evaluations are performed on all customers requiring credit over a certain amount.

The following is an ageing analysis of trade receivables, presented based on invoice dates, that are not individually nor collectively considered to be impaired is as follows:

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Neither past due not impaired	–	832	841

The directors of the Target Company consider that there has not been a significant change in credit quality of relevant customers and there is no recent history of default, therefore the amount are considered to be recoverable. The other classes within trade and other receivables do not contain impaired assets.

(ii) As at 31 December 2015, approximately RMB540,000, included in other receivables was amount due from a related company of the Target Company (2016 and 2017: nil) and the balance was unsecured, non-interest bearing and repayable on demand.

20. AMOUNT DUE FROM A SHAREHOLDER

As at 31 December 2016 and 2017, approximately RMB55,000,000 and RMB9,114,000 respectively was amount due from a shareholder, Zhonghe Property Development Limited* (Zhonghe Property) (中核房地產開發有限公司) (2015: nil) and the balance was unsecured, non-interest bearing and repayable on demand.

* *English name is for identification purpose only.*

21. RESTRICTED AND PLEDGED DEPOSITS

The Target Company's restricted bank deposits were denominated in RMB. The balance represents deposits received from buyers of pre-sold properties. These deposits are restricted to be used only to pay construction costs of the development projects and will be put for free use by the Target Company upon completion of the relevant projects.

22. CASH AND CASH EQUIVALENTS

	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	4,229	19,783	28,259

At 31 December 2015, 2016 and 2017, cash and cash equivalents were denominated in RMB that is the functional currency of the Target Company. Cash at bank carried interest at prevailing market rates during the Track Record Period.

23. TRADE AND OTHER PAYABLES

	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables *(note)*	79,167	125,687	130,881
Accruals	572	847	968
Other payables	1,485	18,362	19,590
	81,224	144,896	151,439

Note: Trade payables represented payables to suppliers and contractors. The credit terms granted by suppliers and contractors were stipulated in the relevant contracts and the payables were usually due for the settlement within 30 to 60 days. The Target Company has financial risk management policies in place to ensure that all payables are settled within the credit time-frame.

The following is an ageing analysis of trade payables presented based on the invoice date at 31 December 2015, 2016 and 2017:

	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Current or less than 1 month	79,132	87,081	51,218
1 to 3 months	35	38,561	72,991
More than 3 months but less than 12 months	–	45	6,672
	79,167	125,687	130,881

Included in trade payables was an amount of approximately RMB78,359,000, RMB123,033,000 and RMB114,211,000 due to related companies as at 31 December 2015, 2016 and 2017 respectively. Details of related party disclosure are set out in note 34.

24. AMOUNT DUE TO A SHAREHOLDER

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Amount due to Zhonghe Property	3,350,608	3,654,547	3,943,839
Carrying amounts repayable (based on scheduled repayment dates set out in the loan agreement):			
On demand or within one year	3,350,608	3,654,547	3,943,839
More than one year, but not exceeding two years	–	–	–
More than two years, but not exceeding five years	–	–	–
After five years	–	–	–
	3,350,608	3,654,547	3,943,839

The balance represented the amounts due to a major shareholder which were unsecured and interest bearing ranging from 6% to 8.55% per annum with a term of 1 year during the Track Record Period.

The amount of RMB3,350,608,000, RMB3,654,547,000 and RMB3,943,839,000 as at 31 December 2015, 2016 and 2017 respectively were used as the Target Company's property development and were all denominated in RMB, which is the functional currency of the Target Company and hence no foreign currency risk exposure.

25. OBLIGATION UNDER SHARE REPURCHASE AGREEMENT

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	950,000	650,000	650,000
Repayment	(300,000)	–	(650,000)
At end of year	650,000	650,000	–

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Analysed as:			
Current liabilities	–	650,000	–
Non-current liabilities	650,000	–	–
	650,000	650,000	–

Pursuant to a share repurchase agreement dated 9 October 2014, Beijing Fenghui Zhengrong Investment Management Centre* (北京豐匯正榮投資管理中心) subscribed for 20,000,000 share capital of the Target Company with a total subscription cash price of RMB950,000,000.

Under the agreement, the Target Company has obligation to repurchase the entire shares at the end of 3-year period. The amount of the repurchase price is equal to the sum of the subscription amount plus on return calculated at the rate of 8.55% per annum.

During the year ended 31 December 2015, total subscription price was reduced to RMB650,000,000 pursuant to the supplementary agreement.

As at 31 December 2017, the Target Company repurchased the entire shares, representing 20,000,000 share capital with price of RMB650,000,000.

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26. OTHER BORROWING

On 11 April 2017, the Target Company entered into a sale and leaseback agreement with a counterparty, an independent third party, to sell the Target Company's properties under development with carrying amount of approximately RMB300,000,000 (31 December 2015 and 2016: nil). The lease term was 6 years payable in 2023 with interest carrying at floating rate referenced to 95% of the over-5-year lending rate as quoted by the People's Bank of China.

Sale and leaseback agreement is transaction in which the Target Company sells its properties and simultaneously agree to repurchase it at the agreed date and price. The repurchase price is fixed and the Target Company still retains the right for the property development of such properties.

The proceeds from selling such properties are recognised as a financial liability in accordance with HKAS 39 and lease payments are payment of the financial liability.

Such properties sold under the sale and leaseback agreement are not derecognised from the statement of financial position but regarded as "collateral" for the financial liability because the Target Company retains substantially all the rights for the property development.

At 31 December 2017, the Target Company had pledged its land use right with carrying amount of RMB383,281,000 as security and was guaranteed by the ultimate holding company in connection with the sale and leaseback agreement.

Pursuant to the legal opinion, such sale and leaseback arrangement is regarded as other borrowing, rather than a finance lease.

For the arrangement, the counterparty has recourse to the transferred properties.

	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Other borrowing			
Secured other borrowing	–	–	303,980
At the end of the year, the maturity profile of the other borrowings are as follows:			
On demand or within one year	–	–	6,980
More than one year, but not exceeding two years	–	–	56,500
More than two years, but not exceeding five years	–	–	240,500
			303,980
Amount due within one year included in current liabilities	–	–	(6,980)
Amount due after one year	–	–	297,000

27. DEFERRED TAX ASSETS/LIABILITIES

The following is the analysis of the deferred tax assets/(liabilities) for financial reporting purposes:

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets	–	1,179	2,246
Deferred tax liabilities	(46,356)	(48,412)	(54,181)
	(46,356)	(47,233)	(51,935)

The components and movements in deferred tax assets/(liabilities) during the Track Record Period are as follows:

	Land appreciation tax	Revaluation of properties	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2015	–	(35,713)	(35,713)
Credited to profit or loss	–	(10,643)	(10,643)
At 31 December 2015 and at 1 January 2016	–	(46,356)	(46,356)
Credited to profit or loss	1,179	(2,056)	(877)
At 31 December 2016 and at 1 January 2017	1,179	(48,412)	(47,233)
Credited to profit or loss	1,067	(5,769)	(4,702)
At 31 December 2017	2,246	(54,181)	(51,935)

28. REGISTERED CAPITAL

(a) Registered capital

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Registered capital	30,000	30,000	50,000

For the year ended 31 December 2017, two shareholders contributed RMB16,000,000 and RMB4,000,000 respectively to repurchase RMB20,000,000 of registered capital of the Target Company in connection with the share repurchase agreement. Details are set out at note 25.

(b) Capital management policy

The primary objective of the Target Company's capital management are to safeguard the Target Company's ability to continue as a going concern, so that it can continue to provide returns for equity holders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products with the level of risk.

The Target Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Target Company may adjust the dividend payment to equity holders, raise new equity or sell assets to reduce debt. The Target Company is not subject to any externally imposed capital requirements. No change was made in the objectives, policies or processes for managing capital during the Track Record Period.

During the Track Record Period, the Target Company obtained funds from its shareholder and other financial institutions to meet all the operating needs.

The Target Company monitors capital on the maintaining optimal total equity at a reasonable level. Total equity as the end of the reporting periods were as follows:

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Total equity	147,254	122,421	154,360

29. CASH FLOW INFORMATION – FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities:

	Amount due to a shareholder	Amount due from a shareholder	Obligation under repurchase agreement	Other borrowing	Total
	(Note 24)	*(Note 20)*	*(Note 25)*	*(Note 26)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	2,208,572	(3,000)	950,000	–	3,155,572
Changes from cash flows:					
Proceeds from new loan	923,260	–	–	–	923,260
Repayment of loan	–	–	(300,000)	–	(300,000)
Interest element under repurchase agreement paid	–	–	(82,359)	–	(82,359)
Repayment of amount due to a shareholder		3,000	–	–	3,000
Total changes from financing cash flows:	3,131,832	–	567,641	–	3,699,473
Other changes:					
Capitalised borrowing costs on property under development	218,776	–	82,359	–	301,135
Total other changes	218,776	–	82,359	–	301,135
At 31 December 2015 and 1 January 2016	3,350,608	–	650,000	–	4,000,608
Changes from cash flows:					
Proceeds from new loan	92,500	–	–	–	92,500
Interest element under repurchase agreement paid	–	–	(57,902)	–	(57,902)
Advance to a shareholder	–	(55,000)	–	–	(55,000)
Total changes from financing cash flows:	3,443,108	(55,000)	592,098	–	3,980,206
Other changes:					
Capitalised borrowing costs on property under development	211,439	–	57,902	–	269,341
Total other changes	211,439	–	57,902	–	269,341
At 31 December 2016 and 1 January 2017	3,654,547	(55,000)	650,000		4,249,547

	Amount due to a shareholder (Note 24) RMB'000	Amount due from a shareholder (Note 20) RMB'000	Obligation under repurchase agreement (Note 25) RMB'000	Other borrowing (Note 26) RMB'000	Total RMB'000
At 31 December 2016 and 1 January 2017	3,654,547	(55,000)	650,000	–	4,249,547
Proceeds from new loan	90,000	–	–	300,000	390,000
Repayment of loan	–	–	(650,000)	(1,000)	(651,000)
Interest element under repurchase agreement paid	–	–	(32,709)	–	(32,709)
Interest element of other borrowing paid	–	–	–	(5,725)	(5,725)
Repayment of amount due to a shareholder	–	45,886	–	–	45,886
Total changes from financing cash flows:	3,744,547	(9,114)	(32,709)	293,275	3,995,999
Other changes:					
Interest expenses	–	–	–	5,725	5,725
Capitalised borrowing costs on property under development	199,292	–	32,709	–	232,001
Transaction cost	–	–	–	4,980	4,980
Total other changes	199,292	–	32,709	10,705	242,706
At 31 December 2017	3,943,839	(9,114)	–	303,980	4,238,705

30. EMPLOYEE RETIREMENT BENEFITS

Defined contribution pension plans

As stipulated by the labour regulations of the PRC, the Target Company participates in the defined contribution pension plans organised by the municipal and provincial governments for the benefits of its employees in the PRC. The Target Company is required to make contributions to the plans at ranges of specified percentages of the eligible employees' salaries.

Under all the plans, the Target Company has no other obligation for the payment of its employees' retirement and other postretirement benefits other than contributions described above.

31. OPERATING LEASE COMMITMENTS

Lessee

At the end of the reporting period, the Target Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises and staff quarters which fall due as follows:

	2015 *RMB'000*	**2016** *RMB'000*	**2017** *RMB'000*
Within one year	270	355	387
Later than one year and within five years	–	–	110
	270	355	497

32. CAPITAL COMMITMENTS

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Property construction and development costs	413,251	568,682	135,002

33. CONTINGENT LIABILITIES

The Target Company had no other material contingent liabilities during the Track Record Period.

34. RELATED PARTY TRANSACTIONS

During the Track Record Period, apart from the related party transactions disclosed elsewhere of this report, the Target Company entered into the following material transactions with the related party:

(a) Material transactions with related parties

Related parties	*Notes*	Nature of transaction	Transaction amount			Balance owned		
			2015	2016	2017	2015	2016	2017
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
China Nuclear Industrial Number 22 Construction Limited* ("Nuclear Industrial") 中國核工業第二二建設有限公司	(i)	Construction payables	88,971	154,395	72,392	78,359	90,993	72,553
Zhonghe Huatai Construction Limited* ("Zhonghe Huatai") 中核華泰建設有限公司	(i)	Construction payables	–	63,101	34,717	–	25,176	40,883
Zhenzhou Zhonghe Yantu Construction Limited* ("Zhenzhou Zhonghe") 鄭州中核岩土工程有限公司	(i)	Construction payables	–	12,419	9,672	–	6,864	775
Zhonghe	(ii)	Interest payables on shareholder loans	218,775	212,815	199,292	3,350,606	3,654,547	3,943,839
			307,746	442,730	316,073	3,428,965	3,777,580	4,058,050

Notes:

(i) Nuclear Industrial, Zhonghe Huatai and Zhenzhou Zhonghe are subsidiaries of China Nuclear Industrial Construction Holding Limited* (中國核工業建設股份有限公司), which is the Target Company's ultimate holding company. Construction payables to Nuclear Industrial, Zhonghe Huatai and Zhenzhou Zhonghe for the year ended 31 December 2015, 2016 and 2017 are on terms mutually agreed with the parties, and with reference to prevailing market prices under the construction contract.

(ii) Zhonghe is the controlling shareholder of the Target Company during the Track Record Period. The amount due to Zhonghe is unsecured, interest bearing ranging from 6% to 8.55% per annum with a term of 1 year. Details are set out at note 24.

* *English name is for identification purpose only.*

(b) Compensation of key management personnel

Directors are considered as the key management of the Target Company. Details are set out at note 13.

(c) Guarantees from the ultimate holding company

During the Track Record Period, the ultimate holding company, China Nuclear Industrial Construction Company* (中國核工業建設集團公司), has provided guarantee for the puttable shares and obligation under a sale and leaseback agreement.

* *English name is for identification purpose only.*

35. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Target Company's principal financial instruments comprise of cash and bank deposits. The main purpose of these financial instruments is to raise finance for the Target Company's operation. The target Company has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Target Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Target Company's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

Interest rate risk

The Target Company has limited exposure to risk of changes in market interest rates since all its interest-bearing bank receivables were at fixed interest rates.

Foreign currency risk

The Target Company's financial assets and liabilities are not subject to foreign currency risk. The fluctuations in the exchange rates of RMB against foreign currencies could affect the Target Company's results of operations. However, the transactions with foreign currencies were considered to be limited.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Target Company is exposed to credit risk arising from the sale of properties and its financing activities, mainly include trade receivables, other receivables, deposits with banks and financial institutions.

Liquidity risk

Due to the capital intensive nature of the Target Company's business, the Target Company ensures that it maintains sufficient cash and credit facilities to meet its liquidity requirements. The Target Company is expected to have adequate source of funding to manage its liquidity and financial position.

The maturity profile of the Target Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand or within 1 year	2 to 5 years	Total undiscounted cash flows	Carrying Amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2015				
Trade and other payables	81,224	–	81,224	81,224
Amount due to a shareholder	3,350,608	–	3,350,608	3,350,608
Obligation under share repurchase agreement	57,784	696,930	754,714	650,000
At 31 December 2016				
Trade and other payables	144,896	–	144,896	144,896
Amount due to a shareholder	3,654,547	–	3,654,547	3,654,547
Obligation under share repurchase agreement	696,930	–	696,930	650,000
At 31 December 2017				
Trade and other payables	151,439	–	151,439	151,439
Amount due to a shareholder	3,943,839	–	3,943,839	3,943,839
Other borrowing	21,045	330,269	351,314	303,980

36. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets at amortised cost and financial liabilities at amortised cost are shown as follows:

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at amortised cost			
Trade and other receivables	3,940	32,726	31,681
Restricted and pledged deposits	–	90,240	26,000
Cash and cash equivalent	4,229	19,783	28,259
	8,169	142,749	85,940
Financial liabilities at amortised cost			
Trade and other payables	81,224	144,896	151,439
Amount due to a shareholder	3,350,608	3,654,547	3,943,839
Obligation under share repurchase agreement	650,000	650,000	–
Other borrowing	–	–	303,980
	4,081,832	4,449,443	4,399,258

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables, amount due to a shareholder, obligation under share repurchase agreement and obligation under a sale and leaseback agreement.

Due to their short term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables, amount due to a shareholder, obligation under share repurchase agreement and obligation under a sale and leaseback agreement approximates fair value.

37. FINANCIAL GUARANTEE CONTRACT

Target Company provides guarantees to the extent of approximately RMB254,506,000 and RMB554,095,000 as at 31 December 2016 and 2017 respectively in respect of credit facilities granted by certain banks relating to the mortgage loans arranged for some buyers of the Target Company's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these buyers, the Target Company is responsible for repaying the outstanding mortgage principal, accrued interest and penalty owed by the defaulted purchasers to the banks and the Target Company is entitled to take legal action against the defaulted buyers for losses and take possession of the related properties from the defaulted buyers. Such guarantees shall terminate upon delivery of properties and issuance of relevant property ownership certificates to the property buyers. The management, with its assessment of the current and outlook of the market, perceives that the possibility of default in mortgage loans by home buyers is remote and, in the event of default, the liabilities caused to the Target Company will be minimal as the loss will be adequately mitigated by the proceeds recovered from the sales of the repossessed properties. Accordingly, no provision is made in the accounts for the financial guarantees.

38. EVENTS AFTER THE REPORTING PERIOD

No reportable event after the reporting period was noted.

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 27 June 2018.

Set out below is the management discussion and analysis of CQ Hesheng for each of the three years ended 31 December 2015, 2016 and 2017.

For the year ended 31 December 2017

A. Business review

During the year, CQ Hesheng delivered GFA 39,051 sq.m. of apartments and retail properties developed in phase one of the project to customers and recorded a total revenue of RMB277 million from the sales of properties. CQ Hesheng continued its development activities to cultivate phase one as scheduled. Construction costs totaling RMB271.4 million were incurred and inputted as development costs of properties under development and investment properties. As at 31 December 2017, GFA of 73,345 sq.m. of properties in phase one carrying development costs of RMB430.7 million were completed. These contracted sales will be delivered to customers in the first half year of 2018. Construction of project in phase two in aggregated saleable GFA of 680,195 sq.m. will commence in 2018.

B. Financial Review

Revenue and Margin

Property sales of CQ Hesheng for the year amounted to RMB277.0 million, recording the first batch of properties delivered in the year. Delivered properties were sold at an overall average selling price of RMB7,245 per sq.m.. Gross margin on property sales was 12.0%.

Operating Expenses

CQ Hesheng commenced presale of properties in phase one in 2016. In line with the presale activities in the two years, sales and marketing expenses for the year amounted to RMB18.3 million whilst administrative and other operating expenses were stabilized at RMB12.2 million. Included in the operating expenses are staff costs amounting RMB11.6 million of which RMB5.2 million were capitalized as costs of properties under development.

Finance Costs

Finance costs charged on indebtedness amounting to RMB269.9 million for the year. The interest-bearing indebtedness comprised advances from the controlling shareholder of CQ Hesheng, 中核房地產開發有限公司 (Zhonghe Real Estate Development Limited*) ("**Zhonghe**"), obligations under a share repurchase agreement and sale and leaseback agreement respectively due to two third parties. Most of the finance costs incurred were capitalized as costs of projects under development, leaving RMB5.8 million charged against operating results for the year. Borrowing costs for the year were capitalized at annualized rate of 6%.

Non-operating Item

Non-operating item represents an increase of RMB23.1 million in the fair value of investment properties under development.

Taxation

Income tax expenses, totaling RMB9.4 million charged against the profit for the year, consist of provision of RMB3.0 million for land appreciation tax on properties sold, provision of RMB1.7 million for corporate income taxes on assessable earnings for the year, and deferred tax of RMB4.7 million arising from deferred liability of RMB5.8 million on revaluation of investment properties net of deferred tax asset of RMB1.1 million recognized on land appreciation tax.

Profits Attributable to Shareholders

CQ Hesheng had a consolidated after-tax profit of RMB11.9 million for the year which was attributable to the shareholders of CQ Hesheng.

Liquidity and Financial Resources

Upon completion of the first phase of the project in 2017, after delivery of those contracted properties to customers in 2017, as at 31 December 2017, there remained aggregated GFA of 190,947 sq.m. of residential units, serviced apartments, offices and retail properties and 2,006 car parking spaces in phase one, of which GFA of 112,396 sq.m. had been completed amongst GFA of 41,872 sq.m. were contracted at sale values of RMB2.83 million and the remaining areas in phase one will be saleable pending completion of the final inspection, whilst the excavation works for phase two is being done. Properties under development are expected to fully be completed by 2020. Current assets also include completed properties held for sale of RMB430.7 million, trade and other receivables of RMB31.7 million, prepaid income tax of RMB14.9 million, interest-free and unsecured advance to a shareholder of RMB9.1 million, restricted pledged deposits of RMB26.0 million, and cash and cash equivalents of RMB28.3 million.

Non-current assets comprise investment properties in GFA of 248,800 sq.m. in phase two of the project at fair market value RMB1,144.0 million which are under development and are intended to be held for long term, motor vehicles, plant and equipment totaling RMB18.8 million, and deferred tax assets of RMB2.2 million.

The indebtedness of CQ Hesheng, aggregated to RMB4,247.8 million at the year-end date, comprising amounts due to Zhonghe, with a carrying amount of RMB3,943.8 million which is unsecured, interest bearing and repayable within one year, and a financial liability of RMB304.0 million in connection with an obligation due after the sale of some properties in the project to a third party for which CQ Hesheng was obliged to leaseback the properties after 6 years in 2023 and repurchase the properties at an agreed price and date. 93.0% of indebtedness are due within 12 months from the year-end date, 1.3% due within one to two years, and the remaining 5.7% beyond two years. As at 31 December 2017, CQ Hesheng repurchased RMB20 million share capital of CQ Hesheng pursuant to a share repurchase agreement entered into with a third party in 2014 at subscription price of RMB650 million whereupon the obligation of CQ Hesheng under the agreement was fully discharged.

The amounts due to Zhonghe bear interests ranging from 6% per annum with a term of 1 year. The liability in connection with the obligation of a sale and leaseback bears interest at floating rate at 95% of the over 5-year lending rate as quoted by the People's Bank of China.

The gearing ratio, calculated as total indebtedness net of cash and cash equivalents (the "**Net Debt**") divided by the equity of CQ Hesheng plus Net Debt, was 99.5% at year-end date. The Net Debt amounted to RMB4,219.5million at the year-end date. The high gearing ratio indicated that CQ Hesheng was heavily relied on Zhonghe who gave continuing financial support to CQ Hesheng for its ongoing operations.

Current assets were maintained at RMB4,185.3 million whilst current liabilities amounted to RMB4,844.8 million at the year-end. CQ Hesheng had net current liabilities of RMB659.5 million. The condition indicates uncertainty about CQ Hesheng's ability to meet with its working capital needs and its liabilities as and when they fall due, if Zhonghe and the other shareholder of CQ Hesheng do extend their financial support to CQ Hesheng.

In consideration of a sale and leaseback agreement entered into by CQ Hesheng with a counterparty which acquired certain properties of the project, CQ Hesheng had pledged its land use right with carrying amount of RMB383.3 million to secure for CQ Hesheng's subsequent repurchase of the properties. As at 31 December 2017, the outstanding balance of this secured indebtedness was RMB304.0 million which was sufficiently covered by the pledged properties.

Significant investment held and future plans for material investments or capital assets

Save for its interest in the Properties, CQ Hesheng did not have any significant investment held and had no future plans for material investments or capital assets not in the ordinary and usual course of its business. There was no plan for new business for CQ Hesheng.

Contingent liabilities and charges on assets

As at 31 December 2017, CQ Hesheng had no contingent liabilities or charges on assets.

Acquisition or disposal of subsidiaries and associated companies

There were no acquisition or disposal of subsidiaries and associated companies during the year ended 31 December 2017.

C. Treasury Management

CQ Hesheng is principally engaged in property development activities which are all conducted in the PRC and denominated in RMB, the functional currency of CQ Hesheng. As all CQ Hesheng's financial assets and liabilities are denominated in RMB, CQ Hesheng's financial assets and liabilities are not subject to foreign currency risk.

CQ Hesheng has limited exposure to risk of changes in market interest rates as a majority of its interest-bearing indebtedness were at fixed interest rates.

D. Employees

CQ Hesheng recruits suitable staff in capable caliber to fill positions required in its property development business. During the year, staff costs paid by CQ Hesheng amounted to RMB11.6 million, of which RMB1.5 million were paid to five highest paid employees whilst none of the directors of CQ Hesheng was paid with emoluments. Employees are remunerated according to qualifications and experience, job nature and performance at remuneration packages that are aligned with job markets in Chongqing.

For the year ended 31 December 2016

A. Business review

During the year, CQ Hesheng continued its development of a total GFA 215,811 sq.m. in phase one of the project. Construction costs totaling RMB366.6 million were incurred and inputted as development costs of properties under development and investment properties. As at 31 December 2016, total GFA of 88,656 sq.m. of properties in phase were contracted for sale at RMB495.7 million. The properties under development in phase one are expected to be completed in 2017 or early 2018.

B. Financial Review

Revenue and Margin

The first batch of properties under development will be completed in 2017 or early 2018 when the contracted sales will then be recognized as revenue. No revenue was generated in the year.

Operating Expenses

CQ Hesheng commenced presale of properties under development in phase one in the year. In line with the commencement of presale and development activities, sales and marketing expenses for the year rose to RMB18.8 million whilst administrative and other operating expenses increased to RMB11.8 million. Included in the operating expenses are staff costs amounting RMB10.5 million of which RMB4.5 million were capitalized as costs of properties under development.

Finance Costs

Finance costs were interests charged on indebtedness, amounting to RMB270.7 million for the year. The interest-bearing indebtedness comprised advances from Zhonghe and an obligation under a share repurchase agreement due to a third party. Nearly all finance costs incurred were capitalized as costs of projects under development, leaving minimal interests charged against the operating results for the year. Borrowing costs for the year were capitalized at annualized rate of 8.55%.

Non-operating Item

Non-operating item represents an increase of RMB8.2 million in the fair value of investment properties under development.

Taxation

Income tax expenses, totaling RMB2.9 million charged against the profit for the year, consist of provision of RMB2.0 million for corporate income taxes, and deferred tax of RMB1.0 million arising from deferred liability of RMB2.1 million on revaluation of investment properties net of deferred tax asset of RMB1.1 million recognized on land appreciation tax.

Profits Attributable to Shareholders

CQ Hesheng had a consolidated after-tax loss of RMB24.8 million for the year which was attributable to the shareholders of CQ Hesheng.

Liquidity and Financial Resources

As at 31 December 2016, aggregated GFA of 215,811 sq.m. of residential units, serviced apartments, offices and retail properties and 2,006 car parking spaces in phase one were under development, of which residential units of aggregated GFA of 88,656 sq.m. were contracted at sale values aggregated to RMB495.7 million. Properties under development, carried total carrying costs of RMB3,846.2 million, of which project in phase one is expected to be completed in 2017 or early 2018, and phase two by around 2020. Current assets also include trade and other receivables of RMB32.7 million, prepaid income tax of RMB4.7 million, interest-free and unsecured advance to a shareholder of RMB55.0 million, restricted pledged deposits of RMB90.2 million, and cash and cash equivalents of RMB19.8 million.

Non-current assets comprise investment properties in GFA of 248,800 sq.m. in phase two of the project at fair market value RMB1,065.0 million which are under development and are intended to be held for long term, motor vehicles, plant and equipment totaling RMB3.1 million, and deferred tax assets of RMB1.2 million.

The indebtedness of CQ Hesheng, aggregated to RMB4,304.6 million at the year-end date, comprising amounts due to Zhonghe with a carrying amount of RMB3,654.6 million which is unsecured, interest bearing and repayable within one year, and a financial liability of RMB650.0 million in connection with an obligation due to a third party for which CQ Hesheng was obliged to repurchase RMB20 million share capital at the reduced subscription amount of RMB650 million at an annualized return to the subscriber of 8.55% per annum. All indebtedness of CQ Hesheng is due within 12 months from the year-end date.

The amounts due to Zhonghe bear interests ranging from 6% per annum with a term of 1 year. CQ Hesheng's obligation to repurchase its share capital bears a return at a fixed rate of 8.55% per annum.

The gearing ratio, calculated as total indebtedness net of cash and cash equivalents (the "**Net Debt**") divided by the deficit of CQ Hesheng plus Net Debt, was 100.2% at year-end date. The Net Debt amounted to RMB4,284.8 million at the year-end date. The high gearing ratio indicated that CQ Hesheng was heavily relied on Zhonghe who gave continuing financial support to CQ Hesheng for its ongoing operations.

Current assets were maintained at RMB4,048.6 million whilst current liabilities amounted to RMB4,947.1 million at the year-end. CQ Hesheng had net current liabilities of RMB898.5 million. The condition indicates uncertainty about CQ Hesheng's ability to meet with its working capital needs and its liabilities as and when they fall due, if Zhonghe and the other shareholder of CQ Hesheng do extend their financial support to CQ Hesheng.

Significant investment held and future plans for material investments or capital assets

Save for its interest in the Properties, CQ Hesheng did not have any significant investment held and had no future plans for material investments or capital assets not in the ordinary and usual course of its business. There was no plan for new business for CQ Hesheng.

Contingent liabilities and charges on assets

As at 31 December 2016, CQ Hesheng had no contingent liabilities or charges on assets.

Acquisition or disposal of subsidiaries and associated companies

There were no acquisition or disposal of subsidiaries and associated companies during the year ended 31 December 2016.

C. Treasury Management

CQ Hesheng is principally engaged in property development activities which are all conducted in the PRC and denominated in RMB, the functional currency of CQ Hesheng. As all CQ Hesheng's financial assets and liabilities are denominated in RMB, CQ Hesheng's financial assets and liabilities are not subject to foreign currency risk.

CQ Hesheng has limited exposure to risk of changes in market interest rates as a majority of its interest-bearing indebtedness were at fixed interest rates.

D. Employees

CQ Hesheng recruits suitable staff in capable caliber to fill positions required in its property development business. During the year, staff costs paid by CQ Hesheng amounted to RMB10.5 million, of which RMB1.5 million were paid to the five highest paid employees whilst none of the directors of CQ Hesheng was paid with emoluments. Employees are remunerated according to qualifications and experience, job nature and performance at remuneration packages that are aligned with job markets in Chongqing.

For the year ended 31 December 2015

A. Business review

During the year, CQ Hesheng had being continuing its development of total GFA 215,811 sq.m. in phase one of the project since the land use rights of the land lots on the site were acquired in 2014. Construction costs totaling RMB116.9 million were incurred and inputted as development costs of properties under development. Presales of properties under development in phase one are expected to commence in 2016.

B. Financial Review

Revenue and Margin

CQ Hesheng expected that the earliest time that the first batch of properties will be delivered to customers in 2017 or early 2018. No revenue was generated in the year.

Operating Expenses

CQ Hesheng incurred sales and marketing expenses of RMB6.1 million whilst administrative and other operating expenses of RMB10.0 million. Included in the operating expenses are staff costs amounting RMB7.1 million of which RMB3.0 million were capitalized as costs of properties under development.

Finance Costs

Finance costs were interests charged on indebtedness, amounting to RMB301.1 million for the year. The interest-bearing indebtedness comprised advances from Zhonghe and an obligation due to a third party under a share repurchase agreement entered in 2014. Nearly all finance costs incurred were capitalized as costs of projects under development, leaving minimal interests charged against the operating results for the year. Borrowing costs for the year were capitalized at annualized rate of 8.55%.

Non-operating Item

Non-operating item represents an increase of RMB42.6 million in the fair value of investment properties under development.

Taxation

Income tax expenses totaling RMB10.6 million charged against the profit for the year represent provision for deferred tax on revaluation of investment properties.

Profits Attributable to Shareholders

CQ Hesheng had a consolidated after-tax profit of RMB16.0 million for the year which was attributable to the shareholders of CQ Hesheng.

Liquidity and Financial Resources

As at 31 December 2015, GFA of 215,811 sq.m. of residential units, serviced apartments, offices and retail properties and 2,006 car parking spaces in phase one were under development whilst construction of properties in phase two has not yet commenced. Properties under development carried total costs of RMB3,284.7 million, of which properties in phase one was expected to be completed in 2017 or early 2018, and phase two by around 2020. Current assets also include trade and other receivables of RMB3.9 million, and cash and cash equivalents of RMB4.2 million.

Non-current assets comprise investment properties in GFA of 248,800 sq.m. in phase two of the project at fair market value RMB981.0 million which are under development and are intended to be held for long term, and motor vehicles, plant and equipment totaling RMB1.6 million.

The indebtedness of CQ Hesheng, aggregated to RMB4,000.6 million at the year-end date, comprising amounts due to Zhonghe with a carrying amount of RMB3,350.6 million which is unsecured and interest bearing repayable within one year, and a financial liability of RMB650.0 million in connection with an obligation due to a third party by CQ Hesheng to repurchase RMB20 million share capital at the subscription amount of RMB950 million at an agreed annualized return of 8.55% per annum. During the year, the subscription price was reduced to RMB650 million following a repayment of obligation in the amount of RMB300 million during the year pursuant to a supplemental agreement. 83.8%of indebtedness of CQ Hesheng is due within 12 months from the year-end date and the other 16.2% is due within two years.

The amounts due to Zhonghe bear interests ranging from 6% per annum with a term of 1 year. CQ Hesheng's obligation to repurchase its share capital bears a return at a fixed rate of 8.55% per annum.

The gearing ratio, calculated as total indebtedness net of cash and cash equivalents (the "**Net Debt**") divided by the equity of CQ Hesheng plus Net Debt, was 99.6% at year-end date. The Net Debt amounted to RMB3,996.4 million at the year-end date. The high gearing ratio indicated that CQ Hesheng was heavily relied on Zhonghe who gave continuing financial support to CQ Hesheng for its ongoing operations.

Current assets were maintained at RMB3,292.9 million whilst current liabilities amounted to RMB3,431.8 million at the year-end. CQ Hesheng had net current liabilities of RMB139.0 million. The condition indicates uncertainty about CQ Hesheng's ability to meet with its working capital needs and its liabilities as and when they fall due, if Zhonghe and the other shareholder of CQ Hesheng do extend their financial support to CQ Hesheng.

Significant investment held and future plans for material investments or capital assets

Save for its interest in the Properties, CQ Hesheng did not have any significant investment held and had no future plans for material investments or capital assets not in the ordinary and usual course of its business. There was no plan for new business for CQ Hesheng.

Contingent liabilities and charges on assets

As at 31 December 2015, CQ Hesheng had no contingent liabilities or charges on assets.

Acquisition or disposal of subsidiaries and associated companies

There were no acquisition or disposal of subsidiaries and associated companies during the year ended 31 December 2015.

C. Treasury Management

CQ Hesheng is principally engaged in property development activities which are all conducted in the PRC and denominated in RMB, the functional currency of CQ Hesheng. As all CQ Hesheng's financial assets and liabilities are denominated in RMB, CQ Hesheng's financial assets and liabilities are not subject to foreign currency risk.

CQ Hesheng has limited exposure to risk of changes in market interest rates as a majority of its interest-bearing indebtedness were at fixed interest rates.

D. Employees

CQ Hesheng recruits suitable staff in capable caliber to fill positions required in its property development business. During the year, staff costs paid by CQ Hesheng amounted to RMB7.1 million, of which RMB1.7 million were paid to the five highest paid employees whilst none of the directors of CQ Hesheng was paid with emoluments. Employees are remunerated according to qualifications and experience, job nature and performance at remuneration packages that are aligned with job markets in Chongqing.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

This unaudited pro forma consolidated statement of assets and liabilities (the "**Unaudited Pro Forma Financial Information**") has been prepared for the purpose of providing shareholders of the Company with information about the impact of the Acquisition by illustrating how the Acquisition might have affected the assets and liabilities of the Group as at 31 December 2017, had the completion of the Acquisition taken place on 31 December 2017.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual assets and liabilities of the Enlarged Group that would have been attained had the Acquisition been completed on 31 December 2017. Neither does the Unaudited Pro Forma Financial Information purport to predict the future assets and liabilities of the Enlarged Group.

This Unaudited Pro Froma Financial Information has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the assets and liabilities of the Enlarged Group following the completion of the Acquisition.

This Unaudited Pro Froma Financial Information is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2017 as set out in the audited financial statements of the Group for the year ended 31 December 2017, and the audited statement of financial position of the Target Company as at 31 December 2017 as set out in the accountants' report on the Target Company included in Appendix II to this circular, after giving effect to the pro forma adjustments described in the accompanying notes.

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

Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group

	The Group as at 31 December 2017	The Target Company as at 31 December 2017	Unaudited Pro forma adjustment		Unaudited pro forma of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*Notes*	*RMB'000*
	(Note 2a)	*(Note 2b)*			
Non-current assets					
Property, plant and equipment	239,497	18,838			258,335
Investment properties	1,094,400	1,144,000			2,238,400
Goodwill	13,554	–			13,554
Available-for-sale investment	10,000	–			10,000
Loan to a non-controlling shareholder of a subsidiary	52,900	–			52,900
Derivative financial asset	46,144	–			46,144
Deferred tax assets	18,142	2,246			20,388
	1,474,637	1,165,084	–		2,639,721
Current assets					
Properties held for development	488,072	–			488,072
Properties under development	3,552,378	3,644,604	1,114,561	*2(d)(ii)*	8,311,543
Properties held for sale	3,754,243	430,678			4,184,921
Amount due to a shareholder	–	9,114			9,114
Trade and other receivables	1,200,792	31,681			1,232,473
Prepayments/deposits for proposed projects	1,385,269	–			1,385,269
Short-term investments	100,000	–			100,000
Prepaid income tax	–	14,944			14,944
Restricted and pledged deposits	1,313,264	26,000			1,339,264
Cash and cash equivalents	2,983,799	28,259	(500,500)	*2(c)*	2,510,168
			(1,390)	*2(e)*	
	14,777,817	4,185,280	612,671		19,575,768
Current liabilities					
Trade and other payables	1,374,346	151,439			1,525,785
Consideration payable	–	–	4,136,590		4,136,590
Properties pre-sale deposits	7,821,274	742,565			8,563,839
Amount due to a shareholder	–	3,943,839	299,000	*2(c)*	–
			64,175	*2(c)*	
			(4,307,014)	*2(c)*	
Bank and other borrowings – current portion	1,171,198	6,980	(2,000)	*2(c)*	1,176,178
Income tax payable	137,192	–	–		137,192
	10,504,010	4,844,823	190,751		15,539,584
Net current assets/(liabilities)	4,273,807	(659,543)	421,920		4,036,184

	The Group as at 31 December 2017	The Target Company as at 31 December 2017	Unaudited Pro forma adjustment		Unaudited pro forma of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*Notes*	*RMB'000*
	(Note 2a)	*(Note 2b)*			
Total assets less current liabilities	5,748,444	505,541	421,920		6,675,905
Non-current liabilities					
Bank and other borrowings – non-current portion	3,104,096	297,000	(297,000)	*2(c)*	3,104,096
Consideration payable	–	–	50,000		50,000
Derivative financial liabilities	12,333	–	–		12,333
Deferred tax liabilities	253,388	54,181	278,640	*2(d)(ii)*	586,209
	3,369,817	351,181	31,640		3,752,638
Net assets	2,378,627	154,360 *2(d)(i)*	390,280	*2(d)*	2,923,267

Notes:

1. Basis of preparation

   This Unaudited Pro Forma Financial information has been prepared in accordance with Rule 4.29 of the Listing Rules and based upon: (i) the audited consolidated statement of assets and liabilities of the Group as at 31 December 2017, which has been extracted from the audited financial statements of the Group for the year ended 31 December 2017; and (ii) the audited statement of assets and liabilities of the Target Company as at 31 December 2017, which has been extracted from the accountants' report on the Target Company included in Appendix II to this circular; and adjusted in accordance with the pro forma adjustments described in note 2 below, as if the Acquisition had been completed on 31 December 2017.

   This Unaudited Pro Forma Financial information has been prepared in a manner consistent with both the format and accounting policies adopted by the Group in the audited financial statements for the year ended 31 December 2017.

2. Notes to the pro forma adjustments

   (a) Figures are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2017, as set out in the annual report of the Company for the year ended 31 December 2017 dated 26 March 2018.

   (b) Being the audited statement of assets and liabilities of the Target Company as at 31 December 2017, as extracted from the accountants' report as set out in Appendix II to this circular.

   (c) Being an aggregated acquisition consideration of approximately RMB4,907,014,100, comprises (i) approximately RMB600,000,000 for the acquisition of 100% equity interest in the Target Company and (ii) settlement of a shareholder's loan due from the Target Company to Zhonghe Properties amounted to RMB4,307,014,000 of which (a) RMB3,943,839,000 is the principal value of the loan carried forward from 31 December 2017; (b) RMB299,000,000 of the other borrowing (comprising RMB2,000,000 and RMB297,000,000 of current and non-current portion of other borrowing respectively) which was refinanced by shareholder's loan in March 2018; and (c) RMB64,175,000 is the outstanding interests accrued on the loan accrued from 1 January 2018 to 31 March 2018.

       As at 31 March 2018, an aggregate amount of RMB500,500,000 as part consideration was paid to the vendors and the balance of RMB4,406,514 will be settled by cash instalments in 2018 and 2019.

   (d) The adjustment represents the gain on the acquisition upon the completion of the Equity Transfer Agreement, which is determined based on the consideration for the acquisition of 100% equity interest in the Target Company of RMB600,000,000, having adjusted for the following:

       (i) carrying amount as at 31 December 2017 of identifiable net assets of the Target Company is approximately RMB154,360,000; and

       (ii) the upward fair value adjustment to the properties under development of approximately RMB1,114,560,000 less deferred tax liabilities associated with the upward valuation adjustment of approximately RMB278,640,000.

       The consideration is lower than the fair value of the net assets acquired, resulting in a gain on bargain purchase of approximately RMB390,280,000.

   (e) The adjustment represents the payment of estimated acquisition-related costs, including expenses charged by accountant and other professional parties, totalling RMB1,390,000.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of Skyfame Realty (Holdings) Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Skyfame Realty (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated assets and liabilities as at 31 December 2017 (the "Pro Forma Financial Information"), and related notes as set out on pages 68 to 71 of the circular of the Company dated 27 June 2018 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on page 68.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of acquisition of 100% entity interests in Chongqing Hesheng Real Estate Development Company Limited (the "Transaction") on the Group's financial position as at 31 December 2017 as if the Transaction had taken place at 31 December 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's published audited financial statements for the year ended 31 December 2017.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the 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 ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* 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 requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 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 accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by 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 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 Pro Forma Financial Information.

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

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the 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 Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

BDO Limited
Certified Public Accountants
Hong Kong
27 June 2018

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Limited, an independent valuer, in connection with its opinion of market value in existing state of the Chongqing Project held by 重慶核盛房地產開發有限公司 (Chongqing Hesheng Real Estate Development Company Limited) ("CQ Hesheng") in the PRC as at 31 March 2018.

CUSHMAN & WAKEFIELD
戴德梁行

16/F Jardine House
1 Connaught Place
Central
Hong Kong

27 June 2018

The Directors
Skyfame Realty (Holdings) Limited
Unit 1401, 14th Floor
Capital Centre
151 Gloucester Road
Wanchai
Hong Kong

Dear Sirs,

Re: The Chongqing Project undertaken by CQ Hesheng situated in the junction of Tenglong Da Road and Chaotianmen Yangtze River Bridge, Nanan District, Chongqing, the PRC (the "Chongqing Project").

Instructions, Purpose & Valuation Date

In accordance with the instruction from Skyfame Realty (Holdings) Limited (the "Company") for us to prepare a market valuation of the Chongqing Project held by CQ Hesheng, in the People's Republic of China (the "PRC"); we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Chongqing Project in existing state as at 31 March 2018 (the "valuation date").

Definition of Market Value

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

Valuation Basis & Assumptions

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

In the course of our valuation of the Chongqing Project situated in the PRC, with reference to the PRC legal opinion of the Company's legal adviser,廣東聯合發展律師事務所 (Guangdong Joint Development Law Firm), we have prepared our valuation on the basis that transferable land use rights in respect of the Chongqing Project for its specific term at nominal annual land use fee has been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Company and the PRC legal opinion of the Company's legal adviser regarding the titles to the Chongqing Project and the interests in the Chongqing Project. In valuing the Chongqing Project, we have prepared our valuation on the basis that the owners have enforceable title to the Chongqing Project and have free and uninterrupted rights to use, occupy or assign the Chongqing Project for the whole of the unexpired terms as granted.

In respect of the Chongqing Project situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Company, are set out in the notes in the valuation report.

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

Method of Valuation

In valuing the Chongqing Project, which is held by CQ Hesheng for development in the PRC, we have valued the Chongqing Project by Direct Comparison Approach by making reference to comparable sales evidences as available in the relevant market.

In valuing the Chongqing Project, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2017 published by HKIS.

Source of Information

We have been provided by the Company with extracts of documents in relation to the titles to the Chongqing Project. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a considerable extent on the information given by the Company in respect of the Chongqing Project in the PRC and have accepted advice on such matters as planning approvals or statutory notices, easements, tenure, identification of the Chongqing Project, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised by the Company that no material facts have been omitted from the information provided.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided with copies of documents in relation to the current title to the Chongqing Project. However, we have not been able to conduct searches to verify the ownership of the Chongqing Project or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the Chongqing Project in the PRC and we have therefore relied on the advice given by the PRC legal adviser and the Company.

Site Inspection

Our Chongqing Office valuer, Liu Taowei (a China Real Estate Appraiser with 12 years of experience), has inspected the exterior and, wherever possible, the interior of the Chongqing Project in April 2018. However, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period.

Unless otherwise stated, we have not carried out on-site measurements to verify the site and floor areas of the Chongqing Project and we have assumed that the areas shown on the copies of the documents handed to us are correct.

Currency

Unless otherwise stated, all monetary amounts indicated herein our valuation are in Renminbi (RMB) which is the official currency of the PRC.

We attach herewith a valuation report.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Philip C Y Tsang
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc, MHKIS
Director

Note: Mr. Philip C Y Tsang is Registered Professional Surveyor who has over 25 years' experience in the valuation of properties in the PRC.

VALUATION REPORT

Chongqing Project held by CQ Hesheng for development in the PRC

Chongqing Project	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2018
The Chongqing Project undertaken by CQ Hesheng situated in the junction of Tenglong Da Road and Chaotianmen Yangtze River Bridge, Nanan District, Chongqing, the PRC	The Chongqing Project comprises a residential and commercial development erected on two parcel of land with a total site area of 219,336 sq.m. and a planned gross floor area of approximately 1,179,000 sq.m..	As at the valuation date, the unsold portion of the first phase was vacant whilst the development site for the second phase was a parcel of bare land.	RMB6,313,000,000 (RENMINBI SIX BILLION THREE HUNDRED AND THIRTEEN MILLION)

According to the information provided by Chongqing Hesheng, the property comprises the unsold portion of the first phase completed in 2017 and 2018 with a total gross floor area of approximately 238,675 sq.m.. The details of the planned gross floor area of the unsold portion of phase 1 are shown as follows:

Uses	Approximate Gross Floor Area *(sq.m.)*
Commercial	63,032
Residential	100,716
Carpark (2,006 lots)	74,927
Total	**238,675**

The property also comprises the development site for the second phase scheduled to be developed in Q4 2018 with a planned gross floor area of approximately 866,000 sq.m..

The Chongqing Project is situated in the junction of Tenglong Da Road and Chaotianmen Yangtze River Bridge, Nanan District, Chongqing, the PRC. Chongqing No. 11 Middle School, Chongqing Danzishi Middle School, Yonghui Superstores, ICBC and other commercial facilities are in the vicinity.

According to CQ Hesheng, the Chongqing Project is planned for residential and commercial use. There is no environmental issues and litigation dispute; there is no plan to change the use of the Chongqing Project.

The land use rights of the Chongqing Project have been granted with a term due to expire on 29 August 2064 for residential use and due to expire on 29 August 2054 for commercial use.

Notes:

(1) According to 6 Real Estate Title Certificates issue by Chongqing Administration of Land Resources and Housing, the land use rights of a total site area of 219,336 sq. m. have been vested in CQ Hesheng with the details as follows:

Certificate No.	Land Use	Expiry Date	Date of Issue	Site Area *(sq. m.)*
106D(2014)00757	Residential and Commercial	Residential: 29 August 2064 Commercial: 29 August 2054	8 December 2014	49,916
106D(2014)00756	Residential and Commercial	Residential: 29 August 2064 Commercial: 29 August 2054	8 December 2014	18,487
106D(2015)00422	Residential and Commercial l	Residential: 29 August 2064 Commercial: 29 August 2054	28 July 2015	31,708
106D(2015)00421	Residential and Commercial	Residential: 29 August 2064 Commercial: 29 August 2054	28 July 2015	23,393
106D(2015)00420	Residential and Commercial	Residential: 29 August 2064 Commercial: 29 August 2054	28 July 2015	17,589
106D(2015)00423	Residential and Commercial	Residential: 29 August 2064 Commercial: 29 August 2054	28 July 2015	78,243
Total				**219,336**

(2) According to 2 Grant Contracts of State-owned Land Use Rights entered between Chongqing Administration of Land Resources and Housing and CQ Hesheng, the land use rights comprising a total site area of approximately 219,336.00 sq. m. have been granted to CQ Hesheng with the details as follows:

Contract No.	:	(2014)65
Location	:	D4-1-1/04 and D4-1-2/04, Zone D of Danzishi Group, Nanan District
Site Area	:	68,403.00 sq. m.
Land Use	:	Residential and Commercial
Land Use Term	:	40 years for commercial use and 50 years for residential use
Plot Ratio GFA	:	Total: 244,402.10 sq. m. Residential: 146,641.26 sq. m. Commercial: 97,760.84 sq. m.
Land Premium	:	RMB970,000,000
Building Covenant	:	To complete the construction before 30 August 2018

Contract No.	:	(2014)26
Location	:	D3-2/03, Zone D of Danzishi Group, Nanan District
Site Area	:	150,933.00 sq. m.
Land Use	:	B22-Art and media, R2-Residential
Land Use Term	:	40 years for commercial use and 50 years for residential use
Plot Ratio GFA	:	Total: 592,387.00 sq. m. Residential: 236,954.80 sq. m. Commercial : 355,432.20 sq. m.
Land Premium	:	RMB2,400,000,000
Building Covenant	:	To complete the construction before 30 August 2018

(3) According to Planning Permit for Construction Use of Land No. 500108201500057 dated 29 December 2015 issued by Chongqing Urban Planning Bureau, the construction site of the Chongqing Project with a site area of 219,272.84 sq. m. is in compliance with the requirements of urban planning requirement.

(4) According to 2 Planning Permits for Construction Works, the construction works of phase 1 of the Chongqing Project with a total planned floor area of approximately 312,542.12 sq. m. are in compliance with the urban planning requirements and have been approved with the details as follow:

Permit No.	Date of Issue	Planned Gross Floor Area *(sq. m.)*
500108201600001	12 January 2016	59,236.06
500108201600013	17 March 2016	253,306.06
Total		**312,542.12**

(5) According to 3 Commencement Permits for Construction Works, the construction works of phase 1 of the Chongqing Project with a total planned gross floor area of 312,542.12 sq. m. are in compliance with the requirements for works commencement and have been permitted with the details as follows:

Permit No.	Date of Issue	Planned Gross Floor Area *(sq. m.)*
500108201601290101	29 January 2016	59,236.06
500108201607070101	7 July 2016	162,837.26
500108201607070201	7 July 2016	90,468.80
Total		**312,542.12**

(6) According to 3 Commodity Housing Pre-sale Permits issued by Chongqing Administration of Land Resources and Housing, the construction works of phase 1 of the Chongqing Project with a total gross floor area of 144,242.17 sq. m. were permitted to pre-sale.

Permit No.	Date of Issue	Use	Block	Gross Floor Area *(sq. m.)*
(2016)078	29 January 2016	Residential	1-2 and 1-3	38,110.15
(2016)585	19 August 2016	Non-residential	1-2 and 1-3	2,792.64
		Residential	2-2	20,348.75
		Residential	2-1	24,013.92
		Residential	1-4	19,749.89
		Residential	2-3	20,435.79
(2016)996	8 December 2016	Residential	1-5	18,791.03
Total				**144,242.17**

(7) According to 4 Completion Examination and Acceptance Permits, the construction works has been completed and with approval for register with details as follows:

Permit No.	Date of Issue	Phase	Construction Name	Gross Floor Area (sq. m.)
(2017)0061	2 November 2017	1	Residential Portion of Block 1-2 and 1-3	38,968.17
(2017)0083	29 December 2017	1	Commercial Portion of Block 1-2# and 1-3	2,903.62
(2018)0013	30 March 2018	1	Block 1-4 and 1-5	39,597.78
(2017)0084	29 December 2017	1	Block 2-1 to 2-4 (Exclusive of underground carpark)	70,524.63
Total				**151,994.20**

(8) According to 11 Survey Reports, the total gross floor area of portion of phase 1 of the Chongqing Project is 194,607.56 sq. m..

Report No.	Date of Issue	Block	Gross Floor Area (sq. m.)
XRFC201709029-001	20 September 2017	1-2	19,201.38
XRFC201709029-002	20 September 2017	1-3	19,407.82
XRFC201709029-003	20 September 2017	Commercial Podium of 1-2 and 1-3	2,911.20
XRFC201710050	6 November 2017	1-1	14,346.58
XRFC201711127-001	22 February 2018	2-1	25,737.28
XRFC201711127-002	22 February 2018	2-2	21,071.04
XRFC201711127-003	22 February 2018	2-3	20,962.81
XRFC201711127-004	22 February 2018	2-4	2,585.61
XRFC2018030283-001	29 March 2018	1-4	20,259.56
XRFC2018030283-002	29 March 2018	1-5	19,222.17
XRFC201705092	13 June 2017	1-6	28,902.11
Total			**194,607.56**

(9) As advised by the Company, the saleable gross floor area of 66,250.19 sq. m. of residential and retail units have been delivered as at the valuation date, the said saleable gross floor area is excluded from the valuation scope.

(10) According to the information provided by the Company, various residential and retail units of phase 1 of the Chongqing Project with a saleable gross floor area of approximately 75,291.99 sq. m. has been pre-sold for a consideration of approximately RMB706,000,000. In the course of our valuation, we have taken into account.

(11) According to Business License No. 915001080846868389 dated 8 April 2018, CQ Hesheng was established on 11 December 2013 as a limited liability company with a registered capital of RMB50,000,000.

(12) According to the PRC legal opinion:

(i) CQ Hesheng has obtained the Real Estate Title Certificate of the Chongqing Project and the Real Estate Title Certificate is valid and legal;

(ii) CQ Hesheng is the sole legal land user of the Chongqing Project; and

(iii) CQ Hesheng has obtained relevant approval for development of the Chongqing Project.

(13) The status of the title and grant of major approvals and licence in accordance with the information provided by CQ Hesheng and the opinion of the PRC legal adviser:

Real Estate Title Certificate	Yes
Grant Contract of State-owned Land Use Rights	Yes
Planning Permits for Construction Use of Land	Yes
Planning Permits for Construction Works	Yes (part)
Commencement Permit for Construction Works	Yes (part)
Commodity Housing Pre-sale Permits	Yes (part)
Completion Examination and Acceptance Certificate	Yes (part)
Survey Report	Yes (part)
Business License	Yes

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and Chief Executive's interests and short positions in Shares, underlying Shares and debentures of the Company and its associated corporation

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required, (i) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii), pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in the Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, are as follows:

(a) Interests in the Shares or underlying Shares

Name of Director	**Company/ Associated corporation**	**Capacity**	**Number of Shares or underlying Shares** *(note 1)*	**Approximate shareholding percentage** *(note 2)*
Mr. YU Pan	Company	Interest of controlled corporation and/or beneficial owner	1,909,028,407 (long) 17,444,444 (short)	72.51% 0.66%
Mr. WEN Xiaobing	Company	Beneficial owner	130,000 (long)	0.01%

Notes:

1. These Shares comprised 228,364,000 existing Shares and 1,680,664,407 existing Shares held directly by Grand Cosmos Holdings Limited ("**Grand Cosmos**"). The entire issued share capital of Grand Cosmos was held by Sharp Bright International Limited ("**Sharp Bright**"), the entire issued share capital of which was held by Mr. YU Pan. Of the 1,909,028,407 Shares, (i) 235,000,000 and 86,860,000 Shares were charged by Grand Cosmos and Mr. YU Pan respectively in favour of China Huarong International Holdings Limited pursuant to two collateral agreements both dated 27 July 2017 in relation to a loan facility of HK$500 million granted to the Company; (ii) 1,000,000,000 Shares were charged by Grand Cosmos in favour of Haitong International Financial Solutions Limited pursuant to a security deed dated 14 December 2017 in relation to a term loan facility granted to Grand Cosmos, and (iii) 48,000,000 Shares were charged by Grand Cosmos in favour of West Ridge Investment Company Limited pursuant to a share charge dated 17 April 2018 in relation to a redeemable exchangeable bond in the principal amount of HK$78,500,000 issued by Grand Cosmos to West Ridge Investment Company Limited which is exchangeable for 17,444,444 Shares at the initial exchange price of HK$4.5 per Share upon exercise of the exchange right in full.

2. For the purposes of this section, the shareholding percentage in the Company was calculated on the basis of 2,632,637,985 Shares in issue as at the Latest Practicable Date.

(b) Interests in underlying Shares arising from share options

As at the Latest Practicable Date, the following Directors had interests as beneficial owners in options to subscribe for Shares granted under the 2005 Scheme and 2015 Scheme:

Name of Director	Exercise price (adjusted) *(HK$)* *(note 1)*	Exercise period	Number of underlying Shares	Approximate shareholding percentage *(note 3)*
Mr. WEN Xiaobing	0.6714	11 August 2012 to 10 August 2021 *(note 1)*	4,843,097	0.18%
	1.0820	26 June 2016 to 25 June 2025 *(note 2)*	8,000,000	0.30%
Mr. CHOY Shu Kwan	1.0820	26 June 2016 to 25 June 2025 *(note 2)*	1,000,000	0.04%
Mr. CHENG Wing Keung, Raymond	1.0820	26 June 2016 to 25 June 2025 *(note 2)*	1,000,000	0.04%
Ms. CHUNG Lai Fong	1.0820	26 June 2016 to 25 June 2025 *(note 2)*	714,000	0.03%

Notes:

1. (i) First tranche (33.33% of the Options granted) is exercisable from 11 August 2012 to 10 August 2021;

   (ii) Second tranche (33.33% of the Options granted) is exercisable from 11 August 2015 to 10 August 2021; and

   (iii) Third tranche (33.34% of the Options granted) is exercisable from 11 August 2018 to 10 August 2021;

2. (i) First tranche (14.3% of the Options granted) is exercisable from 26 June 2016 to 25 June 2025;

   (ii) Second tranche (14.3% of the Options granted) is exercisable from 26 June 2017 to 25 June 2025;

   (iii) Third tranche (14.3% of the Options granted) is exercisable from 26 June 2018 to 25 June 2025;

   (iv) Fourth tranche (14.3% of the Options granted) is exercisable from 26 June 2019 to 25 June 2025;

   (v) Fifth tranche (14.3% of the Options granted) is exercisable from 26 June 2020 to 25 June 2025;

   (vi) Sixth tranche (14.3% of the Options granted) is exercisable from 26 June 2021 to 25 June 2025; and

   (vii) Seventh tranche (14.2% of the Options granted) is exercisable from 26 June 2022 to 25 June 2025.

3. For the purpose of this section, the percentage of shareholding in the Company was calculated on the basis of 2,632,637,985 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, the Directors and the chief executive of the Company are not aware of any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which 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 members of the Group or had any option in respect of such capital.

Persons who have interests or short positions in Shares, underlying Shares and debentures of the Company which are discloseable under Divisions 2 and 3 of Part XV of the SFO

At the Latest Practicable Date, so far as known to any Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Interests in the Shares or underlying Shares

Name of Shareholder	Capacity	Number of Shares and underlying Shares	Approximate shareholding percentage *(note 2)*
Sharp Bright	Interest of controlled corporation	1,680,664,407 (long) 17,444,444 (short) *(note 1)*	63.84% 0.66%
Grand Cosmos	Beneficial owner	1,680,664,407 (long) 17,444,444 (short) *(note 1)*	63.84% 0.66%
China Huarong International Holdings Limited	Person having a security interest in shares	321,860,000 (long)	12.23%
China Huarong Asset Management Co., Ltd.	Interest of controlled corporation	321,860,000 (long)	12.23%
Ministry of Finance of the People's Republic of China	Interest of controlled corporation	321,860,000 (long)	12.23%

Name of Shareholder	Capacity	Number of Shares and underlying Shares	Approximate shareholding percentage *(note 2)*
Haitong International Financial Solutions Limited	Person having a security interest in shares	1,000,000,000 (long)	37.99%
Haitong International Holdings Limited	Interest of controlled corporation	1,065,444,444 (long)	40.47%
Haitong International Securities Group Limited	Interest of controlled corporation	1,065,444,444 (long)	40.47%
Haitong Securities Co., Ltd.	Interest of controlled corporation	1,065,444,444 (long)	40.47%

Notes:

1. The 1,680,664,407 existing Shares were held directly by Grand Cosmos. As the entire issued share capital of Grand Cosmos was held by Sharp Bright, Sharp Bright was deemed to be interested in the Shares in which Grand Cosmos was interested by virtue of the SFO. As the entire issued share capital of Sharp Bright was held by Mr. YU Pan, Mr. YU Pan was deemed to be interested in the Shares in which Sharp Bright was interested by virtue of SFO. Of 1,680,664,407 Shares, (i) 235,000,000 Shares together with 86,860,000 Shares held by Yu Pan were charged in favour of China Huarong International Holdins Limited pursuant to two collateral agreements both dated 27 July 2017 in relation to a loan facility of HK$500 million granted to the Company; and (ii) 1,000,000,000 Shares were charged in favour of Haitong International Financial Solutions Limited pursuant to a security deed dated 14 December 2017 in relation to a term loan facility granted to Grand Cosmos and (iii) 48,000,000 Shares were charged by Grand Cosmos in favour of West Ridge Investment Company Limited pursuant to a share charge dated 17 April 2018 in relation to a redeemable exchangeable bond in the principal amount of HK$78,500,000 issued by Grand Cosmos to West Ridge Investment Company Limited which is exchangeable for 17,444,444 Shares at the initial exchange price of HK$4.5 per Share upon exercise of the exchange right in full..

2. For the purpose of this section, the shareholdings percentage in the Company was calculated on the basis of 2,632,637,985 Shares in issue as at Latest Practicable Date.

Save as disclosed above, as at Latest Practicable Date, the Company had not been notified by any persons or corporations who had long or short position in the Shares and/or underlying Shares, which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. INTERESTS IN OTHER COMPETING BUSINESS

As at the Latest Practicable Date, Mr. Yu, the chairman of the Company, is also a director and substantial shareholder of a company listed on the Shenzhen Stock Exchange, namely 綠景控股股份有限公司 (Lvjing Holding Co., Ltd.*) ("**Lvjing**"). Lvjing has changed its business focus to the medical and healthcare industry and wound down its real estate development business in recent years. Save as the aforesaid, none of the Directors and his/her respective close associates had any interests in any business, which competes or is likely to compete, either directly or indirectly, with the Company's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules).

Notwithstanding the foregoing, Mr. Yu has undertaken to the Company that for so long as he remains as a Director or a controlling Shareholder, all enquiries and actual or potential business opportunities received by him (and/or his associates) in relation to property development, project management and property investment in the PRC (the "**Business Opportunities**") shall be referred by Mr. Yu to the Company on a timely basis and the Business Opportunities must be first offered or made available to the Group.

5. INTERESTS IN CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any subsisting contract or arrangement which is significant in relation to the business of the Group as a whole.

6. INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2017, being the date to which the latest published audited financial statements of the Company were made up.

7. LITIGATION

As at the Latest Practicable Date, the Directors were not aware of any litigation or claims of material importance which were pending or threatened against any member of the Group.

8. EXPERTS AND CONSENTS

The following are the qualifications of experts who have given their opinions on this circular:

Name	**Qualification**
BDO Limited	Certified Public Accountant
Cushman & Wakefield Limited	Professional surveyor and valuer

As at the Latest Practicable Date, BDO Limited and Cushman & Wakefield Limited had given and have not withdrawn its written consent to the issue of this circular with the inclusion of the text of its letter and/or report and/or the reference to its name in the form and context in which they appear herein.

As at the Latest Practicable Date, BDO Limited and Cushman & Wakefield Limited had no shareholding in any member of the Group or the right whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. MATERIAL CONTRACTS

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

(a) a placing agreement dated 21 June 2016 entered into between the Company and Crosby Securities Limited in relation to placing of HK$100,000,000 10% unsecured bonds of the Company due 2019 which was issued on 5 July 2016 pursuant to a bonds instrument dated 5 July 2016 executed by the Company;

(b) the equity and loan transfer agreement dated 27 September 2016 entered into between 廣州天譽控股集團有限公司 (前稱廣州市天譽房地產開發有限公司) (Guangzhou Tianyu Holdings Group Company Limited*, formerly known as Guangzhou Tianyu Real Estate Development Company Limited*) ("**GZ Tianyu**"), a company established in the PRC with limited liability of which Mr. Yu Pan, the Company's chairman and chief executive officer, is the controlling shareholder and 廣州譽浚諮詢服務有限公司 (Guangzhou Yu Jun Consulting Service Company Limited*) ("**Yu Jun**"), a company established in the PRC with limited liabilities and an indirect wholly-owned subsidiary of the Company pursuant to which Yu Jun agreed to dispose 70% equity interest in 永州市天譽房地產開發有限公司 (Yongzhou Tianyu Real Estate Development Company Limited*) to GZ Tianyu at a consideration of approximately RMB279,643,773;

(c) a placing agreement dated 15 November 2016 entered into between the Company and Venture Smart Asia Limited in relation to placing of HK$200,000,000 5% unsecured bonds of the Company due 2019 which was issued by six tranches from November 2016 to November 2017 pursuant to a bonds instrument dated 18 November 2016 executed by the Company;

(d) an engagement agreement dated 16 June 2017 entered into between the Company and Apastron Capital Limited ("**Apastron**") in relation to the appointment of Apastron as an exclusive and sole agent for the placing of bonds;

(e) two placing agreements both dated 16 June 2017 entered into between the Company and Apastron in relation to placing of 7.5% coupon bonds maturing in 2027 and 8.0% coupon bonds maturing in 2034;

(f) an arranger agreement dated 16 June 2017 entered into between the Company and Apastron in relation to the exchange and issue of 0.1% coupon bonds under a HK$1,500,000,000 medium term bond programme;

(g) two registrar addendum deeds both dated 16 June 2017 entered into between the Company, Apastron and SMP Partners (Cayman) Limited in relation to the Company's assignment of rights to Apastron to allot and issue of bonds in accordance with exchange notice executed by the holders of bonds maturing in 2027 and 2034;

(h) a credit facility dated 25 July 2017 entered into between the Company and China Huraong International Holdings Limited ("**China Huarong**") for the grant of HK$500,000,000 credit facility secured by a share mortgage dated 27 July 2017 in favour of China Huarong in relation to the charge of the entire issued shares of Guangzhou Zhoutouzhui Development Limited, an indirect wholly-owned subsidiary of the Company;

(i) a placing agreement dated 15 December 2017 entered into between the Company, Crosby Securities Limited and Venture Smart Asia Limited in relation to placing of 6% unsecured fixed coupon bonds in an aggregate principal amount up to HK$300,000,000 pursuant to a bonds instrument dated 10 January 2018 executed by the Company;

(j) a first amended placing agreement and first amended arranger agreement both dated 8 January 2018 entered into between the Company and Apastron to increase the size of the medium term bond programme from HK$1,500,000,000 to HK$2,500,000,000; and

(k) the Agreements.

* *For identification purposes only*

10. GENERAL

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(b) The head office and principal place of business of the Company in the PRC is 32nd to 33rd Floors of HNA Tower, 8 Linhe Zhong Road, Tianhe District, Guangzhou, Guangdong Province, the PRC.

(c) The principal place of business of the Company in Hong Kong is at Unit 1401, 14th Floor, Capital Centre, 151 Gloucester Road, Wan Chai, Hong Kong.

(d) The company secretary of the Company is Ms. CHEUNG Lin Shun, who is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

(e) The principal share registrar and transfer office of the Company is Conyers Corporate Services (Bermuda) Limited at Clarendon House, 2 Church Street Hamilton, HM 11, Bermuda.

(f) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(g) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the office of the Company at Unit 1401, 14th Floor, Capital Centre, 151 Gloucester Road, Wan Chai, Hong Kong, for a period of 14 days from the date of this circular:

(a) the memorandum of association and amended and restated bye-laws of the Company;

(b) the published audited consolidated financial statements of the Company for each of the two financial years ended 31 December 2016 and 31 December 2017;

(c) the written consent referred to in the paragraph headed "Experts and Consents" in this Appendix;

(d) the valuation report prepared by Cushman & Wakefield Limited in relation to the Properties, the text of which is set out in Appendix V of this circular;

(e) the accountant's report of the CQ Hesheng from the reporting accountants, the text of which are set out in Appendix II to this circular;

(f) the report from BDO Limited on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(g) a copy of each of the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix; and

(h) this circular.