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 registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Fantasia Holdings Group Co., Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

花樣年

FANTASIA

Fantasia Holdings Group Co., Limited
花樣年控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01777)

MAJOR TRANSACTION:
ACQUISITION OF ALL THE EQUITY INTEREST IN THE TARGET COMPANY AND THE ACQUIRED INDEBTEDNESS

A letter from the Board is set out on pages 5 to 25 of this circular.

28 March 2014

CONTENTS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

"Acquired Indebtedness"	all the indebtedness due to TCL Corporation by certain members of the Target Group at completion of the Acquisition
"Acquisition"	the acquisition by the Group of all the equity interest in the Target Company and the Acquired Indebtedness
"Announcement"	the announcement dated 23 December 2013 issued by the Company in relation to the Acquisition
"associate"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"Company"	Fantasia Holdings Group Co., Limited (花樣年控股集團有限公司), a company incorporated in the Cayman Islands, the securities of which are listed on the main board of the Stock Exchange
"connected person"	has the meaning ascribed to it in the Listing Rules
"Controlling Shareholder"	Fantasy Pearl International Limited, a company incorporated in the British Virgin Islands
"Director"	director of the Company
"Enlarged Group"	the Group and the Target Group
"Excluded Entities"	the certain entities held by the Target Company as at the date of the Transfer Agreement which were disposed of by the Target Company according to the Transfer Agreement
"Group"	the Company and its subsidiaries prior to completion of the Acquisition
"Guangdong TCL"	廣東(惠州)TCL工業文化創意園發展有限公司 (Guangdong (Huizhou) TCL Industrial & Cultural Creative Park Development Co., Ltd.*), a company established in the PRC

"Guarantor"	花樣年集團(中國)有限公司 (Fantasia Group (China) Co., Ltd.*), a company established in the PRC and a wholly owned subsidiary of the Company
"Hai Gu Zhou"	深圳市海谷州置業發展有限公司 (Shenzhen Hai Gu Zhou Property Development Co., Ltd.*), a company established in the PRC
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Huizhou Hong Mai"	惠州市鴻邁園林綠化有限公司 (Huizhou Hong Mai Gardening Co., Ltd.*), a company established in the PRC
"Huizhou Hong Rong"	惠州市TCL鴻融置業有限公司 (Huizhou TCL Hong Rong Property Co., Ltd.*), a company established in the PRC
"Latest Practicable Date"	28 March 2014, being the latest practicable date prior to the printing 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 of Hong Kong Limited
"PRC"	the People's Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan (Republic of China) for the purposes of this circular
"Properties"	the properties, the particulars of which are set out in the section headed "The Properties" in this circular
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
"Share(s)"	the ordinary share(s) of the Company with a nominal value of HK$0.10 each
"Shareholder(s)"	the holder(s) of the Share(s)

"Shenzhen Fantasia"	深圳市花樣年地產集團有限公司 (Shenzhen Fantasia Real Estate Group Limited*), a wholly-owned subsidiary of the Company and a company established in the PRC with limited liability
"sq. m."	square metres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription of the Subscription Shares by TCL (HK), which was completed on the same day on which the Acquisition was completed
"Subscription Agreement"	the subscription agreement dated 23 December 2013 entered into between TCL (HK) and the Company in relation to the Subscription
"Subscription Price"	a subscription price of HK$1.4129 per Share
"Subscription Shares"	863,600,074 new Shares
"subsidiary"	has the meaning ascribed to it in section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Target Company"	惠州TCL房地產開發有限公司 (Huizhou TCL Real Estate Development Co., Ltd*), a company established on 29 December 2004 in the PRC
"Target Group"	the Target Company and its subsidiaries (other than the Excluded Entities)
"TCL (HK)"	T.C.L. Industries Holdings (H.K.) Limited (T.C.L.實業控股(香港)有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of TCL Corporation
"TCL Corporation"	TCL集團股份有限公司 (TCL Corporation*), a joint stock company established under the laws of the PRC
"TCL Electronics"	TCL海外電子(惠州)有限公司 (TCL Oversea Electronics (Huizhou) Limited*), a company established under the laws of the PRC

"TCL Yi Tuo Bang"	TCL伊托邦（武漢）城市建設投資有限公司 (TCL Yi Tuo Bang (Wuhan) Urban Construction Investment Co., Ltd.*), a company established under the laws of the PRC
"Trade Dragon"	Trade Dragon Holdings Limited (勝圖控股有限公司), a company incorporated in Hong Kong
"Transfer Agreement"	the agreement dated 23 December 2013 entered into between TCL Corporation, TCL (HK), Hai Gu Zhou, Shenzhen Fantasia and Trade Dragon in relation to the Acquisition
"Wuhan TCL Investment"	武漢TCL置地投資有限公司 (Wuhan TCL Property Investment Co., Ltd.*), a company established in the PRC
"Wuhan TCL Kang Cheng"	武漢TCL康城房地產有限公司 (Wuhan TCL Kang Cheng Real Estate Co., Ltd.*), a company established in the PRC
"Wuhan TCL Real Estate"	武漢TCL房地產有限公司 (Wuhan TCL Real Estate Co., Ltd.*), a company established in the PRC
"%"	per cent

For illustration purposes, amounts in RMB in this circular have been translated into HK$ at RMB1.00 = HK$1.27.

* *For identification purposes only*

花樣年

FANTASIA

Fantasia Holdings Group Co., Limited
花樣年控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01777)

Executive Directors:
Mr. Pan Jun *(Chairman and Chief Executive Officer)*
Ms. Zeng Jie, Baby
Mr. Lam Kam Tong
Mr. Zhou Jinquan
Mr. Wang Liang

Non-executive Directors:
Mr. Li Dong Sheng
Mr. Yuan Hao Dong

Independent non-executive Directors:
Mr. Ho Man
Mr. Liao Martin Cheung Kong, *JP*
Mr. Huang Ming
Mr. Xu Quan

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262 Gloucester Road
Causeway Bay
Hong Kong

28 March 2014

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION: ACQUISITION OF ALL THE EQUITY INTEREST IN THE TARGET COMPANY AND THE ACQUIRED INDEBTEDNESS

Reference is made to the Announcement in relation to, among others, the Acquisition.

This circular is despatched to the Shareholders for information purposes only. No general meeting will be convened for approving the Acquisition and the transactions contemplated under the Transfer Agreement as the Controlling Shareholder, holding 3,229,809,000 Shares which represented approximately 66.00% of the issued share capital of the Company as at the date of the Transfer Agreement, has already provided a written approval of the Acquisition and the transactions contemplated under the Transfer

Agreement. To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Acquisition and the transactions contemplated under the Transfer Agreement. As such, no Shareholder would be required to abstain from voting in favour of the resolution approving the Acquisition and the transactions contemplated under the Transfer Agreement if the Company were to convene a general meeting for the approval of the Acquisition and the transactions contemplated under the Transfer Agreement.

The purpose of this circular is to provide you with, among others, (i) particulars of the Acquisition; (ii) the financial information of the Group; (iii) the accountant's report of the Target Group; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) the property valuation report of the Target Group; and (vi) other information as required under the Listing Rules.

1. THE ACQUISITION

The principal terms of the Transfer Agreement are as follows:

Date

23 December 2013

Parties

(a) TCL Corporation;

(b) TCL (HK);

(c) Hai Gu Zhou;

(d) Shenzhen Fantasia; and

(e) Trade Dragon.

Asset to be Acquired

(i) TCL Corporation conditionally agreed to sell and Shenzhen Fantasia conditionally agreed to purchase 45% of the equity interests in the Target Company, (ii) Hai Gu Zhou conditionally agreed to sell and Shenzhen Fantasia conditionally agreed to purchase 30% of the equity interests in the Target Company, and (iii) TCL (HK) conditionally agreed to sell and Trade Dragon conditionally agreed to purchase 25% of the equity interests in the Target Company.

TCL Corporation and Shenzhen Fantasia further agreed that TCL Corporation would assign to Shenzhen Fantasia the Acquired Indebtedness. The amount of the Acquired Indebtedness was determined by the auditor of the Target Company as at completion of the Acquisition.

Consideration

The total consideration for the acquisition of the equity interest in the Target Company and the Acquired Indebtedness was approximately RMB2,080.7 million (equivalent to approximately HK$2,642 million). The consideration for the acquisition of the equity interest in the Target Company was approximately RMB164.11 million (equivalent to approximately HK$208.42 million), of which (a) approximately RMB73.85 million (equivalent to approximately HK$93.79 million) was payable to TCL Corporation, (b) approximately RMB49.23 million (equivalent to approximately HK$62.52 million) was payable to Hai Gu Zhou, and (c) the equivalent in HK$ of approximately RMB41.03 million (equivalent to approximately HK$52.11 million) was payable to TCL (HK). The consideration for the Acquired Indebtedness was RMB1,916.6 million (equivalent to approximately HK$2,434.1 million) which was determined with reference to the face value of Acquired Indebtedness as at completion of the Acquisition of the Target Company.

The Board is of the view that the consideration for the Acquisition is fair and reasonable and was determined after arm's length negotiation between the parties with reference to the consolidated net assets value of the Target Group and the principal amount of the Acquired Indebtedness.

The consideration for the Acquisition would be settled as follows:

(a) as to RMB798.90 million, being part consideration for the Acquired Indebtedness was paid to TCL Corporation by cash at completion; and as to approximately RMB73.85 million, being consideration for the acquisition of the 45% equity interest in the Target Company was paid to TCL Corporation by cash at completion;

(b) as to approximately RMB49.23 million payable to Hai Gu Zhou was paid by cash at completion;

(c) as to HK$52.0 million (equivalent to RMB41.03 million) payable to TCL (HK) for the acquisition of the 25% equity interest in the Target Company was set off against the aggregate Subscription Price in part payable by TCL (HK) to the Company pursuant to the Subscription Agreement; and

(d) for the remaining consideration for the Acquired Indebtedness in the sum of RMB1,117.7 million (equivalent to approximately HK$1,419.5 million) payable to TCL Corporation will be paid by cash within 3 years after completion of the Acquisition in the following payment schedule:

Settlement date	**Settlement amount**
1st year after completion of the Acquisition	RMB401.0 million
2nd year after completion of the Acquisition	RMB372.6 million
3rd year after completion of the Acquisition	RMB344.1 million

The above remaining consideration settlement amount was calculated based on the principal book value of amount of unsettled Acquired Indebtedness as at each settlement date plus interest of 9% per annum. The rate adopted was negotiated at the reference of the weighted average interest rate of the Group.

The cash consideration for the Acquisition would be satisfied by internal resources of the Group. Part of the consideration for the Acquisition was set off against the aggregate Subscription Price payable by TCL (HK) to the Company pursuant to the Subscription Agreement. Pursuant to the Subscription Agreement, the Company conditionally agreed to allot and issue, and TCL (HK) conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price of HK$1.4129 per Subscription Share. The Subscription was completed on the same day on which the Acquisition was completed.

The total consideration for the Acquisition was RMB2,080.7 million, whereas the value of the Target Group's property interests in PRC attributable to the Target Group as of 31 December 2013 (as determined by the independent property valuer) was approximately RMB1,766.4 million. The Board considers that the premium paid was fair and reasonable having considered the fact that part of the consideration for the Acquired Indebtedness in the sum of RMB1,117.7 million would be paid to TCL Corporation by installments spreading across three years after completion of the Acquisition and that the Board believes that the existing management and employees of the Target Company would add value to continue to further the development of the Group's business in property development and provision of property related services in the PRC. The Board is of the view that the Group would gain from the market knowledge, experience and resources from the Target Company and there would be synergistic effects in terms of operation effectiveness. The Acquisition allows the Company to strengthen land reserve and provides a good opportunity for the Group to enhance its position in the PRC property market, especially in Huizhou City and Wuhan City, where the Properties of the Target Company are located. In addition, the high gearing ratio of the Target Group was due to most of their financing was from interest bearing shareholder loan which is part of the Acquired Indebtedness, given that the consideration of the Acquisition was partly paid in cash and partly settled by setting off with the money from the Subscription, the Board believes that the Acquisition would not increase the Company's existing financial position or debt ratio.

In connection with the Acquisition, the Guarantor, a wholly-owned subsidiary of the Company, agreed to, guarantee the payment by Shenzhen Fantasia to TCL Corporation of the remaining consideration for the Acquired Indebtedness payable after completion of the Acquisition.

Conditions of the Acquisition

The Acquisition was conditional upon, among others:

(a) each party having obtained its internal approval in connection with the Acquisition;

(b) the obtaining of the consent and the certificate of approval issued by the relevant authority in connection with the Acquisition;

(c) the warranties given by Shenzhen Fantasia and Trade Dragon under the Transfer Agreement remained true and accurate in all material respects and there is no material omission;

(d) the warranties given by TCL Corporation, TCL (HK) and Hai Gu Zhou under the Transfer Agreement remained true and accurate in all material respects and there is no material omission;

(e) the Company having obtained the necessary approval of the Shareholders of the transactions contemplated under the Transfer Agreement in accordance with the Listing Rules;

(f) the conditions precedents under the Subscription Agreement having been satisfied (other than in relation to the Transfer Agreement) or waived in accordance with the terms of the Subscription Agreement;

(g) the existing agreements of the Target Group specified in the Transfer Agreement having been terminated;

(h) the equity transfer agreements relating to the disposal of the Excluded Entities having been duly executed;

(i) other obligations which were required to be performed before completion of the Acquisition having been performed; and

(j) the auditor of the Target Company having issued an unqualified opinion in respect of the audited report of the Target Group for the financial period ended 30 September 2013.

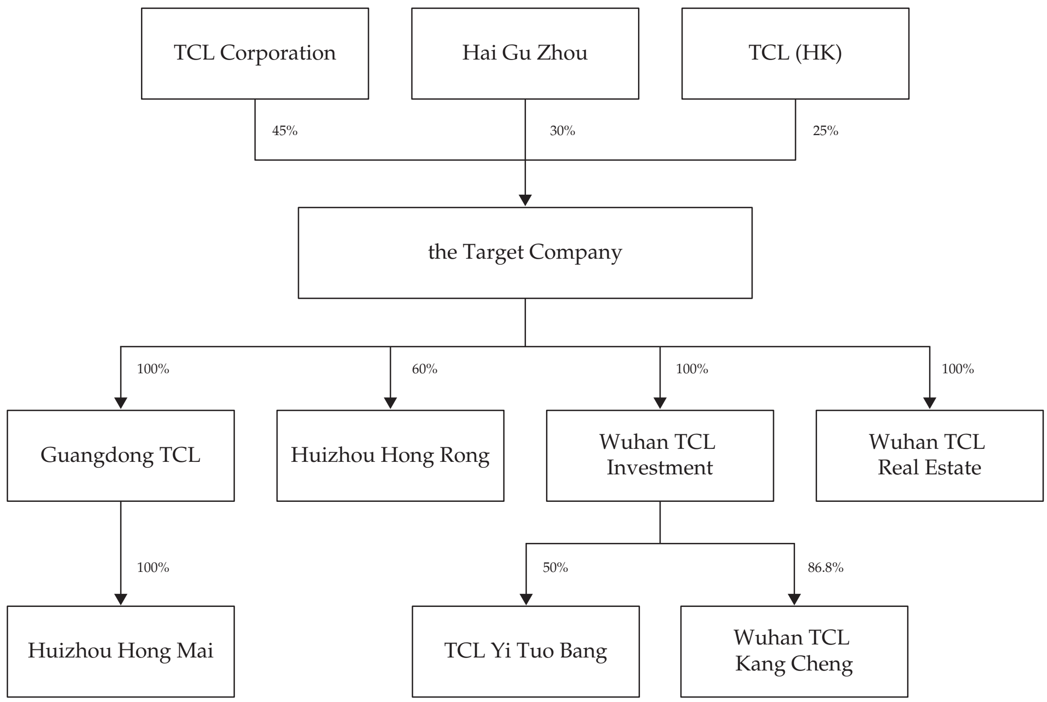
Completion

Completion of the Acquisition took place on 6 January 2014. Following completion of the Acquisition, each member of the Target Group has become a subsidiary of the Company.

2. INFORMATION ON THE TARGET GROUP

Corporate structure

The corporate structure of the Target Group as at the date of the Transfer Agreement was as follows:



The Target Group

The Target Company is a sino-foreign company established on 29 December 2004 in the PRC. As at the date of the Transfer Agreement, the Target Company was owned as to 45% by TCL Corporation, as to 30% by Hai Gu Zhou and as to 25% by TCL (HK). Each of the other members of the Target Group was established in the PRC. The principal assets of the Target Group are the Properties.

Following completion of the Acquisition, each member of the Target Group became a subsidiary of the Company.

The Excluded Entities, which were excluded from the Target Group, are, to the best knowledge of the Directors, mainly engaged in property and land development, and leasing certain self-developed plant and office to TCL Corporation for research and development of electrical devices. As part of the due diligence process before completion of the Acquisition, it was made known to the Directors that certain land owned by the Excluded Entities was intended to be developed for their internal use. As the operation of and the land owned by the Excluded Entities are not considered to benefit the business of the Group, they were disposed of by the Target Company according to the Transfer Agreement on 30 December 2013, before completion of the Acquisition on 6 January 2014.

The Properties

The details of the major Properties are set out below:

No.	Owner	Location	Gross Floor Area (sq. m.)	Uses
1.	the Target Company	No. 12, 13 District of Zhongkai in Huizhou City, Guangdong Province, PRC	396,479	Commercial and residential
2.	the Target Company	Huizhou Palm Park No. 3 Hechang 5th Road West Zonghai High-tech Industrial Development Zone, Huizhou City, Guangdong Province, PRC	41,693	Commercial
3.	Guangdong TCL	Chayuan Village, Qiuchang Street, Huiyang District, Huizhou City, Guangdong Province, PRC	184,997	Commercial and residential

No.	Owner	Location	Gross Floor Area (sq. m.)	Uses
4.	Wuhan TCL Investment	The North of No. 2 Bohuan Road and the West of Huanhuzhong Road, Jinyinhu Street, Dongxihu District, Wuhan City, Hubei Province, PRC	293,606	Residential
5.	Wuhan TCL Kang Cheng	Wufeng Village, Hongshan District, Wuhan City, Hubei Province, PRC	261,454	Commercial, transportation and residential

The above Properties, other than item 2, which is held for investment purpose, are used for development of properties for sale.

Please refer to the Property Valuation Report set forth in Appendix IV to this circular for further details about the property interests of the Target Group. The Excluded Entities are excluded from the acquisition and the properties belong to the Excluded Entities are not included in the Valuation Report.

3. FINANCIAL INFORMATION ON THE TARGET GROUP

According to the audited consolidated financial statements for the three financial years ended 31 December 2012 and the nine months ended 30 September 2013 of the Target Group (including the Excluded Entities) prepared in accordance with Hong Kong Financial Reporting Standards, the consolidated net profit (both before and after tax) and net book value of the Target Group (including the Excluded Entities) are as follows:

	Nine months ended 30 September 2013 (in RMB'000)	Year ended 31 December 2012 (in RMB'000)	Year ended 31 December 2011 (in RMB'000)	Year ended 31 December 2010 (in RMB'000)
Net profit before tax	181,364	402,751	484,090	204,820
Net profit after tax	117,304	282,982	326,429	168,364
Net book value	1,026,825	909,521	584,714	436,285

As the Excluding Entities were disposed of by the Target Group on 30 December 2013, the financial information of the Excluded Entities were required to be consolidated for the three years ended 31 December 2012 and the nine months ended 30 September 2013 (the "Relevant Periods") in the Accountant's Report of the Target Group set forth in Appendix II to this circular in accordance with the Hong Kong Financial Reporting Standards. Below is the financial information of the Target Group assuming that the Excluded Entities were excluded in the Relevant Periods (as defined in Appendix II to this circular):

	Nine months ended 30 September 2013	**Year ended 31 December 2012**	**Year ended 31 December 2011**	**Year ended 31 December 2010**
	(in RMB'000)	*(in RMB'000)*	*(in RMB'000)*	*(in RMB'000)*
Net profit before tax	31,117	44,788	213,431	111,384
Net profit after tax	15,401	22,578	124,014	75,511
Net book value	316,325	300,474	256,576	310,562

4. FINANCIAL EFFECTS OF THE ACQUISITION

Following completion of the Acquisition, each member of the Target Group has become indirect wholly-owned subsidiaries of the Company and their financial results will be consolidated into the Group's consolidated financial statements. The unaudited pro forma financial information of the Enlarged Group illustrating the financial impact of the Acquisition on the assets and liabilities of the Group is set out in Appendix III to this circular. Based on the 2013 interim financial report of the Group, as at 30 June 2013, the Group had total assets, total liabilities and net assets of approximately RMB28,784.6 million, RMB21,460.5 million and RMB7,324.1 million, respectively, and a gearing ratio (calculated by dividing total borrowings by total equity) of 148.2%; whereas based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, as at 30 June 2013, the Enlarged Group would have total assets, total liabilities and net assets of approximately RMB31,430.3 million, RMB23,244.0 million, RMB8,186.3 million and a gearing ratio (calculated by dividing total borrowings by total equity) of approximately 133.9%.

In light of the potential future prospects offered by the Acquisition as stated in the section headed "Information on the Company, reasons for the Acquisition and financial and trading prospects of the Enlarged Group" below, the Directors are of the view that the Acquisition will likely contribute positively to the Enlarged Group. Nevertheless, the actual effect on earnings/(losses) of the Company will depend on the future financial performance of the Target Group.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Business review

The Target Company is a sino-foreign company established in the PRC. The Target Group is primarily engaged in property development, property investment, provision of property management and agency services and infrastructure business.

The Target Group's sales and profitability will be affected by any economic, political, regulatory or social factors.

The Target Group's customers consist of buyers of properties.

In accordance with the Hong Kong Financial Reporting Standards, the financial information of the Target Group (including the Excluded Entities) for the Relevant Periods as set out in Appendix II to this circular covers the financial information of the Excluded Entities. For illustration purpose only, the financial information of the Target Group assuming that the Excluded Entities were excluded in the Relevant Periods is also presented in this section for reference.

Revenue

Target Group (including the Excluded Entities)

The revenue of the Target Group (including the Excluded Entities) mainly consisted of income from the sale of properties. The Target Group (including the Excluded Entities) recognised revenue from the sale of a property when the significant risks and rewards of ownership have been transferred to the purchaser, i.e., when the sale of the relevant property has been completed and the possession of the property has been transferred to the purchaser.

Revenue increased by 131.8% to approximately RMB1,276.4 million in 2011 from approximately RMB550.6 million in 2010. This increase was due primarily to an increase in total gross floor area ("GFA") sold with higher unit selling price to our customers.

Revenue decreased by 21.8% to approximately RMB998.4 million in 2012 from approximately RMB1,276.4 million in 2011. This decrease was due primarily to the Target Group focusing more on developing high-class residential and commercial properties which led to a decrease in total GFA delivered.

Revenue increased by 122.7% to approximately RMB640.0 million in the nine months ended 30 September 2013 from approximately RMB287.4 million in the nine months ended 30 September 2012. This increase was due primarily to most of the properties delivered at the end of 2012 for the period ended 30 September 2012.

Target Group (excluding the Excluded Entities)

The revenue of the Target Group for the three years ended 31 December 2012 and nine months ended 30 September 2012 and 2013 was approximately RMB242.8 million, RMB738.7 million, RMB352.3 million, RMB78.4 million and RMB300.7 million, respectively. For the same reasons for the Target Group (including the Excluded Entities) set out above, the increase of revenue in 2011 from 2010 was due primarily to an increase in total GFA sold with higher unit selling price to the customers. Revenue decreased in 2012 as the Target Group focused more on developing high-class residential and commercial properties which led to a decrease in total GFA delivered.

The increase of revenue for the nine months ended 30 September 2013 when comparing with the revenue in the nine months ended 30 September 2012 was due primarily to most of the properties delivered at the end of 2012 for the period ended 30 September 2012.

Gross Profit and Margin

Target Group (including the Excluded Entities)

Gross profit increased by 172.7% to approximately RMB536.1 million in 2011 from approximately RMB196.6 million in 2010, while the gross profit margin increased from 35.7% in 2010 to 42.0% in 2011. This increase in gross profit was in line with the increase in the total revenue in 2011. The increase in profit margin in 2011 was resulted from high-class residential being sold at a higher selling price.

Gross profit decreased by 8.8% to approximately RMB489.1 million in 2012 from approximately RMB536.1 million in 2011, while the gross profit margin increased from 42.0% in 2011 to 49.0% in 2012. This decrease in gross profit is in line with the decrease in the total revenue in 2012. The increase in profit margin in 2012 was resulted from more high-class residential and commercial properties being sold at a higher selling price.

Gross profit increased by 63.8% to approximately RMB267.0 million in nine months ended 30 September 2013 from approximately RMB163.0 million in nine months ended 30 September 2012, while the gross profit margin decreased from 56.7% in nine months ended 30 September 2012 to 41.7% in nine months ended 30 September 2013. This increase in gross profit was in line with the increase in the total revenue in the nine months ended 30 September 2013. The decrease in profit margin in the nine months ended 30 September 2013 was resulted from the change in composition of completed properties delivered from high-class residential and commercial to mid-class residential.

Target Group (excluding the Excluded Entities)

The gross profit of the Target Group for the three years ended 31 December 2012 and nine months ended 30 September 2012 and 2013 was approximately RMB85.8 million, RMB236.0 million, RMB88.4 million, RMB26.2 million and RMB75.5 million, respectively. The gross margin of the Target Group for the three years ended 31 December 2012 and nine months ended 30 September 2012 and 2013 was 35.3%, 32.0%, 25.1%, 33.4% and 25.1%, respectively. The reasons for the fluctuation of gross profit of the Target Group during the Relevant Periods are the same as those of the Target Group (including Excluded Entities) as set out above.

The continued decrease of gross profit margin during the periods under review was due to the increase in the sale of mid-class residential properties which had a lower selling price.

Interest and other income

Target Group (including the Excluded Entities)

Interest and other income increased by 189.9% to approximately RMB4.3 million in 2011 from approximately RMB1.5 million in 2010. The increase was mainly attributable to the increase in interest income generated from average cash on hand throughout the year.

Interest and other income kept stable at approximately RMB4.3 million in 2012 and 2011 was due to the stable of cash position.

Interest and other income increased by 64.8% to approximately RMB4.6 million in the nine months ended 30 September 2013 from approximately RMB2.8 million in the nine months ended 30 September 2012. The increase was mainly attributable to the increase in interest income generated from average cash on hand throughout the year.

Target Group (excluding the Excluded Entities)

The interest and other income of the Target Group for the three years ended 31 December 2012 and nine months ended 30 September 2012 and 2013 was approximately RMB0.4 million, RMB1.4 million, RMB1.5 million, RMB1.1 million and RMB1.2 million, respectively. The reasons for such fluctuation of interest and other income of the Target Group are the same as those of the Target Group (including the Excluded Entities) as set out above.

Distribution and selling costs

Target Group (including the Excluded Entities)

Distribution and selling costs increased by 338.3% to approximately RMB16.5 million in 2011 from approximately RMB3.8 million in 2010. The increase was due primarily to an increase in general selling, marketing and advertising activities resulting from an increase in the number of properties that were pre-sold in 2011 as compared to that in 2010, and the Target Group (including the Excluded Entities) put more resources in advertisement in considering the fierce competition in the market.

Distribution and selling costs decreased by 50.4% to approximately RMB8.2 million in 2012 from approximately RMB16.5 million in 2011. The decrease was due primarily to a decrease in general selling, marketing and advertising activities resulting from a decrease in the number of properties that were pre-sold in 2012 as compared to that in 2011.

Distribution and selling costs increased by 62.7% to approximately RMB3.1 million in the nine months ended 30 September 2013 from approximately RMB1.9 million in the nine months ended 30 September 2012. The increase was due primarily to most of the advertising activities were held in the fourth quarter of 2012 to match up the pre-sold campaign.

Target Group (excluding the Excluded Entities)

The distribution and selling costs of the Target Group for the three years ended 31 December 2012 and nine months ended 30 September 2012 and 2013 was approximately RMB3.8 million, RMB16.5 million, RMB8.2 million, RMB1.9 million and RMB3.1 million, respectively. The reasons for such fluctuation of distribution and selling costs of the Target Group are the same as those of the Target Group (including the Excluded Entities) as set out above.

Administrative Expense

Target Group (including the Excluded Entities)

Administrative expense increased by 161.9% to approximately RMB50.9 million in 2011 from approximately RMB19.4 million in 2010. The increase was mainly due to rising labor costs and other management expenses as the Target Group (including the Excluded Entities) expanded their scale in properties development.

Administrative expense increased by 8.2% to approximately RMB55.1 million in 2012 from approximately RMB50.9 million in 2011. The increase was mainly due to rising labor costs.

Administrative expense increased by 21.4% to approximately RMB29.5 million in the nine months ended 30 September 2013 from approximately RMB24.3million in the nine months ended 30 September 2012. The increase was mainly due to rising labor costs.

Target Group (excluding the Excluded Entities)

The administrative expense of the Target Group for the three years ended 31 December 2012 and nine months ended 30 September 2012 and 2013 was approximately RMB3.1 million, RMB21.9 million, RMB22.1 million, RMB9.0 million and RMB20.4 million, respectively. The reasons for such fluctuation of administrative expenses of the Target Group are the same as those of the Target Group (including the Excluded Entities) as set out above.

Other Expenses

Target Group (including the Excluded Entities)

Other expenses in 2011, 2012 and the nine months ended 30 September 2012 mainly constitutes of donations. The significant increase of other expenses from approximately RMB0.1 million in the nine months ended 30 September 2012 to approximately RMB31.9 million in the nine months ended 30 September 2013 was mainly due to a land development expenditure in the Excluding Entities which were not recovered as the a result of failure of land tendering, the relevant receivables was impaired.

Target Group (excluding the Excluded Entities)

The other expenses of the Target Group for the three years ended 31 December 2012 and nine months ended 30 September 2012 and 2013 was approximately Nil, RMB0.5 million, RMB0.1 million, RMB0.1 million and RMB0.1 million, respectively. The other expenses of the Target Group mainly consisted of donations and had been stable throughout the periods under review.

Finance Costs

Target Group (including the Excluded Entities)

Finance costs kept stable at approximately RMB4.9 million in 2011 and 2010 which in line with the stable capitalisation rate due to the projects are almost fully commenced in construction.

Finance costs increased by 839.9% to approximately RMB46.3 million in 2012 from approximately RMB4.9 million in 2011. The increase was mainly a result of the increased in bank and other borrowings, and part of the properties were completed leads to the decreased in capitalisation rate.

Finance costs increased by 305.7% to approximately RMB18.5 million in nine months ended 30 September 2013 from approximately RMB4.6 million in nine months ended 30 September 2012. The increase was mainly a result of the increased in bank and other borrowings, and part of the properties were completed leads to the decreased in capitalisation rate.

Target Group (excluding the Excluded Entities)

The finance costs of the Target Group for the three years ended 31 December 2012 and nine months ended 30 September 2012 and 2013 was approximately RMB3.2 million, RMB2.2 million, RMB36.9 million, RMB0.7 million and RMB16.8 million, respectively. Finance costs of the Target Group had decreased slightly from 2010 to 2011 due to the decrease in borrowing.

The reasons for the fluctuation of finance costs of the Target Group for the other periods under review are the same as those of the Target Group (including the Excluded Entities) as set out above.

Income Tax Expenses

Target Group (including the Excluded Entities)

Income tax expenses increased by 332.5% to approximately RMB157.7 million in 2011 from approximately RMB36.5 million in 2010. The increase was mainly due to increase in assessable profit generated from properties delivered, and tax loss utilized in 2010 leads to a decreased in effective tax rate in the respective year.

Income tax expenses decreased by 24.0% to approximately RMB119.8 million in 2012 from approximately RMB157.7 million in 2011. The decrease was mainly due to decrease in assessable profit generated from properties delivered, which also leads to less land appreciation tax charged.

Income tax expenses increased by 82.3% to approximately RMB64.0 million in the nine months ended 30 September 2013 from approximately RMB35.1 million in the nine months ended 30 September 2012. The increase was mainly due to increase in assessable profit generated from properties delivered.

Target Group (excluding the Excluded Entities)

The income tax expenses of the Target Group for the three years ended 31 December 2012 and nine months ended 30 September 2012 and 2013 was approximately RMB35.9 million, RMB89.4 million, RMB22.2 million, RMB5.1 million and RMB15.7 million, respectively. The reasons for the fluctuation of income tax expenses of the Target Group during the periods under review are the same as those of the Target Group (including the Excluded Entities) as set out above.

Profit and total comprehensive income

Target Group (including the Excluded Entities)

Profit and total comprehensive income for the year increased by 93.9% to approximately RMB326.4 million in 2011 from approximately RMB168.4 million in 2010. The increase was mainly due to increase in properties recognised in 2011 as compared to that in 2012.

Profit and total comprehensive income for the year decreased by 13.3% to approximately RMB283.0 million in 2012 from approximately RMB326.4 million in 2011. The decrease was mainly due to decrease in properties recognised in 2012 as compared to that in 2011.

Profit and total comprehensive income for the period increased by 19.8% to approximately RMB117.3 million in the nine months ended 30 September 2013 from approximately RMB97.9 million in the nine months ended 30 September 2012. The increase was mainly due to increase in properties recognized in the nine months ended 30 September 2013 as compared to that in the nine months ended 30 September 2012, and partially set off by significant increase of other expenses charged due to impairment recognised for a land development expenditure incurred in the Excluding Entities.

Target Group (excluding the Excluded Entities)

The profit and total comprehensive income of the Target Group for the three years ended 31 December 2012 and nine months ended 30 September 2012 and 2013 was approximately RMB75.5 million, RMB124.0 million, RMB22.6 million, RMB10.1 million and RMB15.4 million, respectively. The reasons for the fluctuation of profit and total comprehensive income of the Target Group during the periods under review are the same as those of the Target Group (including the Excluded Entities) as set out above.

Liquidity and financial resources

Target Group (including the Excluded Entities)

As at 31 December 2010, the Target Group (including the Excluded Entities) had total assets of approximately RMB2,553.7 million and its current assets were approximately RMB2,254.3 million. As at that date, the total liabilities and current liabilities of the Target Group (including the Excluded Entities) were approximately RMB2,117.4 million and RMB1,665.6 million respectively and the shareholder's equity of the Target Group (including the Excluded Entities) amounted to approximately RMB436.3 million. The gearing ratio of the Target Group (including the Excluded Entities), which was represented by total borrowings over total equity, was 213.10% as at 31 December 2010. By excluding the borrowings from fellow subsidiaries, the gearing ratio of the Target Group (including the Excluded Entities) was 50.6% as at 31 December 2010.

As at 31 December 2011, the Target Group (including the Excluded Entities) had total assets of approximately RMB2,653.1 million and its current assets were approximately RMB2,100.3 million. As at that date, the total liabilities and current liabilities of the Target Group (including the Excluded Entities) were approximately RMB2,068.3 million and RMB1,562.0 million respectively and the shareholder's equity of the Target Group (including the Excluded Entities) amounted to approximately RMB584.7 million. The gearing ratio of the Target Group (including the Excluded Entities), which was represented by total borrowings over total equity, was 178.30% as at 31 December 2011. By excluding the borrowings from fellow subsidiaries, the gearing ratio of the Target Group (including the Excluded Entities) was 39.8% as at 31 December 2011.

As at 31 December 2012, the Target Group (including the Excluded Entities) had total assets of approximately RMB3,930.9 million and its current assets were approximately RMB2,681.9 million. As at that date, the total liabilities and current liabilities of the Target Group (including the Excluded Entities) were approximately RMB3,021.4 million and RMB1,690.8 million respectively and the shareholder's equity of the Target Group (including the Excluded Entities) amounted to approximately RMB909.5 million. The gearing ratio of the Target Group (including the Excluded Entities), which was represented by total borrowings over total equity, was 190.80% as at 31 December 2012. By excluding the borrowings from fellow subsidiaries, the gearing ratio of the Target Group (including the Excluded Entities) was 11.2% as at 31 December 2012.

As at 30 September 2013, the Target Group (including the Excluded Entities) had total assets of approximately RMB4,256.7 million and its current assets were approximately RMB3,598.5 million. As at that date, the total liabilities and current liabilities of the Target Group (including the Excluded Entities) were approximately RMB3,229.8 million and RMB1,480.0 million respectively and the shareholder's equity of the Target Group (including the Excluded Entities) amounted to approximately RMB1,026.8 million. The gearing ratio of the Target Group (including the Excluded Entities), which was represented by total borrowings over total equity, was 186.50% as at 30 September 2013. By excluding the borrowings from fellow subsidiaries, the gearing ratio of the Target Group (including the Excluded Entities) was 10.4% as at 30 September 2013.

Target Group (excluding the Excluded Entities)

The total assets of the Target Group as at 31 December 2010, 2011, 2012 and 30 September 2013 was approximately RMB1,547.2 million, RMB1,672.3 million, RMB2,965.3 million and RMB3,210.4 million, respectively. The total liabilities of the Target Group as at 31 December 2010, 2011, 2012 and 30 September 2013 was approximately RMB1,236.6 million, RMB1,413.8 million, RMB2,664.8 million and RMB2,894.0 million, respectively. The shareholder's equity of the Target Group as at

31 December 2010, 2011, 2012 and 30 September 2013 was approximately RMB310.6 million, RMB256.6 million, RMB300.5 million and RMB316.3 million, respectively. The gearing ratio of the Target Group, which was represented by total borrowings over total equity, as at 31 December 2010, 2011, 2012 and 30 September 2013 was 244.8%, 322.3%, 561.0% and 542.1%, respectively. By excluding the borrowings from fellow subsidiaries, the gearing ratio of the Target Group was 27.70%, 29.20%, 17.30% and 33.80% as at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively.

Capital structure

Target Group (including the Excluded Entities)

As at 31 December 2010, 31 December 2011, 31 December 2012 and 30 September 2013, the registered capital of the Target Company was RMB100 million.

As at 31 December 2010, 31 December 2011, 31 December 2012 and 30 September 2013, the short term bank borrowings of the Target Group (including the Excluded Entities) was RMB5.96 million, RMB120.83 million, RMB87.25 million and nil, respectively. The interest was charged at floating rate.

As at 31 December 2010, 31 December 2011, 31 December 2012 and 30 September 2013, the Target Group (including the Excluded Entities) had cash and bank balances of approximately RMB390.79 million, RMB296.93 million, RMB505.03 million and RMB447.02 million, respectively.

Target Group (excluding the Excluded Entities)

The short term bank borrowings of the Target Group for the three years ended 31 December 2012 and nine months ended 30 September 2013 was approximately RMB5.96 million, Nil, RMB52.0 million and Nil, respectively. The cash and bank balances of the Target Group for the three years ended 31 December 2012 and nine months ended 30 September 2013 was RMB211.55 million, Rmb211.75 million, RMB268.17 million and RMB206.58 million, respectively.

Acquisition and disposal of subsidiaries

Target Group (including the Excluded Entities)

There were no material acquisitions or disposals of subsidiaries and associated companies during each of the three years ended 31 December 2012 and the nine months ended 30 September 2013.

Employees and remuneration policy

Target Group (including the Excluded Entities)

As at 31 December 2010, 31 December 2011, 31 December 2012 and 30 September 2013, the Target Group (including the Excluded Entities) employed a total of 80, 130, 149 and 123 employees, respectively. The Target Group (including the Excluded Entities) recruits and promotes individuals based on merit and their development potentials for the positions offered. When formulating staff remuneration and benefit policies, primary considerations are given to their performance and prevailing salary levels in the market. Benefits provided to the employees by the Target Group (including the Excluded Entities) include training, medical coverage, bonus scheme and the statutory retirement scheme.

Target Group (excluding the Excluded Entities)

The number of employees employed by the Target Group for the three years ended 31 December 2012 and nine months ended 30 September 2013 were 32, 66, 71 and 85, respectively.

Foreign exchange exposure

The Target Group's operations are mainly located in the PRC and its assets, liabilities and transactions were mainly denominated in Renminbi. The Target Group monitors its foreign exchange exposure and will consider hedging significant currency exposure should the need arise.

Contingent liabilities and capital commitments

Target Group (including the Excluded Entities)

As at 31 December 2010, 31 December 2011, 31 December 2012 and 30 September 2013, the Target Group (including the Excluded Entities) had commitments, other than operating lease commitments, of approximately RMB22.66 million, RMB165.65 million, RMB351.66 million and RMB464.82 million, respectively; and contingent liabilities of approximately RMB249.35 million, RMB308.18 million, RMB427.41 million and RMB395.77 million, respectively to banks in respect of mortgage loans provided by the banks to customers.

Target Group (excluding the Excluded Entities)

The commitments, other than operating lease commitments of the Target Group for the three years ended 31 December 2012 and nine months ended 30 September 2013 was approximately RMB11.91 million, RMB147.41 million, RMB325.20 million and RMB428.19 million, respectively. All the contingent liabilities were attributable to the Target Group.

Pledge of assets

As at 31 December 2010, 31 December 2011, 31 December 2012 and 30 September 2013, certain properties with carrying amounts of RMB314.98 million, RMB558.99 million, RMB742.10 million and RMB775.38 million, respectively, were pledged for the Target Group's borrowings.

The Excluded Entities did not pledge any of their assets during the Relevant Periods.

PROPERTY INTERESTS

Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("Jones Lang LaSalle"), the independent property valuers, have valued the Target Group's property interests in PRC attributable to the Target Group as of 31 December 2013 at approximately RMB1,766.4 million representing a net revaluation surplus, which the market values of the properties exceeded their respective book values as of 30 October 2013.

The texts of its letter, summary of valuations and the valuation certificates are set out in Appendix IV to this circular.

The following table sets forth the reconciliation between the net book value of the Target Group's properties as of 30 September 2013 as extracted from the Accountants' Report as included in Appendix II to this circular and the Property Valuation Report as included in Appendix IV to this circular as of 31 December 2013:

	RMB'000
Net book value of properties in Target Group as of 30 September 2013	
– Investment properties	175,700
– Inventories	2,379,735
Net book value of properties in Target Group as of 31 December 2013	2,555,435
Add: Fair value gain of investment properties during the period from 1 October 2013 to 31 December 2013 (unaudited)	–
Less: Disposal during the period from 1 October 2013 to 31 December 2013	(514,480)
Less: Properties in Excluding Entities as at 30 September 2013	(344,719)
Net book value of properties in Target Group as at 31 December 2013	1,696,236
Net valuation surplus, before income tax and LAT	70,168
Valuation of properties attributable to us as at 31 December 2013, as set forth in the Property Valuation Report	1,766,404

6. INFORMATION ON THE COUNTERPARTIES

TCL Corporation and its subsidiaries (including TCL (HK)) is a major PRC conglomerate that designs, develops, manufactures and markets a wide range of electronic, telecommunications, information technology and electrical products. Hai Gu Zhou is a company established in the PRC. Its principal business is property investment and management.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, TCL Corporation, TCL (HK), Hai Gu Zhou and their respective ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

7. INFORMATION ON THE COMPANY, REASONS FOR THE ACQUISITION AND FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is a leading property developer and property related service provider in China. For four consecutive years from 2009 to 2012, members of the Group ranked among the China Top 100 Real Estate Developers (中國房地產百強企業) and the China Top 100 Property Management Companies (中國物業服務百強企業) by the China Real Estate Top 10 Research Team (中國房地產Top 10研究組). The Group was also ranked among the China Real Estate Top 100 Listed Companies (中國房地產上市公司百強) in 2011 and the Top 50 China Real Estate Listed Companies in terms of Comprehensive Strength (中國房地產上市公司綜合實力五十強) in 2011 and 2012 by the China Real Estate Research Institute, China Real Estate Association and China Real Estate Assessment Center. The Group first commenced its property development business in Shenzhen in 1996. Leveraging on the Group's broad experience and capabilities, the Group has successfully expanded into, and currently focuses its real estate activities in, four of the fastest-growing economic regions in China, including the Chengdu–Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region and the Beijing–Tianjin metropolitan region.

The Enlarged Group plans to continue to concentrate on these regions and intends to procure more low cost land in each of these regions by adhering to the disciplined approach of the Enlarged Group.

In order to enhance its position in the PRC property market, the Board believes that the Acquisition will provide a good opportunity for project development in Huizhou City and Wuhan City, the PRC. The Board considers that the Acquisition, the Guarantee and the transactions contemplated under the Transfer Agreement are on normal commercial terms after arm's length negotiation between the parties, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Acquisition will allow the Company to further participate in real estate development in Huizhou City and Wuhan City, the PRC, which would strengthen the Group's market position, increase the Group's income stream and bring a long term benefit to the Enlarged Group and its shareholders.

8. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition is/are more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, which is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Acquisition and the transactions contemplated under the Transfer Agreement. As such, no Shareholders would be required to abstain from voting in favour of the resolution approving the Acquisition and the transactions contemplated under the Transfer Agreement if the Company were to convene a general meeting for the approval of the Acquisition.

As at the date of the Transfer Agreement, the Controlling Shareholder controlled an aggregate of 3,229,809,000 Shares, representing approximately 66.00% of the issued share capital of the Company. Pursuant to Rule 14.44 of the Listing Rules, the Company had obtained the written approval of the Controlling Shareholder in lieu of holding a general meeting to approve the Acquisition and the transactions contemplated under the Transfer Agreement. Accordingly, no general meeting for Shareholders' approval of the Acquisition was or will be held.

9. ADDITIONAL INFORMATION

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

By order of the Board
Fantasia Holdings Group Co., Limited
Pan Jun
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 are disclosed in the following documents:

- annual report of the Company for the year ended 31 December 2010 published on 23 March 2011. Please see below hyperlink to the 2010 annual report: http://www.hkexnews.hk/listedco/listconews/SEHK/2011/0323/LTN20110323511.pdf

- annual report of the Company for the year ended 31 December 2011 published on 26 March 2012. Please see below hyperlink to the 2011 annual report: http://www.hkexnews.hk/listedco/listconews/SEHK/2012/0326/LTN20120326903.pdf

- annual report of the Company for the year ended 31 December 2012 published on 1 April 2013. Please see below hyperlink to the 2012 annual report: http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0401/LTN20130401128.pdf

- interim report of the Company for six months ended 30 June 2013 published on 28 August 2013. Please see below hyperlink to the 2013 interim report: http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0828/LTN20130828237.pdf

2. INDEBTEDNESS STATEMENT

Borrowings and contingent liabilities of the Group

At the close of business on 31 January 2014 being the latest practicable date prior to the printing of this circular, the Group had outstanding (i) amount due to a related party of the Group of approximately RMB815,000 which is unsecured and unguaranteed, (ii) senior notes of the Group of approximately RMB6,605,644,000 which are unsecured and guaranteed, (iii) bank and other borrowings of the Group of approximately RMB8,234,936,000 (of which RMB7,007,380,000 was secured, RMB610,320,000 was guaranteed by fixed charges on certain of the Group's assets, including plant and equipment, prepaid lease payments, premium on prepaid lease payments, investment properties, properties for sale and bank deposits), (iv) secured and unguaranteed obligations under finance leases of the Group of approximately RMB188,619,000, (v) financial liabilities of the Group of approximately RMB6,105,000 for repurchasing the shares issued by a subsidiary of the Company if an initial public offering of the subsidiary has not completed on or before 5 June 2015, (vi) contingent liabilities in respect of guarantee given to banks for mortgage facilities granted to purchasers of the Group's properties of approximately RMB4,377,474,000, and (vii) in respect of guarantee given to a joint venture of the Group approximately RMB535,188,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 January 2014 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Borrowings and contingent liabilities of the Target Group

As at the close of business of 31 January 2014 being the latest practicable date prior to the printing of this circular, the Target Group had outstanding borrowings of approximately RMB1,603,158,000, comprising secured bank borrowings of approximately RMB234,000,000 and unsecured other borrowings of approximately RMB1,369,158,000. The bank borrowings were secured by charges on certain of the Target Group's inventories of approximately RMB774,165,000 and pledge on the Target Group's equity interests in a subsidiary. In addition, the Target Group had contingent liabilities in respect of outstanding guarantees given to banks in connection with mortgage facilities granted to certain customers of the Target Group's sold properties amounting to RMB172,527,000.

Save as aforesaid or as otherwise mentioned herein and apart from intra-group liabilities, the Target Group did not have any outstanding mortgages, charges, debentures, loan capital (issued or agreed to be issued), debt securities, bank loans and overdrafts or other similar borrowings or indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase and finance lease commitments, guarantees or other material contingent liabilities as at the close of business of 31 January 2014.

3. WORKING CAPITAL

The directors of the Company are of the opinion that, after taking into account the financial resources available to us including the available credit facilities, our internally generated funds and the cash flow impact of the Acquisition and the subscription of new shares of the Company, the Enlarged Group has sufficient working capital to satisfy its requirements for at least the next 12 months following the date of this circular.

A. ACCOUNTANT'S REPORT

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountant of the Company, BDO Limited, Certified Public Accountants, Hong Kong.

BDO

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25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

28 March 2014

The Directors
Fantasia Holdings Group Co., Limited

Dear Sirs,

We set out below our report on the financial information of Huizhou TCL Real Estate Development Limited (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") which comprises the consolidated statements of financial position of the Target Group and the statements of financial position of the Target Company as at 31 December 2010, 2011 and 2012 and 30 September 2013, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2013 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory notes (the "Financial Information"), together with the comparative financial information of the Target Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Target Group for the nine months ended 30 September 2012 (the "Comparative Financial Information") for inclusion in the circular issued by Fantasia Holdings Group Co., Limited (the "Company") dated 28 March 2014 (the "Circular") in connection with the acquisition by two wholly-owned subsidiaries of the Company, of all the equity interest in the Target Company and all the indebtedness due to TCL Corporation by certain members of the Target Group.

The Target Company was established as a sino-foreign company on 27 August 2004 in the People's Republic of China (the "PRC", which excludes, for the purpose of this report, the Hong Kong Special Administrative Region of the PRC or Hong Kong, the Macau Special Administrative Region of the PRC or Macau, and Taiwan). The Target Company is principally engaged in property development, property investment and provision of property management and agency services.

As at the end of the Relevant Periods, the Target Company had direct and indirect interests in the subsidiaries as set out in note 18 of Section C below. The Target Group is principally engaged in property development, property investment, provision of property management and agency services, and infrastructure construction business.

All companies comprising the Target Group during the Relevant Periods have adopted 31 December as their financial year end date, and their statutory financial statements were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 18 of Section C below.

For the purpose of this report, the directors of the Target Company have prepared the Target Group's consolidated financial statements for the Relevant Periods (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Target Company based on the Underlying Financial Statements with no adjustment made thereon in accordance with HKFRSs issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the Financial Information presented in this report and the contents of the Circular in which this report is included. Our responsibility is to form an opinion on the Financial Information based on our procedures and to report our opinion to you.

For the purpose of this report, we have carried out audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Financial Information of the Target Group and carried out appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the purpose of this report, we have also reviewed the Comparative Financial Information, which has been prepared in accordance with HKFRSs issued by the HKICPA, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The directors are responsible for the preparation and presentation of the Comparative Financial Information in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Our responsibility is to express a conclusion on the Comparative Financial Information based on our review. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures to the Comparative Financial Information. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information.

Opinion in respect of the Financial Information

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Target Group and the Target Company as at 31 December 2010, 2011 and 2012 and 30 September 2013 and of the consolidated results and cash flows of the Target Group for each of the Relevant Periods then ended in accordance with HKFRSs.

Review conclusion in respect of Comparative Financial Information

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

B. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
		2010	2011	2012	2012	2013
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	*7*	550,589	1,276,419	998,381	287,411	640,008
Cost of sales and services		(354,028)	(740,341)	(509,320)	(124,424)	(372,963)
Gross profit		196,561	536,078	489,061	162,987	267,045
Interest and other income		1,472	4,267	4,256	2,813	4,637
Distribution and selling costs		(3,766)	(16,505)	(8,190)	(1,923)	(3,128)
Administrative expenses		(19,435)	(50,891)	(55,077)	(24,322)	(29,517)
Other expenses	*8*	–	(525)	(127)	(110)	(31,917)
Fair value gain/(loss) of investment properties		35,219	17,100	22,146	(300)	(5,200)
Finance costs	*9*	(4,904)	(4,930)	(46,338)	(4,556)	(18,484)
Share of losses of associates		(327)	(516)	(2,978)	(1,505)	(2,071)
Share of profits/(losses) of a joint venture		–	12	(2)	(2)	(1)
Profit before income tax expense	*10*	204,820	484,090	402,751	133,082	181,364
Income tax expense	*11*	(36,456)	(157,661)	(119,769)	(35,147)	(64,060)
Profit and total comprehensive income for the year/period		168,364	326,429	282,982	97,935	117,304
Profit and total comprehensive income for the year/period attributable to:						
Owners of the Target Company		129,277	244,941	179,362	60,045	89,528
Non-controlling interests		39,087	81,488	103,620	37,890	27,776
		168,364	326,429	282,982	97,935	117,304

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 September
		2010	**2011**	**2012**	**2013**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*15*	1,875	10,092	14,622	12,430
Investment properties	*16*	118,500	142,100	180,900	175,700
Intangible assets	*17*	114	135	368	313
Interests in associates	*19*	62,743	62,227	59,249	57,178
Interests in a joint venture	*20*	–	10,012	10,010	10,009
Land development expenditure		–	254,000	254,000	254,000
Deposit paid for acquisition of land use rights		100,000	38,680	643,349	42,680
Deferred tax assets	*21*	16,183	12,486	16,386	5,312
Trade receivables	*24*	–	23,065	70,130	100,515
		299,415	552,797	1,249,014	658,137
Current assets					
Inventories	*23*	1,609,435	1,509,604	1,448,635	2,379,735
Trade receivables	*24*	26,304	204,652	174,898	153,836
Deposits, prepayments and other receivables	*25*	116,003	22,444	211,429	159,115
Amounts due from related companies	*26*	93,811	42,469	316,485	101,397
Amount due from an associate	*26*	17,916	24,154	25,430	26,457
Amount due from a joint venture	*26*	–	–	2	2
Amount due from a non-controlling interest	*26*	–	–	–	330,968
Cash and bank balances	*27*	390,794	296,929	505,025	447,022
		2,254,263	2,100,252	2,681,904	3,598,532

		At 31 December			At 30 September
		2010	2011	2012	2013
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities					
Trade payables	*28*	247,373	218,102	326,648	235,394
Other payables and accruals	*29*	76,955	120,610	179,849	498,208
Deposits received in respect of pre-sale of properties		428,117	33,584	268,408	258,229
Amounts due to related companies	*30*	60,202	48,578	53,613	51,467
Amount due to a joint venture	*30*	–	5,000	10,000	10,000
Amounts due to owners	*30*	16,750	16,750	16,750	16,750
Amounts due to non-controlling interests	*30*	292,116	228,050	228,054	118,554
Distributions payable	*30*	–	170,000	–	–
Loans from a fellow subsidiary	*31*	484,046	431,750	340,000	186,000
Bank and other borrowings	*32*	5,960	120,827	87,250	–
Income tax and land appreciation tax payables		54,031	168,793	180,258	105,419
		1,665,550	1,562,044	1,690,830	1,480,021
Net current assets		588,713	538,208	991,074	2,118,511
Total assets less current liabilities		888,128	1,091,005	2,240,088	2,776,648
Non-current liabilities					
Loans from a fellow subsidiary	*31*	225,000	378,000	1,293,740	1,622,046
Bank and other borrowings	*32*	214,577	111,750	14,750	107,000
Deferred tax liabilities	*21*	12,266	16,541	22,077	20,777
		451,843	506,291	1,330,567	1,749,823
Net assets		436,285	584,714	909,521	1,026,825
Capital and reserves					
Paid-up capital	*33*	100,000	100,000	100,000	100,000
Reserves	*34*	256,935	311,876	491,234	580,762
Equity attributable to owners of the Target Company		356,935	411,876	591,234	680,762
Non-controlling interests		79,350	172,838	318,287	346,063
Total equity		436,285	584,714	909,521	1,026,825

STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 September
		2010	2011	2012	2013
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*15*	238	335	4,009	3,748
Investment properties	*16*	118,500	142,100	180,900	175,700
Intangible assets	*17*	74	58	256	222
Investments in subsidiaries	*18*	70,000	118,000	398,000	431,000
Investment in associates	*19*	300	300	300	300
Deferred tax assets	*21*	16,183	12,486	16,386	5,312
		205,295	273,279	599,851	616,282
Current assets					
Inventories	*23*	781,733	681,081	867,157	754,845
Trade receivables	*24*	15,867	108,363	70,979	19,073
Deposits, prepayments and other receivables	*25*	6,245	11,228	11,932	13,525
Amounts due from related companies	*26*	49,402	24,370	104,733	36,406
Amounts due from subsidiaries	*26*	100,346	35,377	72,092	119,327
Cash and bank balances	*27*	191,748	207,847	242,846	205,796
		1,145,341	1,068,266	1,369,739	1,148,972

		At 31 December			At 30 September
		2010	2011	2012	2013
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities					
Trade payables	*28*	68,691	121,059	204,511	164,464
Other payables and accruals	*29*	28,917	54,098	43,942	52,067
Deposits received in respect of pre-sale of properties		236,720	29,999	249,030	191,621
Amounts due to related companies	*30*	58,964	46,924	47,060	46,298
Amounts due to subsidiaries	*30*	–	47,707	285,993	348,176
Amount due to an associate	*30*	–	–	–	2,418
Amounts due to owners	*30*	16,750	16,750	16,750	16,750
Distributions payable	*30*	–	170,000	–	–
Loans from a fellow subsidiary	*31*	474,296	374,000	132,000	18,000
Bank and other borrowings	*32*	5,960	–	52,000	–
Income tax and land appreciation tax payables		54,031	116,471	74,132	47,675
		944,329	977,008	1,105,418	887,469
Net current assets		201,012	91,258	264,321	261,503
Total assets less current liabilities		406,307	364,537	864,172	877,785
Non-current liabilities					
Loans from a fellow subsidiary	*31*	–	18,000	497,000	415,356
Bank and other borrowings	*32*	80,000	75,000	–	107,000
Deferred tax liabilities	*21*	12,266	16,541	22,077	20,777
		92,266	109,541	519,077	543,133
Net assets		314,041	254,996	345,095	334,652
Capital and reserves					
Paid-up capital	*33*	100,000	100,000	100,000	100,000
Reserves	*34*	214,041	154,996	245,095	234,652
Total equity		314,041	254,996	345,095	334,652

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital	Capital Reserve (note 34(i))	Statutory Reserve (note 34(ii))	Retained earnings	Equity attributable to owners of the Target Company	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2010	100,000	4,784	9,804	113,070	227,658	40,263	267,921
Profit and total comprehensive income for the year	–	–	–	129,277	129,277	39,087	168,364
Transfer to reserve	–	–	5,244	(5,244)	–	–	–
As at 31 December 2010 and 1 January 2011	100,000	4,784	15,048	237,103	356,935	79,350	436,285
Profit and total comprehensive income for the year	–	–	–	244,941	244,941	81,488	326,429
Distributions to owners	–	–	–	(190,000)	(190,000)	–	(190,000)
Transfer to reserve	–	–	20,794	(20,794)	–	–	–
Capital injection	–	–	–	–	–	12,000	12,000
As at 31 December 2011 and 1 January 2012	100,000	4,784	35,842	271,250	411,876	172,838	584,714
Profit and total comprehensive income for the year	–	–	–	179,362	179,362	103,620	282,982
Transfer to reserve	–	–	19,398	(19,398)	–	–	–
Acquisition of equity interest in a subsidiary from a non-controlling interest	–	(4)	–	–	(4)	–	(4)
Capital injection	–	–	–	–	–	41,829	41,829
As at 31 December 2012 and 1 January 2013	100,000	4,780	55,240	431,214	591,234	318,287	909,521
Profit and total comprehensive income for the period	–	–	–	89,528	89,528	27,776	117,304
As at 30 September 2013	100,000	4,780	55,240	520,742	680,762	346,063	1,026,825
As at 1 January 2012	100,000	4,784	35,842	271,250	411,876	172,838	584,714
Profit and total comprehensive income for the period	–	–	–	60,045	60,045	37,890	97,935
Acquisition of equity interest in a subsidiary from a non-controlling interest	–	(4)	–	–	(4)	–	(4)
Capital injection	–	–	–	–	–	41,829	41,829
As at 30 September 2012 (unaudited)	100,000	4,780	35,842	331,295	471,917	252,557	724,474

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Cash flows from operating activities					
Profit before income tax expense	204,820	484,090	402,751	133,082	181,364
Adjustments for:					
Depreciation of property, plant and equipment	358	1,877	2,679	1,589	2,736
Amortisation of intangible assets	31	41	74	56	80
Fair value changes of investment properties	(35,219)	(17,100)	(22,146)	300	5,200
Loss on disposal of property, plant and equipment	–	4	1	–	–
Share of losses of associates	327	516	2,978	1,505	2,071
Share of (profits)/losses of a joint venture	–	(12)	2	2	1
Interest income	(1,459)	(4,238)	(4,255)	(2,811)	(4,337)
Finance costs	4,904	4,930	46,338	4,556	18,484
Operating profit before working capital changes	173,762	470,108	428,422	138,279	205,599
(Increase)/decrease in inventories	(303,273)	223,642	129,775	(641,687)	(237,660)
(Increase)/decrease in trade receivables	(3,648)	(201,413)	(17,311)	27,318	(9,323)
Decrease/(increase) in deposits, prepayments and other receivables	(104,505)	93,559	(188,985)	(47,914)	52,314
Increase/(decrease) in trade payables	133,804	(29,271)	108,546	(68,056)	(91,254)
Increase/(decrease) in other payables and accruals	53,890	43,655	59,239	(28,235)	318,359
Increase/(decrease) in deposits received in respect of pre-sale of properties	250,372	(394,533)	234,824	248,806	(10,179)
Cash generated from/(used in) operations	200,402	205,747	754,510	(371,489)	227,856
Income tax paid	(5,213)	(34,927)	(106,668)	(98,160)	(129,125)
Net cash from/(used in) operating activities	195,189	170,820	647,842	(469,649)	98,731
Cash flows from investing activities					
Interest received	1,459	4,238	4,255	2,811	4,337
Purchase of property, plant and equipment	(746)	(10,098)	(7,210)	(2,666)	(544)
Purchase of intangible assets	(65)	(62)	(307)	(291)	(25)
Additions of land development expenditure	–	(254,000)	–	–	–
Additions to deposits paid for acquisition of land use rights	(100,000)	(4,600)	(604,669)	(164,662)	–
Capital injection to a joint venture	–	(10,000)	–	–	–
Capital injection to an associate	(62,492)	–	–	–	–
Advances to a non-controlling interest	–	–	–	–	(330,968)
Advances to an associate	(17,916)	(6,238)	(1,276)	(959)	(1,027)
Net cash used in investing activities	(179,760)	(280,760)	(609,207)	(165,767)	(328,227)

	Year ended 31 December			Nine months ended 30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash flows from financing activities					
Proceeds from bank borrowings	199,950	23,000	369,367	365,617	110,000
Repayments of bank borrowings	(124,830)	(10,960)	(499,944)	(228,827)	(105,000)
Advances from a joint venture	–	5,000	4,998	5,000	–
Capital injection to subsidiaries by non-controlling interests	–	12,000	41,829	41,829	–
Proceeds from loans from a fellow subsidiary	881,296	380,000	2,383,420	1,857,055	1,126,450
Repayments of loans from a fellow subsidiary	(611,546)	(279,296)	(1,559,430)	(945,780)	(952,144)
(Repayments to)/advances from related companies	(76,475)	39,718	(268,981)	(12,445)	212,942
Advance from/(repayments to) non-controlling interests	102,925	(64,066)	80	524	(109,500)
Acquisition of equity interest in a subsidiary from a non-controlling interest	–	–	(80)	(80)	–
Distributions paid	–	(20,000)	(170,000)	(170,000)	–
Interest paid	(30,983)	(69,321)	(131,798)	(65,302)	(111,255)
Net cash from financing activities	340,337	16,075	169,461	847,591	171,493
Net increase/(decrease) in cash and cash equivalents	355,766	(93,865)	208,096	212,175	(58,003)
Cash and cash equivalent at beginning of year/period	35,028	390,794	296,929	296,929	505,025
Cash and cash equivalent at end of year/period	390,794	296,929	505,025	509,104	447,022
Analysis of balance of cash and cash equivalents					
Cash and bank balances *(note 27)*	390,794	296,929	505,025	509,104	447,022

C. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Target Company was established as a limited company in the People's Republic of China (the "PRC") on 27 August 2004 under the Company Law of the PRC. On 22 December 2004, the Target Company was transformed to a sino-foreign company. The address of its registered office is 6/F., No. 12, 13 District of Zhongkai in Huizhou City, Guangdong Province, the PRC. The Target Group is principally engaged in property development, property investment, provision of property management and agency services, and infrastructure construction business.

Immediately before the completion of the acquisition described by the Company's announcement dated 7 January 2014, the Target Company was owned as to 45% by TCL Corporation (established in the PRC), as to 30% by Shenzhen Hai Gu Zhou Property Development Co., Ltd. (established in the PRC) and as to 25% by T.C.L. Industries Holdings (H.K.) Limited (incorporated in Hong Kong). Subsequent to the completion of the acquisition, the Target Company was owned as to 75% by Shenzhen Fantasia Real Estate Group Limited (established in the PRC) and as to 25% by Trade Dragon Holdings Limited (incorporated in Hong Kong). In the opinion of the directors of the Company, the ultimate holding company of the Target Company is Ice Apex Limited (incorporated in the British Virgin Islands (the "BVI")).

The Financial Information are presented in Renminbi ("RMB"), which is the same as the functional currency of the group entities comprising the Target Group, and all values are rounded to the nearest thousands, except where otherwise indicated.

2. APPLICATION OF HKFRSs

For the purposes of preparing and presenting the Financial Information for the Relevant Periods, the Target Group has consistently applied HKFRSs issued by the HKICPA, which are effective for the accounting period beginning on 1 January 2013 throughout the Relevant Periods.

At the date of this report, the Target Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities [1]
Amendments to HKAS 36	Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets [1]
HK(IFRIC) – INT 21	Levies [1]
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle [3]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle [2]
HKFRS 9	Financial Instruments *

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
* No mandatory effective date yet determined but is available for immediate adoption

Amendments to HKAS 36 – Impairment of Assets – Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit (CGU) to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal.

HK(IFRIC) – Interpretation 21 – Levies

HK (IFRIC) 21 clarifies that an entity recognizes a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that 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.

The directors of the Company is in the process of making an assessment of the potential impact of the new/revised HKFRSs and the directors so far concluded that the application of the new/revised HKFRSs will have no material impact on the results and the financial position of the Target Group.

3. BASIS OF PREPARATION

(a) Statement of compliance

The Financial Information has been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the Financial Information includes applicable disclosures required by the Listing Rules.

(b) Basis of measurement

The Financial Information has been prepared on the historical cost basis except for investment properties that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The Financial Information incorporates the financial statements of the Target Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the Financial Information. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Target Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Target Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Target Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Target Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Target Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

Changes in the Target Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Target Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Target Company.

When the Target Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Target Company is able to exercise control. The Target Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Target Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Target Company considers all relevant facts and circumstances, including:

- The size of the Target Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Target Company and other parties who hold voting rights;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

In the Target Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Target Company on the basis of, distribution received and receivable.

(c) Associates

An associate is an entity over which the Target Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Target Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Target Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Target Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Target Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Target Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Target Company on the basis of distributions received and receivable during the year.

(d) Joint arrangements

The Target Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Target Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Target Group classifies its interests in joint arrangements as either:

- Joint ventures: where the Target Group has rights to only the net assets of the joint arrangement; or

- Joint operations: where the Target Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Target Group considers:

- The structure of the joint arrangement;

- The legal form of joint arrangements structured through a separate vehicle;

- The contractual terms of the joint arrangement agreement; and

- Any other facts and circumstances (including any other contractual arrangements).

The Target Group accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method – see note 4(c)).

Any premium paid for an investment in a joint venture above the fair value of the Target Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets. The Group accounts for its interests joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

The Target Company's interests in joint ventures are stated at cost less impairment losses, if any. Results of joint ventures are accounted for by the Target Company on the basis of distributions received and receivable.

(e) Property, plant and equipment

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 Group 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 as an expense 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 or valuation 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:

Leasehold improvements	5 years
Furniture and fixtures	5 years
Motor vehicles	5 to 10 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.

(f) Investment property

Investment property is property 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 property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

(g) Land development expenditure

Land development expenditure is stated at the lower of cost and net realisable value. The cost includes expenditure directly attributable to the development of relevant projects such as road construction, demolition, resettlement work and borrowing cost.

(h) 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.

(i) The Target Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

(ii) The Target Group as lessee

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 expense, over the term of the lease.

(i) Intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Computer Software	5 years

An impairment loss is recognised as an expense immediately. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so 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.

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (see the accounting policies in respect of impairment losses for tangible and intangible assets below).

(j) Financial Instruments

(i) Financial assets

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 arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. 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 Group assesses, 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. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) *Financial liabilities*

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, other payables and accruals, amounts due to related companies, a joint venture, owners, non-controlling interests and subsidiaries, distributions payable and bank 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 or 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 Group 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 Group measures the financial guarantee contract 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) Derecognition

The Target Group 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, cancelled or expires.

Where the Target Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(k) Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments. Contract costs comprise direct materials, costs of subcontracting, direct labour and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of reporting period.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

(l) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost and net realisable value are determined as follows:

(i) Properties under development for sale

The cost of properties under development for sale comprises land costs, development expenditure, professional fees and borrowing costs capitalised. Land costs include prepaid land 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.

(ii) *Properties held for sale*

The cost of properties held for sale 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.

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable from goods sold or services provided 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 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 consolidated statement of financial position.

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

(iii) Revenue from construction contracts is recognised in accordance with Note (k) above.

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

(v) Distribution income is recognised when the right to receive the distribution is established.

(n) Income taxes

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

Current tax is based on the 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, associates and jointly controlled entities, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference 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 or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(o) Employee benefits

(i) Defined contribution retirement plan

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

(ii) Termination benefits

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

(p) Impairment of other assets

At the end of each reporting period, the Target Group 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;
- Intangible assets;
- Interests in associates and joint ventures; and
- Investments in subsidiaries.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an 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.

(q) 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.

(r) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Target Group will comply with the conditions attaching to them. Grants that compensate the Target Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Target Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(s) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Group 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.

(t) Related parties

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

(i) has control or joint control over the Target Group;

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

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

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

(i) The entity and the Target Group 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 Group or an entity related to the Target Group.

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

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying accounting policies

(i) Deferred tax on investment properties

With regards to the Target Group's investment properties located in Mainland China, the directors of the Target Company considered that they are held under a business model whose objective is to consume substantially all of the economic benefits embodied in these investment properties over time. Therefore, the directors of the Target Company have determined that the presumption that the carrying amounts of investment properties located in the PRC measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Target Group recognised deferred taxes on changes in fair value of the Target Group's investment properties located in the PRC on the basis that the entire carrying amounts of these properties are recovered through use.

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in the Financial Information, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(i) Fair value measurement of investment properties

The investment properties included in the Target Group's Financial Information require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Target Group's investment properties utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

Level 1: Quoted prices in active markets for identical items (unadjusted);
Level 2: Observable direct or indirect inputs other than Level 1 inputs;
Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

For more detailed information in relation to the fair value measurement of the investment properties above, please refer to Note 16.

(ii) Deferred tax

Deferred tax assets of RMB16,183,000, RMB12,486,000, RMB16,386,000 and RMB5,312,000 mainly in relation to land appreciation tax ("LAT") have been recognised at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively, as set out in Note 21. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. The directors of The Target Company determine the deferred tax assets based on the enacted or substantially enacted tax rates and the best knowledge of profit projections of the Target Companies for coming years during which the deferred tax assets are expected to be utilised. The directors of each Target Company will review the assumptions and profit projections by the end of each reporting period. In cases where the actual future profits generated are less than expected or there is a downward revision of estimated future profits, a reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

(iii) Land appreciation tax ("LAT")

The Target Group is subject to LAT in the PRC. However, the implementation of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Target Group have not finalised their LAT calculations with the local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of land appreciation and its related income tax provisions. The Target Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the period in which such tax is finalised with local tax authorities.

(iv) Impairment of loans and receivables

Impairment of receivables is made based on an assessment of the recoverability of trade receivables, deposits and other receivables, amounts due from related companies, an associate, a joint venture and subsidiaries and the timing of their recovery. The identification of impairment of receivables requires management judgement and estimation. Where the actual outcome or expectation in future is different from the original estimates, such differences will impact on the carrying amount of the respective receivables and the amount of impairment loss/reversal of impairment loss in the periods in which such estimates have been changed.

(v) Impairment on properties held for sale

Impairment on properties held for sale is made based on the assessment of net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the properties are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the reporting period. Significant management estimates are required in the estimates. Where the actual outcome or expectation in future is different from the original estimates, such differences will impact on the carrying amounts of properties held for sale and the amount of impairment loss/write-back of impairment loss in the periods in which such estimates have been changed.

(vi) Recognition and allocation of construction cost on properties under development for sale

Development costs of properties are recorded as properties under development for sale during the construction stage and will be transferred to completed properties held for sale upon completion. Apportionment of these costs will be recognised in profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs, these costs are accrued by the Target Group based on management's best estimate.

When developing properties, the Target Group may divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated saleable area of the entire project.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

6. SEGMENT REPORTING

The chief operating decision-maker of the Target Group has been identified as the executive directors of the Target Company. The executive directors regularly review revenue and operating results derived from property development, property investment, provision of property management and agency services, and infrastructure construction business on an aggregate basis and consider them as one single operating segment.

No geographical information is presented as the Target Group's operations are located in the PRC.

Information about major customers

No revenue from transaction with single external customer is amounted to 10% or more of the Target Group's revenue in each of the reporting periods over the Relevant Periods.

7. REVENUE

	Year ended 31 December			Nine months ended 30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales of properties held for sale	518,763	1,220,677	871,865	208,899	541,896
Rental income and property management fees	31,826	55,742	59,315	42,257	33,289
Construction income	–	–	67,201	36,255	64,823
Total	550,589	1,276,419	998,381	287,411	640,008

8. OTHER EXPENSES

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Impairment loss on other receivables	–	–	–	–	30,034
Donation	–	500	110	110	30
Compensation in respect of project delay	–	–	–	–	1,762
Others	–	25	17	–	91
	–	525	127	110	31,917

9. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on:					
Bank borrowings wholly repayable within five years	30,983	69,321	131,798	65,302	111,255
Less: Interest capitalised	(26,079)	(64,391)	(85,460)	(60,746)	(92,771)
	4,904	4,930	46,338	4,556	18,484

In addition to the borrowing costs, incurred for respective specific borrowings, capitalised to properties under development for sale based on actual borrowing costs, borrowing costs capitalised during the Relevant Periods arose on the general borrowing pool and were calculated by applying a capitalisation rate of 3.44%, 6.53%, 6.15%, 5.17% and 6.78% for the years ended 31 December 2010, 2011 and 2012 and nine months ended 30 September 2012 and 2013, respectively, to expenditure on qualifying assets.

10. PROFIT BEFORE INCOME TAX EXPENSE

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before income tax expenses has been arrived at after charging/(crediting):					
Amortisation of intangible assets	31	41	74	56	80
Depreciation of property, plant and equipment	358	1,877	2,679	1,589	2,736
Loss on disposal of property, plant and equipment	–	(4)	(1)	–	–
Cost of sales and services including:					
Cost of properties sold	335,565	664,425	384,637	70,027	272,377
Cost of property leasing and property management services provided	7,710	12,034	10,601	5,726	6,148
Cost of construction contract	–	–	67,201	36,255	64,823
	343,275	676,459	462,439	112,008	343,348
Operating lease rentals for rented office premises	385	720	1,822	1,290	629
Direct operating expenses incurred for investment properties that generated rental income during the year/period*	–	–	390	147	97
Staff costs (including directors):					
Salaries, allowances and other benefits	35,336	64,003	65,624	31,514	33,381
Contributions on defined contribution retirement plans	325	1,154	713	521	543
	35,661	65,157	66,337	32,035	33,924
Less: capitalised in properties under development for sale	(10,876)	(12,759)	(12,010)	(7,642)	(7,330)
	24,785	52,398	54,327	24,393	26,594
Auditors' remuneration	232	124	148	–	–

* Included in cost of property leasing and property management services provided.

11. INCOME TAX EXPENSE

	Year ended 31 December			Nine months ended 30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax:					
The PRC – Charge for the year					
Enterprise Income Tax ("EIT")	34,279	101,971	113,083	38,071	49,910
LAT	9,555	47,718	5,050	614	4,376
	43,834	149,689	118,133	38,685	54,286
Deferred tax *(Note 21)*	(7,378)	7,972	1,636	(3,538)	9,774
	36,456	157,661	119,769	35,147	64,060

Under the Law of the PRC on EIT ("EIT Law" effective from 1 January 2008) and Implementation Regulation of the EIT Law, the statutory EIT rate of PRC companies in the Target Group is 25% during the Relevant Periods.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use right and all property development expenditures.

The income tax expense for the Relevant Periods can be reconciled to the profit before income tax expense per the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before income tax expense	204,820	484,090	402,751	133,082	181,364
Tax at PRC enterprise income tax rate of 25%	51,205	121,023	100,688	33,271	45,341
PRC LAT	9,555	47,718	5,050	614	4,376
Tax effect of PRC LAT	(2,389)	(11,930)	(1,263)	(154)	(1,094)
Tax effect of expenses not deductible for tax Purpose	1,838	13,882	9,040	2,238	4,327
Tax effect of income not taxable for tax Purpose	(2,474)	(14,942)	(8,180)	(2,006)	(8,930)
Tax effect of tax losses not recognised	876	1,784	13,689	807	19,340
Tax effect of utilisation of, and recognition of deferred tax on, tax losses not previously recognised	(22,237)	–	–	–	–
Tax effect of share of losses of associates	82	129	744	376	517
Tax effect of share of (profits)/losses of a joint venture	–	(3)	1	1	1
Others	–	–	–	–	182
Income tax expense for the year/period	36,456	157,661	119,769	35,147	64,060

12. DISTRIBUTIONS

During the Relevant Periods, certain subsidiaries of the Target Group made distributions to the owners of the Target Company.

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Distributions declared	–	190,000	–	–	–

The rate of distributions for the above distributions are not presented as such information is not meaningful having regard to the purpose of this report.

Subsequent to the Relevant Periods, distribution was proposed to be made to the owners of the Target Company, details please refer to Note a of Section D.

13. EARNINGS PER SHARE

Earnings per share information is not presented as the Target Company was a limited company incorporated in the PRC with no share issued.

14. DIRECTORS'AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

Directors' and chief executive emoluments

Emoluments for directors of the Target Company is as follow:

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, allowance and other benefits	1,621	1,833	1,994	1,490	843
Retirement benefit scheme contributions	31	31	73	58	2
	1,652	1,864	2,067	1,548	845

Five highest paid employees

The emoluments of the five highest paid individuals, including directors, of the entities comprising the Target Group for the Relevant Periods are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other allowances	3,391	4,739	3,869	3,224	2,781
Contributions on defined contribution retirement plans	95	120	152	88	162
	3,486	4,859	4,021	3,312	2,943

The emoluments of the above individuals fell within the following bands:

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012 (unaudited)	2013
Number of individuals					
Not more than HK$1,000,000 (Not more than approximately RMB823,700)	1	2	3	4	5
HK$1,000,001 – HK$1,500,000 (approximately RMB823,700 to RMB1,236,000)	4	3	2	1	–

15. PROPERTY, PLANT AND EQUIPMENT

The Target Group

	Leasehold improvements	Furniture and fixtures	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January 2010	–	765	1,693	2,458
Additions	–	433	313	746
At 31 December 2010 and at 1 January 2011	–	1,198	2,006	3,204
Additions	6,055	680	3,363	10,098
Disposals	–	(15)	–	(15)
At 31 December 2011 and at 1 January 2012	6,055	1,863	5,369	13,287
Additions	5,395	827	988	7,210
Disposals	–	(2)	–	(2)
At 31 December 2012 and at 1 January 2013	11,450	2,688	6,357	20,495
Additions	–	191	353	544
At 30 September 2013	11,450	2,879	6,710	21,039

	Leasehold improvements *RMB'000*	Furniture and fixtures *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Accumulated depreciation and impairment:				
At 1 January 2010	–	342	629	971
Charge for the year	–	145	213	358
At 31 December 2010 and at 1 January 2011	–	487	842	1,329
Charge for the year	1,203	241	433	1,877
Written back on disposals	–	(11)	–	(11)
At 31 December 2011 and at 1 January 2012	1,203	717	1,275	3,195
Charge for the year	1,585	358	736	2,679
Written back on disposals	–	(1)	–	(1)
At 31 December 2012 and at 1 January 2013	2,788	1,074	2,011	5,873
Charge for the year	1,768	320	648	2,736
At 30 September 2013	4,556	1,394	2,659	8,609
Carrying amounts:				
At 31 December 2010	–	711	1,164	1,875
At 31 December 2011	4,852	1,146	4,094	10,092
At 31 December 2012	8,662	1,614	4,346	14,622
At 30 September 2013	6,894	1,485	4,051	12,430

The Target Company

	Leasehold improvements *RMB'000*	Furniture and fixtures *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost:				
At 1 January 2010	–	343	–	343
Additions	–	76	–	76
At 31 December 2010 and at 1 January 2011	–	419	–	419
Additions	–	181	–	181
At 31 December 2011 and at 1 January 2012	–	600	–	600
Additions	3,302	682	–	3,984
At 31 December 2012 and at 1 January 2013	3,302	1,282	–	4,584
Additions	–	39	353	392
At 30 September 2013	3,302	1,321	353	4,976
Accumulated depreciation and impairment:				
At 1 January 2010	–	115	–	115
Charge for the year	–	66	–	66
At 31 December 2010 and at 1 January 2011	–	181	–	181
Charge for the year	–	84	–	84
At 31 December 2011 and at 1 January 2012	–	265	–	265
Charge for the year	165	145	–	310
At 31 December 2012 and at 1 January 2013	165	410	–	575
Charge for the year	495	150	8	653
At 30 September 2013	660	560	8	1,228
Carrying amounts:				
At 31 December 2010	–	238	–	238
At 31 December 2011	–	335	–	335
At 31 December 2012	3,137	872	–	4,009
At 30 September 2013	2,642	761	345	3,748

16. INVESTMENT PROPERTIES

The Target Group and the Target Company

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	48,200	118,500	142,100	180,900
Transfer from properties under development for sale	35,081	6,500	16,654	–
Fair value gain/(loss)	35,219	17,100	22,146	(5,200)
At end of the year/period	118,500	142,100	180,900	175,700

All of the Target Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The Target Group's investment properties are analysed as follows:

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties held under long term leases (over 50 years) – in the PRC	118,500	142,100	180,900	175,700

Fair value measurement of the Target Group's investment properties

In estimating the fair value of the investment properties, the Target Group uses market observable data to the extent it is available. The management of the Target Group works closely with the external professional valuers to establish the appropriate valuation techniques and inputs to the models.

The fair value of the Target Group's investment properties in the PRC at 31 December 2010, 2011 and 2012 and 30 September 2013 has been arrived at on the basis of a valuation carried out as at that date by Jones Lang LaSalle Corporation Appraisal and Advisory Limited, independent qualified professional valuers not connected with the Target Group.

The fair value of investment properties is a level 3 recurring fair value measurement.

The valuations were arrived at with the adoption of comparison approach assuming sale of each of these properties in its existing status by making reference to comparable sales transactions as available in the relevant market, or where appropriate, the adoption of income approach by capitalisation of the net rental income derived from the existing tenancy agreements and/or achievable in the existing market with due allowance for the reversionary income potential of the properties. There has been no change in the valuation technique throughout the Relevant Periods.

The amount of the change in fair value recognised in profit or loss were related to investment properties held at the end of each of the Relevant Periods.

Significant unobservable inputs

	At 31 December			At 30 September
	2010	2011	2012	2013
Comparison approach				
Market unit sale rate (RMB'000/unit)	51–90	56–110	61–110	59–110
Income approach				
Market monthly rental rate (RMB/sq.m.)	26–27	29–31	31–33	30–32
Capitalisation rate	4%	4%	4%	4%
Long-term vacancy rate	4–10%	4–10%	4–10%	4–10%

The fair values of investment properties, without specified use in accordance with the respective rental agreements, were arrived at using comparison approach by making references to comparable sale evidence as available in the relevant market adjusted for size, characteristics and customer types. The fair value measurement is positively correlated to the market unit sales rate.

The fair values of investment properties, with specified use in accordance with the respective rental agreements, were arrived at using income approach as determined by capitalisating the rental income derived from the existing tenancies with due provisions for the reversionary income potential of the properties. The fair value measurement is positively correlated to the market monthly rental rate, and negatively correlated to the capitaliastion rate or long-term vacancy rate.

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

There were no transfers into or out of level 3 during the Relevant Periods.

17. INTANGIBLE ASSETS

The Target Group

	Computer software *RMB'000*
Cost	
At 1 January 2010	148
Additions	65
At 31 December 2010 and 1 January 2011	213
Additions	62
At 31 December 2011 and 1 January 2012	275
Additions	307
At 31 December 2012 and 1 January 2013	582
Additions	25
At 30 September 2013	607
Accumulated amortisation	
At 1 January 2010	68
Amortisation provided during the year	31
At 31 December 2010 and 1 January 2011	99
Amortisation provided during the year	41
At 31 December 2011 and 1 January 2012	140
Amortisation provided during the year	74
At 31 December 2012 and 1 January 2013	214
Amortisation provided during the year	80
At 30 September 2013	294
Carrying amounts	
At 31 December 2010	114
At 31 December 2011	135
At 31 December 2012	368
At 30 September 2013	313

The Target Company

	Computer Software *RMB'000*
Cost	
At 1 January 2010	131
Additions	20
At 31 December 2010 and 1 January 2011	151
Additions	10
At 31 December 2011 and 1 January 2012	161
Additions	247
At 31 December 2012 and 1 January 2013	408
Additions	21
At 30 September 2013	429
Accumulated amortisation	
At 1 January 2010	52
Amortisation provided during the year	25
At 31 December 2010 and 1 January 2011	77
Amortisation provided during the year	26
At 31 December 2011 and 1 January 2012	103
Amortisation provided during the year	49
At 31 December 2012 and 1 January 2013	152
Amortisation provided during the year	55
At 30 September 2013	207
Carrying amounts	
At 31 December 2010	74
At 31 December 2011	58
At 31 December 2012	256
At 30 September 2013	222

18. INTERESTS IN SUBSIDIARIES

	At 31 December			At 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investments, at cost	70,000	118,000	398,000	431,000

Company name	Date/place of incorporation/ establishment	Registered/ paid up capital	Directly or indirectly held by the Target Company	Attributable equity interest held by the Target Company At 31 December 2010	2011	2012	At 30 September 2013	Principal activities
Guangdong (Huizhou) TCL Industrial & Cultural Creative Park Development Co., Ltd.# (Formerly known as Huizhou TCL Hong Jia Property Co., Ltd.#)	2 September 2010, the PRC	RMB20,000,000	Directly	100%	100%	100%	100%	Property development
Huizhou TCL Hong Rong Property Co., Ltd.#	28 March 2011, the PRC	RMB80,000,000	Directly	N/A	60%	60%	60%	Infrastructure construction
Wuhan TCL Property Investment Co., Ltd.#	6 May 2011, the PRC	RMB30,000,000	Directly	N/A	100%	100%	100%	Investment holding and property management
Wuhan TCL Real Estate Co., Ltd.#	7 January 2013, the PRC	RMB30,000,000	Directly	N/A	N/A	N/A	100%	Not yet commenced business
Huizhou Industrial Park Property Management Co., Ltd.@#	19 March 2013, the PRC	RMB3,000,000	Directly	N/A	N/A	N/A	100%	Not yet commenced business
Shenzhen TCL Real Estate Development Co., Ltd.@#	19 October 2004, the PRC	RMB300,000,000	Directly	100%	100%	100%	100%	Property development
Huizhou Hong Mai Gardening Co., Ltd.#	10 June 2011, the PRC	RMB1,000,000	Indirectly	N/A	100%	100%	100%	Landscaping services provider
Wuhan TCL Kang Cheng Real Estate Co., Ltd.#	12 September 2012, the PRC	RMB10,000,000	Indirectly	N/A	N/A	86.8%	86.8%	Property development
Shenzhen Hong Ye Construction and Engineering Co., Ltd.@#	9 November 2007, the PRC	RMB1,000,000	Indirectly	100%	100%	100%	100%	Decoration services provider
TCL Photoelectricity Technology (Shenzhen) Co., Ltd.@#	10 November 2004, the PRC	RMB200,000,000	Indirectly	60%	60%	60%	60%	Property leasing
Huizhou Tai Tong Property Investment Co., Ltd.@#*	25 April 2008, the PRC	RMB50,010,000	Indirectly	50%	50%	51%	51%	Property development
Shenzhen TCL Hong Tai Property Co., Ltd.@#	15 March 2010, the PRC	RMB20,000,000	Indirectly	100%	100%	100%	100%	Investment holding

* Huizhou Tai Tong Property Investment Co., Ltd. has been accounted for as a subsidiary of the Target Group because the majority of members in its board of directors were nominated by the Target Group during the Relevant Periods.

@ Entity referred as "Excluded Entities" in Section "Definition" of this Circular.

For identification purposes only.

The statutory financial statements of the subsidiaries comprising the Target Group for each of the years ended 31 December 2010, 2011 and 2012, or since the respective date of incorporation/establishment, where there is a shorter period, were audited by Da Hua Certified Public Accountants.

19. INTERESTS IN ASSOCIATES

The Target Group

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of investments, unlisted	72,800	72,800	72,800	72,800
Share of post-acquisition losses	(10,057)	(10,573)	(13,551)	(15,622)
	62,743	62,227	59,249	57,178

The Target Company

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of investments, unlisted	300	300	300	300

At 31 December 2010, 2011 and 2012 and 30 September 2013, the Target Group had interests in the following associates:

			Effective interest held by the Target Group				
			At 31 December			At 30 September	
Company name	**Place of establishment**	**Place of operations**	**2010**	**2011**	**2012**	**2013**	**Principal activities**
Huizhou Shen Ke Yuan Property Management Co., Ltd.*@^	The PRC	The PRC	30%	30%	30%	30%	Property management
Yunnan Cheng Tou Hai Dong Investment and Development Co., Ltd.#@^	The PRC	The PRC	25%	25%	25%	25%	Property development

* Associate directly held by the Target Company.

Associate indirectly held by the Target Company.

@ Entity referred as "Excluded Entities" in Section "Definition" of this Circular.

^ For identification purposes only.

Summarised financial information in respect of the assets, liabilities, revenue and expenses of its material associates which are accounted for using the equity method is set out below:

Huizhou Shen Ke Yuan Property Management Co., Ltd.

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	3,662	6,580	9,104	19,435
Non-current assets	253	231	247	211
Total assets	3,915	6,811	9,351	19,646
Current liabilities	2,142	3,309	3,644	18,146
Non-current liabilities	–	–	–	–
Total liabilities	2,142	3,309	3,644	18,146

	Year ended 31 December			Nine months ended 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	13,377	26,983	30,615	28,701
Profit for the year/period	511	1,728	2,205	4,417
Profit for the year/period shared by the Target Group	153	519	662	1,325

Yunnan Cheng Tou Hai Dong Investment and Development Co., Ltd.

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	320,618	382,981	669,297	828,836
Non-current assets	1,061	1,494	2,083	1,654
Total assets	321,679	384,475	671,380	830,490
Current liabilities	71,858	137,065	436,321	611,398
Non-current liabilities	–	–	–	–
Total liabilities	71,858	137,065	436,321	611,398

	Year ended 31 December 2010 RMB'000	2011 RMB'000	2012 RMB'000	Nine months ended 30 September 2013 RMB'000
Revenue	3	–	–	–
Loss for the year/period	(1,920)	(4,140)	(4,560)	(11,760)
Loss for the year/period shared by the Target Group	(480)	(1,035)	(3,640)	(2,940)

20. INTERESTS IN A JOINT VENTURE

The Target Group

	At 31 December 2010 RMB'000	2011 RMB'000	2012 RMB'000	At 30 September 2013 RMB'000
Cost of investments, unlisted	–	10,000	10,000	10,000
Share of post-acquisition profits	–	12	10	9
	–	10,012	10,010	10,009

At 31 December 2010, 2011 and 2012 and 30 September 2013, the Target Group had interests in the following joint venture:

Company name	Place of establishment	Place of operations	Effective interest held by the Target Group At 31 December 2010	2011	2012	At 30 September 2013	Principal activities
TCL Yi Tuo Bang (Wuhan) Urban Construction Investment Co., Ltd*	The PRC	The PRC	50%	50%	50%	50%	Not yet commenced business

* For identification purposes only.

Summarised financial information in respect of the assets, liabilities, revenue and expenses of its joint venture which are accounted for using the equity method is set out below:

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	–	20,041	20,035	20,035
Non-current assets	–	–	–	–
Total assets	–	20,041	20,035	20,035
Current liabilities	–	18	16	18
Non-current liabilities	–	–	–	–
Total liabilities	–	18	16	18

	Year ended 31 December			Nine months ended 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	–	31	9	–
Profit/(loss) for the year/period	–	24	(4)	(2)
Profit/(loss) for the year/period shared by the Target Group	–	12	(2)	(1)

21. DEFERRED TAX

The Target Group and the Target Company

The following is the analysis of the deferred tax balances for financial reporting purposes:

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	16,183	12,486	16,386	5,312
Deferred tax liabilities	(12,266)	(16,541)	(22,077)	(20,777)

The following are the major deferred tax assets and liabilities recognised and movements thereon during the Relevant Periods:

Deferred tax assets

	Land appreciation tax
	RMB'000
At 1 January 2010	–
Credited to profit or loss *(Note 11)*	16,183
At 31 December 2010 and 1 January 2011	16,183
Charged to profit or loss *(Note 11)*	(3,697)
At 31 December 2011 and 1 January 2012	12,486
Credited to profit or loss *(Note 11)*	3,900
At 31 December 2012 and 1 January 2013	16,386
Charged to profit or loss *(Note 11)*	(11,074)
At 30 September 2013	5,312

Deferred tax liabilities

	Fair value change of investment properties
	RMB'000
At 1 January 2010	3,461
Charged to profit or loss *(Note 11)*	8,805
At 31 December 2010 and 1 January 2011	12,266
Charged to profit or loss *(Note 11)*	4,275
At 31 December 2011 and 1 January 2012	16,541
Charged to profit or loss *(Note 11)*	5,536
At 31 December 2012 and 1 January 2013	22,077
Credited to profit or loss (Note 11)	(1,300)
At 30 September 2013	20,777

At 31 December 2010, 2011 and 2012 and 30 September 2013, the Target Group had unrecognised tax losses of RMB3,498,000, RMB7,122,000, RMB58,799,000 and RMB64,826,000, respectively, to carry forward to set off against future taxable income which will expire within 1 to 5 years from each of the end of the Relevant Periods. The Target Company had no unrecognised tax losses at the end of each of the Relevant Periods.

22. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

In 2012, a subsidiary of the Target Group entered into a contraction contract with government. The contract in progress at the end of each of the Relevant Periods is as follows:

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract costs incurred	–	–	67,201	132,024
Less: Progress billings	–	–	–	–
Amounts due from contract customers*	–	–	67,201	132,024

* The balances were included in other receivables (note 25).

At 31 December 2012 and 30 September 2013, there was neither retention held by customers nor advances received from customers for the construction contract.

23. INVENTORIES

The Target Group

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties:				
– under development for sale	996,105	1,072,778	766,358	1,325,595
– for sale	613,330	436,826	682,277	1,054,140
	1,609,435	1,509,604	1,448,635	2,379,735

The Target Company

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties:				
– under development for sale	614,098	623,727	708,267	732,925
– for sale	167,635	57,354	158,890	21,920
	781,733	681,081	867,157	754,845

The Target Group's and the Target Company's properties under development are on lands under medium-term leases (10 to 50 years) located in Mainland China.

Certain properties under development for sale purpose were pledged to secure certain banking facilities granted to the Target Group (Note 38).

24. TRADE RECEIVABLES

The Target Group

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion	26,304	204,652	174,898	153,836
Non-current portion	–	23,065	70,130	100,515
	26,304	227,717	245,028	254,351

The Target Company

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion	15,867	108,363	70,979	19,073

Trade receivables of the Target Group and the Target Company were mainly derived from sale of properties. In respect of sale of properties, minimum down payments are required in accordance with the terms of the related sale and purchase agreements and in general consideration in cash is fully received prior to the delivery of the properties to the customers. Under special circumstances, the Target Group allowed the customers to settle the receivables over one year from the date of delivery of the properties. These balances were classified as non-current portion.

The Target Group or the Target Company does not hold any collateral over the above balances.

The following is an aged analysis of trade receivables, net of impairment losses, presented based on the delivery date of the properties, at the end of each of the Relevant Periods:

The Target Group

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months	20,936	165,312	153,441	135,288
3 months to 1 year	5,196	39,187	20,954	18,247
1 to 2 years	172	23,218	70,633	100,516
2 to 3 years	–	–	–	300
	26,304	227,717	245,028	254,351

The Target Company

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months	10,499	69,023	49,522	527
3 months to 1 year	5,196	39,187	20,955	18,246
1 to 2 years	172	153	502	–
2 to 3 years	–	–	–	300
	15,867	108,363	70,979	19,073

The following is the aged analysis of the Target Group's and the Target Company's trade receivables that are past due but not impaired.

The Target Group

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Overdue by:				
Less than 1 year	26,132	110,207	89,217	33,917
1 to 2 years	172	153	502	1,350
2 to 3 years	–	–	–	300
	26,304	110,360	89,719	35,567

The Target Company

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Overdue by:				
Less than 1 year	15,695	108,210	70,477	18,773
1 to 2 years	172	153	502	–
2 to 3 years	–	–	–	300
	15,867	108,363	70,979	19,073

Receivables that were past due but not impaired relate to a number of independent customers and tenants that have a good track record with the Target Group. Based on past experience, the directors of The Target Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Target Group does not hold any collateral or other credit enhancements over these balances.

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

25. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Target Group

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments to suppliers	96,844	7,414	2,300	1,954
Other receivables	19,159	15,030	209,129	157,161
	116,003	22,444	211,429	159,115

The Target Company

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments to suppliers	85	2,953	993	1,076
Other receivables	6,160	8,275	10,939	12,449
	6,245	11,228	11,932	13,525

26. AMOUNTS DUE FROM RELATED COMPANIES, AN ASSOCIATE, A JOINT VENTURE, A NON-CONTROLLING INTEREST AND SUBSIDIARIES

Except for the amounts due from an associate of RMB17,916,000, RMB24,154,000, RMB25,430,000 and RMB26,457,000 as at 31 December 2010, 2011 and 2012 and 30 September 2013 respectively, which are unsecured, interest bearing at 5.35%–5.76% and repayable on demand, the balances are unsecured, interest-free and repayable on demand.

The following information is disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance:

The Target Group

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related companies:				
Name of related companies:				
Huizhou TCL Mobile Communication Co., Ltd.*	–	–	300	316
TCL Wang Pai Electrical (Huizhou) Co., Ltd.*	6	6	6	448
TCL Corporation*	36,346	6,293	6,333	6,291
TCL Communication Equipment (Huizhou) Co., Ltd.*	–	–	–	13
TCL Tong Li Electronics (Huizhou) Co., Ltd.*	3	–	–	–
TCL Oversea Electronics (Huizhou) Limited*	–	–	–	30
Huizhou Hong Shi Property Co., Ltd.*	–	–	–	165
Shenzhen TCL Industrial Research Institute Co., Ltd.*	98	98	682	444
TCL Hong Qi Technology (Huizhou) Co., Ltd.*	–	–	–	3
Huizhou Kai Xuan Culture Co., Ltd.*	–	–	228	240
Huizhou TCL Hong Chuang Technology Co., Ltd.*	15,000	10,205	–	–
TCL Corporation Finance Co., Ltd.*	42,358	25,867	308,936	93,447
	93,811	42,469	316,485	101,397

The Target Company

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related companies:				
Name of related companies:				
Huizhou TCL Mobile Communication Co., Ltd.	–	–	300	316
TCL Wang Pai Electrical (Huizhou) Co., Ltd.	6	6	6	448
TCL Corporation	6,277	6,277	6,318	6,277
TCL Communication Equipment (Huizhou) Co., Ltd.	–	–	–	13
TCL Tong Li Electronics (Huizhou) Co., Ltd.	3	–	–	–
TCL Oversea Electronics (Huizhou) Limited	–	–	–	30
Huizhou Hong Shi Property Co., Ltd.	–	–	–	165
Shenzhen TCL Industrial Research Institute Co., Ltd.	–	–	–	1
TCL Hong Qi Technology (Huizhou) Co., Ltd.	–	–	–	3
Huizhou TCL Hong Chuang Technology Co., Ltd.	15,000	10,204	–	–
TCL Corporation Finance Co., Ltd.	28,116	7,883	98,109	29,153
	49,402	24,370	104,733	36,406

Maximum amount outstanding during the year/period

The Target Group

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related companies:				
Name of related companies:				
Huizhou TCL Mobile Communication Co., Ltd.	–	–	300	2,565
TCL Wang Pai Electrical (Huizhou) Co., Ltd.	1,903	6	6	1,015
TCL Corporation	36,346	36,346	6,333	6,333
TCL Communication Equipment (Huizhou) Co., Ltd.	–	–	–	13
TCL Tong Li Electronics (Huizhou) Co., Ltd.	1,060	–	–	–
TCL Oversea Electronics (Huizhou) Limited	–	–	–	30
Huizhou Hong Shi Property Co., Ltd.	–	–	–	227
Shenzhen TCL Industrial Research Institute Co., Ltd.	459	1,155	1,250	477
TCL Hong Qi Technology (Huizhou) Co., Ltd.	–	–	–	3
Huizhou Kai Xuan Culture Co., Ltd.	–	–	451	475
Huizhou TCL Hong Chuang Technology Co., Ltd.	15,005	15,000	–	–
TCL Corporation Finance Co., Ltd.	638,181	672,422	2,531,575	894,872

The Target Company

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related companies:				
Name of related companies:				
Huizhou TCL Mobile Communication Co., Ltd.	–	–	300	2,565
TCL Wang Pai Electrical (Huizhou) Co., Ltd.	1,903	6	6	1,015
TCL Corporation	6,277	6,277	6,318	6,318
TCL Communication Equipment (Huizhou) Co., Ltd.	–	–	–	13
TCL Tong Li Electronics (Huizhou) Co., Ltd.	1,060	–	–	–
TCL Oversea Electronics (Huizhou) Limited	543	–	–	30
Huizhou Hong Shi Property Co., Ltd.	–	–	–	227
Shenzhen TCL Industrial Research Institute Co., Ltd.	–	–	–	2
TCL Hong Qi Technology (Huizhou) Co., Ltd.	–	–	–	3
Huizhou TCL Electronics Trading Co., Ltd.*	170	–	–	–
Huizhou TCL Can Yu Photoelectricity Co., Ltd.*	4	–	–	–
Huizhou TCL Hong Chuang Technology Co., Ltd.	15,005	15,000	10,204	–
TCL Corporation Finance Co., Ltd.	171,062	319,558	419,788	146,168

* For idenification purposes only.

27. CASH AND CASH EQUIVALENTS

The Target Group

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and in hand	223,663	105,641	376,912	343,648
Deposits restricted for construction work	167,131	191,288	128,113	103,374
	390,794	296,929	505,025	447,022

The Target Company

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and in hand	24,617	16,559	114,733	102,422
Deposits restricted for construction work	167,131	191,288	128,113	103,374
	191,748	207,847	242,846	205,796

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

The cash balances of the Target Group and the Target Company are mainly denominated in RMB placed with all banks in the PRC respectively. RMB is not a freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

Restricted bank deposits placed in designated bank accounts which can only be used for construction work.

28. TRADE PAYABLES

Trade payable and expenditure on construction comprise construction costs and other project-related expenses in relation to properties under development for sale which are payable based on project progress measured by the Target Group. Trade payable are generally without credit period, except for the retention monies of certain construction costs of which the credit period is up to 2 years. The Target Group has financial risk management policies in place to ensure that all payables within the credit timeframe.

The following is an aged analysis of accounts payable at the end of each of the Relevant Periods.

The Target Group

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 years	217,980	101,658	250,523	91,764
1 to 2 years	3,092	105,069	53,850	83,117
2 to 3 years	10,776	1,639	17,697	55,936
Over 3 years	15,525	9,736	4,578	4,577
	247,373	218,102	326,648	235,394

The Target Company

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 years	39,548	89,575	133,776	20,898
1 to 2 years	2,842	20,109	49,193	83,062
2 to 3 years	10,776	1,639	16,964	55,928
Over 3 years	15,525	9,736	4,578	4,576
	68,691	121,059	204,511	164,464

29. OTHER PAYABLES AND ACCRUALS

The Target Group

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits received	4,213	6,761	13,455	16,427
Salaries and payroll payable	6,985	17,870	23,444	10,760
Other tax payable	60,660	84,318	113,932	115,597
Subsidy received from a local government authority *(note)*	–	–	–	318,096
Other payables and accruals	5,097	11,661	29,018	37,328
	76,955	120,610	179,849	498,208

Note: The balance represented a subsidy received from a local government authority for a property development project and will be recognised in profit or loss on a systematic basis in the same periods in which the expenses are incurred, i.e. when the cost of sales were recognised upon the completion of the project and delivery of the properties to buyers.

The Target Company

	At 31 December			At 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits received	3,770	2,910	7,795	5,555
Salaries and payroll payable	2,945	7,381	7,175	2,405
Other tax payable	18,162	33,906	22,999	22,026
Other payables and accruals	4,040	9,901	5,973	22,081
	28,917	54,098	43,942	52,067

30. AMOUNTS DUE TO RELATED COMPANIES, A JOINT VENTURE, OWNERS, NON-CONTROLLING INTERESTS, SUBSIDIARIES AND AN ASSOCIATE AND DISTRIBUTIONS PAYABLE

The balances classified under current liabilities are unsecured, interest-free and repayable on demand.

31. LOANS FROM A FELLOW SUBSIDIARY

The maturity profile of the loans from a fellow subsidiary is as follows:

The Target Group

	At 31 December			At 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of loans repayable*:				
Within one year	484,046	431,750	340,000	186,000
In the second year	25,000	200,000	178,000	1,150,826
In the third to fifth years, inclusive	200,000	178,000	1,115,740	471,220
	709,046	809,750	1,633,740	1,808,046

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The loans from a fellow subsidiary are unsecured, bear interest at rates ranging from 5.58% to 6.84%, 6.84% to 8.53%, 6.00% to 9.00%, 6.00% to 9.00% per annum as at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively.

The Target Company

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of loans repayable*:				
Within one year	474,296	374,000	132,000	18,000
In the second year	–	–	–	–
In the third to fifth years, inclusive	–	18,000	497,000	415,356
	474,296	392,000	629,000	433,356

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The loans from a fellow subsidiary are unsecured, bears interest at rates ranging from 5.58% to 6.84%, 6.84% to 8.53%, 6.00% to 9.00%, 6.00% to 9.00% per annum as at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively.

32. BANK AND OTHER BORROWINGS

The Target Group

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Interest bearing secured bank borrowings	5,960	–	52,000	–
Interest bearing unsecured other borrowings	–	120,827	35,250	–
	5,960	120,827	87,250	–
Non-current				
Interest bearing secured bank borrowings	80,000	75,000	–	107,000
Interest bearing unsecured other borrowings	134,577	36,750	14,750	–
	214,577	111,750	14,750	107,000

The Target Company

	At 31 December			At 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Interest bearing secured bank borrowings	5,960	–	52,000	–
Non-current				
Interest bearing secured bank borrowings	80,000	75,000	–	107,000

All bank and other borrowings are denominated in the functional currency of the Target Group and the Target Company.

Details of securities for the secured bank loans are set out in Note 38. The bank and other borrowings bear interest at rates ranging from 5.4% to 5.94%, 6.32% to 7.32%, 6.32% to 7.32% and 7.3% per annum as at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively.

The maturity profile of the above bank and other borrowings is as follows:

The Target Group

	At 31 December			At 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of bank borrowings repayable*:				
Within one year	5,960	–	52,000	–
In the second year	–	75,000	–	–
In the third to fifth years, inclusive	80,000	–	–	107,000
	85,960	75,000	52,000	107,000

	At 31 December			At 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of other borrowings repayable*:				
Within one year	–	120,827	35,250	–
In the second year	120,827	–	–	–
In the third to fifth years, inclusive	13,750	36,750	14,750	–
	134,577	157,577	50,000	–

The Target Company

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of bank loans repayable*:				
Within one year	5,960	–	52,000	–
In the second year	–	75,000	–	–
In the third to fifth years, inclusive	80,000	–	–	107,000
	85,960	75,000	52,000	107,000

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

33. PAID-UP CAPITAL

The Target Group and the Target Company

The amount represents the registered and paid-up capital of the Target Company. During the Relevant Periods, there had been no capital injection or redemption occurred.

34. RESERVES

The Target Group

The amount of the Target Group's reserves and movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity on page II-9.

The Target Company

	Capital reserve	**Statutory reserve**	**Retained earnings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2010	1	9,804	125,538	135,343
Profit and total comprehensive income for the year	–	–	78,698	78,698
Transfer to reserve	–	5,244	(5,244)	–
As at 31 December 2010 and 1 January 2011	1	15,048	198,992	214,041
Profit and total comprehensive income for the year	–	–	130,955	130,955
Distributions declared	–	–	(190,000)	(190,000)
Transfer to reserve	–	11,215	(11,215)	–
As at 31 December 2011 and 1 January 2012	1	26,263	128,732	154,996
Profit and total comprehensive income for the year	–	–	90,099	90,099
Transfer to reserve	–	3,455	(3,455)	–
As at 31 December 2012 and 1 January 2013	1	29,718	215,376	245,095
Loss and total comprehensive income for the period	–	–	(10,443)	(10,443)
As at 30 September 2013	1	29,718	204,933	234,652

(i) Capital reserve

Capital reserve of the Target Group mainly represents the difference between the considerations incurred to acquire the interests in a subsidiary over the nominal value of the paid-up capital acquired.

(ii) Statutory reserve

In accordance with the PRC regulations, certain companies in the PRC are required to transfer part of their profits after tax determined under the PRC accounting standards to the statutory reserve fund, before profit distributions are made. The statutory reserve fund is non-distributable and may be used either to offset losses, or for capitalisation issues by way of paid-up capital.

35. CONTINGENT LIABILITIES

At 31 December 2010, 2011 and 2012 and 30 September 2013, the Target Group and the Target Company provided guarantees to the extent of approximately RMB249,353,000, RMB308,178,000, RMB427,408,000 and RMB395,768,000 to banks in respect of mortgage loans provided by the banks to customers for the purchase of the developed properties of the Target Group and the Target Company. These guarantees provided by the Target Group and the Target Company to the banks would be released upon receiving the building ownership certificates of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

In the opinion of the directors, the fair value of guarantee contracts is insignificant at initial recognition and the possibility of the default of the parties involved is remote, accordingly, no value has been recognised at the inception of the guarantee contracts and at the end of the Relevant Periods.

36. OPERATING LEASE ARRANGEMENTS

The Target Group and the Target Company as lessor

At the end of the Relevant Periods, the Target Group and the Target Company had contracted with tenants for the following future minimum lease payments with an average term of one to five years with fixed rentals under non-cancellable operating leases in respect of commercial and residential premises which fall due as follows:

The Target Group

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	23,239	23,598	23,946	27,740
In the second to fifth years, inclusive	87,620	79,226	72,548	88,362
After five years	137,420	122,560	109,804	98,276
	248,279	225,384	206,298	214,378

The Target Company

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	229	229	577	3,742
In the second to fifth year, inclusive	344	115	1,945	13,553
After five years	–	–	2,106	1,722
	573	344	4,628	19,017

The Target Group and the Target Company as lessee

The Target Group and the Target Company leases office premises under operating leases. Each of the leases runs for initial periods of 1 to 3 years and the leases do not contain contingent rentals. The total future minimum lease payments under non-cancellable operating leases are as follows:

The Target Group

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	–	815	978	937
In the second to fifth year inclusive	–	1,793	1,632	978
	–	2,608	2,610	1,915

The Target Company

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	–	327	490	449
In the second to fifth year inclusive	–	–	327	–
	–	327	817	449

37. OTHER COMMITMENTS

The Target Group

	At 31 December			At 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for in respect of the capital injection to a joint venture	–	40,000	40,000	40,000
Contracted for but not provided for in respect of the construction work for properties under development	22,661	125,645	311,661	424,820
	22,661	165,645	351,661	464,820

The Target Company

	At 31 December			At 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for but not provided for in respect of the construction work for properties under development	11,914	102,762	196,168	162,772

38. PLEDGED OF ASSETS

The carrying amount of the current assets pledged to banks and to secure loan facilities granted to the Target Group and the Target Company is as follows:

The Target Group and the Target Company

	At 31 December			At 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Inventories				
Properties under development	189,940	558,990	576,292	32,957
Properties held for sale	125,038	–	165,808	742,421
	314,978	558,990	742,100	775,378

39. CATEGORIES OF FINANCIAL INSTRUMENTS

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

The Target Group

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables:				
– Trade receivables	26,304	227,717	245,028	254,351
– Other receivables	19,159	15,030	209,129	157,161
– Amounts due from related companies	93,811	42,469	316,485	101,397
– Amount due from an associate	17,916	24,154	25,430	26,457
– Amount due from a joint venture	–	–	2	2
– Amount due from a non-controlling interest	–	–	–	330,968
– Cash and bank balances	390,794	296,929	505,025	447,022
	547,984	606,299	1,301,099	1,317,358
Financial liabilities				
Financial liabilities measured at amortised cost:				
– Trade payables	247,373	218,102	326,648	235,394
– Other payables and accruals	16,295	36,292	65,917	64,515
– Amounts due to related companies	60,202	48,578	53,613	51,467
– Amount due to a joint venture	–	5,000	10,000	10,000
– Amounts due to owners	16,750	16,750	16,750	16,750
– Amounts due to non-controlling interests	292,116	228,050	228,054	118,554
– Distributions payable	–	170,000	–	–
– Loans from a fellow subsidiary	709,046	809,750	1,633,740	1,808,046
– Bank and other borrowings	220,537	232,577	102,000	107,000
	1,562,319	1,765,099	2,436,722	2,411,726

The Target Company

	At 31 December			At 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables:				
– Trade receivables	15,867	108,363	70,979	19,073
– Other receivables	6,160	8,275	10,939	12,449
– Amounts due from related companies	49,402	24,370	104,733	36,406
– Amounts due from subsidiaries	100,346	35,377	72,092	119,327
– Cash and bank balance	191,748	207,847	242,846	205,796
	363,523	384,232	501,589	393,051
Financial liabilities				
Financial liabilities measured at amortised cost:				
– Trade payables	68,691	121,059	204,511	164,464
– Other payables and accruals	10,755	20,192	20,943	30,041
– Amounts due to related companies	58,964	46,924	47,060	46,298
– Amounts due to subsidiaries	–	47,707	285,993	348,176
– Amount due to an associate	–	–	–	2,418
– Amounts due to owners	16,750	16,750	16,750	16,750
– Distributions payable	–	170,000	–	–
– Loans from a fellow subsidiary	474,296	392,000	629,000	433,356
– Bank and other borrowings	85,960	75,000	52,000	107,000
	715,416	889,632	1,256,257	1,148,503

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The major financial instruments of the Target Group and the Target Company include trade receivables, other receivables, amounts due from related companies, an associate, a joint venture, non-controlling interests and subsidiaries, cash and bank balances, trade payables, other payables and accruals, amounts due to related companies, a joint venture, owners, non-controlling interests and subsidiaries, distributions payable, loans from a fellow subsidiary and bank and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Target Group's and the Target Company's activities expose them primarily to the financial risk of changes in interest rates.

The Target Group's and the Target Company's exposure to currency exchange rates is minimal as the Target Group and the Target Company entities hold a majority of their assets and liabilities in their own functional currency.

Interest rate risk management

The Target Group and the Target Company is exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate bank and other borrowings.

The Target Group's fair value interest rate risk relates primarily to its variable-rate loans from a fellow subsidiary and bank and other borrowings.

The Target Group's and the Target Company's exposure to the risk of changes in market interest rates relates primarily to the Target Group's interest-bearing bank and other borrowings and loans from a fellow subsidiary with floating interest rates, for example, the Benchmark Loan Rates offered by the People's Bank of China. The terms of repayment of the interest-bearing bank and other borrowings and loans from a fellow subsidiary of the Target Group and the Target Company are disclosed in Notes 31 and 32. It is the Target Group's and the Target Company's policy to negotiate the terms of the interest-bearing bank and other borrowings and loans from a fellow subsidiary in order to balance the interest rate exposure.

No sensitivity analysis has been presented as the directors of The Target Company consider that the impact to profit or loss for the respective years/period is insignificant, taking into account that (i) the fluctuation in interest rates on bank balances and deposits with a non-banking financial institution is minimal and (ii) the impact to finance costs, net of interest capitalised, is not material based on a reasonably possible change in interest rate of 50 basis point.

Credit risk management

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

The Target Group's and the Target Company's credit risk is primarily attributable to its trade receivables, other receivables, amounts due from related companies, an associate, a joint venture, a non-controlling interest and subsidiaries, cash and bank balances. In order to minimise the credit risk of trade and other receivables, management of the Target Group and the Target Company has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Group and the Target Company reviews the recoverable amount of each individual debt at the end of each of the Relevant Periods to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of The Target Company consider that the Target Group's and the Target Company's credit risk is significantly reduced.

At 31 December 2010, 2011 and 2012 and 30 September 2013, the maximum exposure to credit risk in respect of financial guarantees issued by the Target Group and the Target Company was RMB249,353,000, RMB308,178,000, RMB427,408,000 and RMB395,768,000 respectively which represented the maximum amount the Target Group and the Target Company could be required to pay if the guarantees were called on. The carrying amount of financial guarantees issued by the Target Group and the Target Company is disclosed in Note 35 to the Financial Information.

The credit risks of the Target Group and the Company on liquid funds are limited because the counterparties are banks with good reputation.

Liquidity risk management

At 31 December 2010, 2011 and 2012 and 30 September 2013, the Target Group's total assets less current liabilities amounted to RMB888,128,000, RMB1,091,005,000, RMB2,240,088,000 and RMB2,776,648,000, respectively. At 31 December 2010, 2011 and 2012 and 30 September 2013, the Target Group's net current liabilities amounted to RMB35,134,000, net current assets amounted to RMB239,168,000, RMB928,450,000 and RMB1,190,838,000, respectively.

The following tables detail the contractual maturity of the Target Group and the Target Company for their financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group and the Target Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each of the Relevant Periods.

The Target Group

	On demand or within 1 year	1 to 2 Years	2 to 5 years	Total undiscounted cash flows	Total carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2010					
Trade payables	217,980	3,092	26,301	247,373	247,373
Other payables and accruals	16,295	–	–	16,295	16,295
Amounts due to related companies	60,202	–	–	60,202	60,202
Amounts due to owners	16,750	–	–	16,750	16,750
Amounts due to non-controlling interests	292,116	–	–	292,116	292,116
Loans from a fellow subsidiary	491,338	39,012	208,970	739,320	709,046
Bank and other borrowings	19,553	133,459	98,225	251,237	220,537
	1,114,234	175,563	333,496	1,623,293	1,562,319
Financial guarantee contracts *(Note 35)*	249,353	–	–	249,353	–

	On demand or within 1 year	1 to 2 years	2 to 5 years	Total undiscounted cash flows	Total carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2011					
Trade payables	101,658	105,069	11,375	218,102	218,102
Other payables and accruals	36,292	–	–	36,292	36,292
Amounts due to related companies	48,578	–	–	48,578	48,578
Amounts due to a joint venture	5,000	–	–	5,000	5,000
Amounts due to owners	16,750	–	–	16,750	16,750
Amounts due to non-controlling interests	228,050	–	–	228,050	228,050
Distributions payables	170,000	–	–	170,000	170,000
Loans from a fellow subsidiary	461,778	221,853	183,646	867,277	809,750
Bank and other borrowings	135,390	112,460	–	247,850	232,577
	1,203,496	439,382	195,021	1,837,899	1,765,099
Financial guarantee contracts *(Note 35)*	308,178	–	–	308,178	–

	On demand or within 1 year	1 to 2 years	2 to 5 years	Total undiscounted cash flows	Total carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2012					
Trade payables	250,523	53,850	22,275	326,648	326,648
Other payables and accruals	65,917	–	–	65,917	65,917
Amounts due to related companies	53,613	–	–	53,613	53,613
Amounts due to a joint venture	10,000	–	–	10,000	10,000
Amounts due to owners	16,750	–	–	16,750	16,750
Amounts due to non-controlling interests	228,054	–	–	228,054	228,054
Loans from a fellow subsidiary	467,006	280,858	1,185,710	1,933,574	1,633,740
Bank and other borrowings	88,881	956	14,919	104,756	102,000
	1,180,744	335,664	1,222,904	2,739,312	2,436,722
Financial guarantee contracts *(Note 35)*	427,408	–	–	427,408	–

	On demand or within 1 year	1 to 2 years	2 to 5 years	Total undiscounted cash flows	Total carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 September 2013					
Trade payables	91,764	83,117	60,513	235,394	235,394
Other payables and accruals	64,515	–	–	64,515	64,515
Amounts due to related Companies	51,467	–	–	51,467	51,467
Amounts due to a joint venture	10,000	–	–	10,000	10,000
Amounts due to owners	16,750	–	–	16,750	16,750
Amounts due to non-controlling interests	118,554	–	–	118,554	118,554
Loans from a fellow subsidiary	332,497	1,270,797	502,120	2,105,414	1,808,046
Bank and other borrowings	7,897	7,897	109,303	125,097	107,000
	693,444	1,361,811	671,936	2,727,191	2,411,726
Financial guarantee contracts *(Note 35)*	395,768	–	–	395,768	–

The Target Company

	On demand or within 1 year	1 to 2 years	2 to 5 years	Total undiscounted cash flows	Total carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2010					
Trade payables	39,548	2,842	26,301	68,691	68,691
Other payables and accruals	10,755	–	–	10,755	10,755
Amounts due to related companies	58,964	–	–	58,964	58,964
Amounts due to owners	16,750	–	–	16,750	16,750
Loans from a fellow subsidiary	476,503	–	–	476,503	474,296
Bank and other borrowings	10,589	4,320	80,048	94,957	85,960
	613,109	7,162	106,349	726,620	715,416
Financial guarantee contracts *(Note 35)*	249,353	–	–	249,353	–

	On demand or within 1 year	1 to 2 years	2 to 5 years	Total undiscounted cash flows	Total carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2011					
Trade payables	89,575	20,109	11,375	121,059	121,059
Other payables and accruals	20,192	–	–	20,192	20,192
Amounts due to related companies	46,924	–	–	46,924	46,924
Amounts due to subsidiaries	47,707	–	–	47,707	47,707
Amounts due to owners	16,750	–	–	16,750	16,750
Distributions payables	170,000	–	–	170,000	170,000
Loans from a fellow subsidiary	378,584	1,427	18,321	398,332	392,000
Bank and other borrowings	5,004	75,056	–	80,060	75,000
	774,736	96,592	29,696	901,024	889,632
Financial guarantee contracts *(Note 35)*	308,178	–	–	308,178	–

	On demand or within 1 year	1 to 2 years	2 to 5 years	Total undiscounted cash flows	Total carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2012					
Trade payables	133,776	49,193	21,542	204,511	204,511
Other payables and accruals	20,943	–	–	20,943	20,943
Amounts due to related companies	47,060	–	–	47,060	47,060
Amounts due to subsidiaries	285,993	–	–	285,993	285,993
Amounts due to owners	16,750	–	–	16,750	16,750
Loans from a fellow subsidiary	180,641	58,227	500,885	739,753	629,000
Bank and other borrowings	52,038	–	–	52,038	52,000
	737,201	107,420	522,427	1,367,048	1,256,257
Financial guarantee contracts *(Note 35)*	427,408	–	–	427,408	–

	On demand or within 1 year	1 to 2 years	2 to 5 years	Total undiscounted cash flows	Total carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 September 2013					
Trade payables	20,898	83,062	60,504	164,464	164,464
Other payables and accruals	30,041	–	–	30,041	30,041
Amounts due to related Companies	46,298	–	–	46,298	46,298
Amounts due to subsidiaries	348,176	–	–	348,176	348,176
Amount due to an associate	2,418	–	–	2,418	2,418
Amounts due to owners	16,750	–	–	16,750	16,750
Loans from a fellow subsidiary	53,561	444,189	–	497,750	433,356
Bank and other borrowings	7,897	7,897	109,303	125,097	107,000
	526,039	535,148	169,807	1,230,994	1,148,503
Financial guarantee contracts *(Note 35)*	395,768	–	–	395,768	–

41. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions and balances detailed elsewhere in this Financial Information, the Target Group had the following material transactions with related parties during the Relevant Periods.

Related party transactions

During the Relevant Periods, the Target Group had the following material transactions with related parties.

	Year ended 31 December			Nine months ended 30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sale of properties to:					
Related companies	–	29,395	249,276	–	–
Leasing of properties to:					
Related companies	25,956	22,519	30,461	20,846	11,388
Interest income received from:					
A fellow subsidiary	149	1,814	532	269	692
An associate	416	1,238	1,276	959	1,027
Interest expenses paid to:					
A fellow subsidiary	20,753	55,918	80,722	53,879	106,317
A non-controlling interest	6,984	8,715	11,106	8,188	1,413
Management fee to:					
Related companies	–	–	6,577	2,010	8,660

Compensation of key management personnel of the Target Group

The Target Company considered the key management of the Target Group is the directors of the Target Company and their emoluments are included in Note 14.

42. CAPITAL MANAGEMENT

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

The capital structure of the Target Group and the Target Company consists of net debt (which includes loans from a fellow subsidiary, bank and other borrowings, amounts due to related companies, a joint venture, owners, non-controlling interests and subsidiaries) and equity attributable to the Target Company (comprising paid up capital, reserves and retained profits as disclosed in consolidated statement of changes in equity).

The directors of the Target Company review the capital structure on a regular basis. As part of this review, the directors of the Target Company consider the cost of capital and the risks associated with each class of capital, and takes appropriate actions to balance its overall capital structure. Neither the Target Company nor any of its subsidiaries is subject to externally imposed capital requirements.

43. COMPOSITION OF THE TARGET GROUP

Details of non-wholly-owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Target Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and place of business	Proportion of ownership interests held by non-controlling interests *RMB'000*	Profit/(loss) allocated to non-controlling interests *RMB'000*	Accumulated non-controlling interests* *RMB'000*
Year ended 31 December 2010				
TCL Photoelectricity Technology (Shenzhen) Co., Ltd.	The PRC	40%	35,790	71,451
Huizhou Tai Tong Property Investment Co., Ltd.	The PRC	50%	(64)	3,862
			35,726	75,313
Year ended 31 December 2011				
TCL Photoelectricity Technology (Shenzhen) Co., Ltd.	The PRC	40%	72,010	143,461
Huizhou Tai Tong Property Investment Co., Ltd.	The PRC	50%	(60)	3,802
Huizhou TCL Hong Rong Property Co., Ltd.	The PRC	40%	(1,246)	10,754
			70,704	158,017
Year ended 31 December 2012				
TCL Photoelectricity Technology (Shenzhen) Co., Ltd.	The PRC	40%	106,137	249,599
Huizhou Tai Tong Property Investment Co., Ltd.	The PRC	51%	(5,145)	19,166
Huizhou TCL Hong Rong Property Co., Ltd	The PRC	40%	(3,281)	27,473
Wuhan TCL Kang Cheng Real Estate Co., Ltd.	The PRC	13.2%	2	1,321
			97,713	297,559

Name of subsidiary	Place of incorporation and place of business	Proportion of ownership interests held by non-controlling interests *RMB'000*	Profit/(loss) allocated to non-controlling interests *RMB'000*	Accumulated non-controlling interests* *RMB'000*
Nine months ended 30 September 2013				
TCL Photoelectricity Technology (Shenzhen) Co., Ltd.	The PRC	40%	52,080	301,679
Huizhou Tai Tong Property Investment Co., Ltd.	The PRC	51%	(28,599)	(9,433)
Huizhou TCL Hong Rong Property Co., Ltd.	The PRC	40%	15	27,488
Wuhan TCL Kang Cheng Real Estate Co., Ltd.	The PRC	13.2%	(4)	1,317
			23,492	321,051
Nine months ended 30 September 2012				
TCL Photoelectricity Technology (Shenzhen) Co., Ltd.	The PRC	40%	35,547	179,009
Huizhou Tai Tong Property Investment Co., Ltd.	The PRC	51%	(6)	24,304
Huizhou TCL Hong Rong Property Co., Ltd.	The PRC	40%	(650)	30,103
Wuhan TCL Kang Cheng Real Estate Co., Ltd.	The PRC	13.2%	(1)	1,320
			34,890	234,736

TCL Photoelectricity Technology (Shenzhen) Co., Ltd.

	At 31 December			At 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	338,144	411,254	786,954	848,348
Non-current assets	548,688	389,763	392,958	285,340
Current liabilities	708,204	442,363	555,915	379,491
Non-current liabilities	–	–	–	–
Total equity	178,628	358,654	623,997	754,197

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	306,231	533,631	644,269	207,381	339,257
Profit and total comprehensive income for the year/period	89,517	180,025	265,343	88,868	130,200
Distributions declared to non-controlling interests	–	–	–	–	–
Cash flows from/(used in) operating activities	373,914	49,709	499,748	79,633	(72,504)
Cash flows used in investing activities	(210,370)	(144,224)	(179,687)	(127,495)	(58,401)
Cash flows from financing activities	–	–	–	–	–
Net cash inflow/(outflows)	163,544	(94,515)	320,061	(47,862)	(130,905)

Huizhou Tai Tong Property Investment Co., Ltd.

	At 31 December			At 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	277,932	324,268	149,639	11,355
Non-current assets	610	697	593	443
Current liabilities	1,665	2,208	35,618	31,049
Non-current liabilities	269,154	315,154	75,500	–
Total equity	7,723	7,603	39,114	(19,251)

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	24	17	87	15	52
Loss and total comprehensive loss for the year/period	(161)	(120)	(10,500)	(13)	(58,365)
Distributions declared to non-controlling interests	–	–	–	–	–
Cash flows (used in)/from operating activities	(26,258)	(42,654)	169,004	(41,609)	110,499
Cash flows used in investing activities	(650)	(99)	(12)	(13)	–
Cash flows from/(used in) financing activities	27,500	46,000	(173,144)	251,230	(100,000)
Net cash inflow/(outflows)	592	3,247	(4,152)	209,608	10,499

Huizhou TCL Hong Rong Property Co., Ltd.

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	–	27,085	45,471	11,643
Non-current assets	–	732	70,384	134,678
Current liabilities	–	933	2,174	16,602
Non-current liabilities	–	–	45,000	61,000
Total equity	–	26,884	68,681	68,719

	Year ended 31 December			Nine months ended 30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	–	48	212	59	83
Profit/(loss) and total comprehensive income/(loss) for the year/period	–	(3,116)	(8,203)	(1,625)	37
Distributions declared to non-controlling interests	–	–	–	–	–
Cash flows (used in)/from operating activities	–	(26,493)	3,075	(50,019)	18,015
Cash flows used in investing activities	–	(789)	(66,117)	(4)	(64,816)
Cash flows from financing activities	–	30,000	94,100	49,775	16,000
Net cash inflow/(outflows)	–	2,718	31,058	(248)	(30,801)

Wuhan TCL Kang Cheng Real Estate Co., Ltd.

	At 31 December			At 30 September
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	–	–	545,248	636,625
Non-current assets	–	–	138	119
Current liabilities	–	–	20,631	23,743
Non-current liabilities	–	–	514,740	603,020
Total equity	–	–	10,015	9,981

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	–	–	33	1	28
Profit/(loss) and total comprehensive income/(loss) for the year/period	–	–	15	(3)	(34)
Distributions declared to non-controlling interests	–	–	–	–	–
Cash flows used in operating activities	–	–	(524,589)	(75,641)	(87,537)
Cash flows used in investing activities	–	–	(140)	–	–
Cash flows from financing activities	–	–	524,740	96,740	88,280
Net cash inflow/(outflows)	–	–	11	21,099	743

D. EVENTS AFTER THE REPORTING DATE

(a) On 11 December 2013, the Target Company has declared distributions of RMB270.6million to its owners.

(b) Subsequent to 30 September 2013, the Target Group disposed of certain of its investments in subsidiaries and interests in associates at a consideration of RMB303,450,000. The disposed entities' combined statements of comprehensive income for the Relevant Periods and combined statements of financial position at the end of each of the Relevant Periods are as follows:

Combined Statements of Comprehensive Income

	Year ended 31 December			Nine months ended 30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue	307,784	537,762	646,100	208,982	339,277
Cost of sales and services	(196,976)	(237,719)	(245,483)	(72,181)	(147,739)
Gross Profit	110,808	300,043	400,617	136,801	191,538
Interest and other income	1,025	2,836	2,772	1,749	3,461
Administrative expenses	(16,375)	(28,994)	(33,018)	(15,277)	(9,104)
Other expenses	–	(25)	(17)	–	(31,886)
Finance Costs	(1,695)	(2,685)	(9,413)	(3,868)	(1,691)
Share of losses of associates	(327)	(516)	(2,978)	(1,505)	(2,071)
Profit before income tax expenses	93,436	270,659	357,963	117,900	150,247
Income tax expense	(583)	(68,244)	(97,559)	(30,020)	(48,344)
Profit and total comprehensive income for the year/period	92,853	202,415	260,404	87,880	101,903
Profit and total comprehensive income for the year/period attributable to:					
Owners of the disposed entities	53,766	119,681	153,505	49,340	74,137
Non-controlling interests	39,087	82,734	106,899	38,540	27,766
	92,853	202,415	260,404	87,880	101,903

Combined Statements of Financial Position

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	1,637	8,129	6,520	5,257
Intangible assets	40	72	65	49
Interest in associates	62,743	62,227	59,249	57,178
Trade receivables	–	23,065	70,130	100,515
	64,420	93,493	135,964	162,999
Current assets				
Inventories	827,702	724,785	440,734	344,719
Trade receivables	10,437	96,289	103,919	134,762
Deposits, prepayments and other receivables	13,817	6,886	130,021	8,020
Amounts due from related companies	43,328	32,764	484,366	386,503
Amount due from an associate	17,916	24,154	25,430	26,457
Amount due from a non-controlling interest	–	–	–	330,968
Cash and bank balances	179,247	85,180	236,860	240,439
	1,092,447	970,058	1,421,330	1,471,868
Current liabilities				
Trade payables	178,682	96,971	120,075	70,647
Other payables and accruals	48,041	64,663	124,954	119,367
Deposits received in respect of pre-sale of properties	191,394	3,584	19,378	66,608
Amounts due to related companies	101,584	19,497	6,908	5,881
Amounts due to a joint venture	–	5,000	10,000	10,000
Amounts due to a non-controlling interest	292,116	228,050	228,054	112,554
Loans from a fellow subsidiary	9,750	57,750	–	–
Bank and other borrowings	–	120,827	35,250	–
Income tax payable	–	52,321	88,878	35,860
	821,567	648,663	633,497	420,917
Net current assets	270,880	321,395	787,833	1,050,951
Total assets less current liabilities	335,300	414,888	923,797	1,213,950

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities				
Loans from a fellow subsidiary	25,000	–	–	200,000
Bank and other borrowings	134,577	36,750	14,750	–
	159,577	36,750	14,750	200,000
Net assets	175,723	378,138	909,047	1,013,950
Capital and reserves				
Paid-up capital	50,000	50,000	300,000	303,000
Reserves	46,373	166,054	319,555	393,692
Equity attributable to owners of the disposed entities	96,373	216,054	619,555	696,692
Non-controlling interests	79,350	162,084	289,492	317,258
Total equity	175,723	378,138	909,047	1,013,950

E. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by any of the companies comprising the Target Group in respect of any period subsequent to 30 September 2013 up to the date of this report.

Yours faithfully,

BDO Limited
Certified Public Accountants
Lee Ka Leung, Daniel
Practising Certificate Number P01220
Hong Kong

The information set out in this Appendix, which does not form part of the Accountants' Report on the Huizhou TCL Real Estate Development Co., Ltd. issued by BDO Limited, as set out in "Appendix II – Accountants' Report of the Target Group" and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with "Financial Information of the Group" set out in Appendix I and the Accountants' Report set out in "Appendix II – Accountants' Report of the Target Group".

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(I) Basis of Preparation of the Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group

On 23 December 2013, the Group entered into a transfer agreement (the "Transfer Agreement") with TCL 集團股份有限公司 ("TCL Corporation"), T.C.L. Industries Holdings (H.K.) Limited ("TCL (HK)") and Shenzhen Hai Gu Zhou Property Development Co., Ltd ("Hai Gu Zhou") (collectively referred to as the "Vendors"), in relation to the acquisition of the entire equity interest in Huizhou TCL Real Estate Development Co. Ltd. (the "Target Company") and its subsidiaries (other than certain entities held by the Target Company (the "Excluded Entities") as at the date of the Transfer Agreement which will be disposed of by the Target Company according to the Transfer Agreement (collectively referred to as the "Target Group") (the "Acquisition").

Pursuant to the Transfer Agreement, (i) TCL Corporation conditionally agreed to sell and Shenzhen Fantasia Real Estate Group Limited ("Shenzhen Fantasia"), a wholly-owned subsidiary of the Company, conditionally agreed to purchase 45% of the equity interest in the Target Company, (ii) Hai Gu Zhou conditionally agreed to sell and Shenzhen Fantasia conditionally agreed to purchase 30% of the equity interest in the Target Company, and (iii) TCL (HK) conditionally agreed to sell and Trade Dragon Holdings Limited ("Trade Dragon"), a wholly owned subsidiary of the Company, conditionally agreed to purchase 25% of the equity interest in the Target Company.

The consideration for the acquisition of the equity interest in the Target Company is approximately RMB164,105,000. TCL Corporation and Shenzhen Fantasia further agreed that TCL Corporation would assign to Shenzhen Fantasia all the indebtedness due to TCL Corporation and its related parties by the Target Group at completion of the Acquisition (the "Acquired Indebtedness"). The amount of the Acquired Indebtedness will be determined by the auditor of the Target Company as at completion of the Acquisition but in any event will not be more than RMB2,300,000,000.

On the same day, the Company entered into a subscription agreement (the "Subscription Agreement") with TCL (HK) in relation to the subscription of 863,600,074 shares to be issued by the Company ("Subscription Shares") to TCL (HK) at the subscription price of HK$1.4129 per share (the "Subscription") (together with the Acquisition collectively referred to as the "Transaction").

The Acquisition is conditional upon the satisfaction of the conditions set out in the Transfer Agreement, including the conditions precedents under the Subscription Agreement.

The unaudited pro forma financial information is prepared to provide information on the Enlarged Group as a result of the completion of the Transaction on the basis of notes set out below for illustrating the effect of the Transaction, as if the Transaction had taken place on 30 June 2013 for the preparation of the unaudited pro forma consolidated statement of assets and liabilities.

The information is prepared for illustrative purposes only and because of its hypothetical nature, it does not purport to represent what the assets and liabilities of the Enlarged Group would have been upon completion of the Transaction or on any future dates.

The unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2013 is prepared based on (i) the unaudited consolidated statement of financial position of the Group as at 30 June 2013 as extracted from the unaudited condensed consolidated financial statements set out in the latest published interim financial information of the Group and (ii) the audited consolidated statement of financial position of the Target Group as at 30 September 2013 as extracted from the Accountants' Report on the Target Group set out in Appendix II to this Circular, after making pro forma adjustments to the Transaction, as if the Transaction had completed on 30 June 2013.

(II) Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group

	The Group as at 30 June 2013	The Target Company and its subsidiaries including Excluded Entities as at 30 September 2013	Proforma adjustments	The Target Group as at 30 September 2013	Proforma adjustments		Unaudited proforma for the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)						(Unaudited)
	(Note 1)	*(Note 2)*	*(Note 3)*		*(Note 4)*	*(Note 5)*	
NON-CURRENT ASSETS							
Property, plant and equipment	636,632	12,430	(5,257)	7,173			643,805
Investment properties	4,181,462	175,700	–	175,700			4,357,162
Prepaid lease payments	1,400,650	–	–	–			1,400,650
Premium on prepaid lease payments	675,821	–	–	–			675,821
Land development expenditure	1,018,117	254,000	–	254,000			1,272,117
Goodwill	38,083	–	–	–			38,083
Intangible assets	–	313	(49)	264			264
Deposits paid for acquisition of property project	132,064	–	–	–			132,064
Deposits for acquisition of land use rights	523,313	42,680	–	42,680			565,993
Deposits paid for acquisition of subsidiaries	40,672	–	–	–			40,672
Interests in associates	1,093	57,178	(57,178)	–			1,093
Interests in joint ventures	19,720	10,009	–	10,009			29,729
Deferred tax assets	325,213	5,312	–	5,312			330,525
Trade receivables	–	100,515	(100,515)	–			–
	8,992,840	658,137		495,138			9,487,978
CURRENT ASSETS							
Properties for sale	12,820,816	2,379,735	(344,719)	2,035,016	(256,545)		14,599,287
Trade and other receivables	2,551,879	312,951	(142,782)	170,169			2,722,048
Prepaid lease payments	41,510	–	–	–			41,510
Premium on prepaid lease payments	21,674	–	–	–			21,674
Amounts due from customers for contract work	48,786	–	–	–			48,786
Amounts due from related parties	–	101,397	(101,397)	–			–
Amount due from an associate	–	26,457	(26,457)	–			–
Amount due from a joint venture	–	2	–	2			2
Amount due from a non-controlling interest	–	330,968	(330,968)	–			–
Amount due from a related party – TCL Corporation	–	–	303,450	303,450	(303,450)		–
Financial assets at fair value through profit or loss	38,000	–	–	–			38,000
Tax recoverable	69,102	–	–	–			69,102
Bank balances and cash	4,199,994	447,022	(240,439)	206,583		(4,633)	4,401,944
	19,791,761	3,598,532		2,715,220			21,942,353

	The Group as at 30 June 2013	The Target Company and its subsidiaries including Excluded Entities as at 30 September 2013	Proforma adjustments	The Target Group as at 30 September 2013	Proforma adjustments		Unaudited proforma for the Enlarged Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)						(Unaudited)
	(Note 1)	*(Note 2)*	*(Note 3)*		*(Note 4)*	*(Note 5)*	
CURRENT LIABILITIES							
Trade and other payables	2,718,610	733,602	(190,014)	543,588			3,262,198
Deposits received on sale of properties	4,891,675	258,229	(66,608)	191,621			5,083,296
Amounts due to customers for contract work	4,510	–	–	–			4,510
Amounts due to related parties	1,532	51,467	279,225	330,692	(330,692)		1,532
Amount due to a joint venture	–	10,000	(10,000)	–			–
Amounts due to shareholders	–	16,750	–	16,750	(16,750)		–
Amounts due to non-controlling interests	–	118,554	(112,554)	6,000			6,000
Loans from a fellow subsidiary	–	186,000		186,000	(186,000)		–
Deferred consideration – due within one year	–	–	–	–	329,648		329,648
Tax payable	2,233,690	105,419	(35,860)	69,559			2,303,249
Borrowings – due within one year	2,980,943	–	–	–			2,980,943
Provision	29,591	–	–	–			29,591
	12,860,551	1,480,021		1,344,210			14,000,967
NET CURRENT ASSETS	6,931,210	2,118,511		1,371,010			7,941,386
TOTAL ASSETS LESS CURRENT LIABILITIES	15,924,050	2,776,648		1,866,148			17,429,364
NON-CURRENT LIABILITIES							
Deferred tax liabilities	728,337	20,777	–	20,777			749,114
Loans from a fellow subsidiary	–	1,622,046	(200,000)	1,422,046	(1,422,046)		–
Deferred consideration – due after one year	–	–	–	–	515,266		515,266
Borrowings due after one year	2,994,832	107,000	–	107,000			3,101,832
Senior notes	4,870,638	–	–	–			4,870,638
Financial liabilities	6,177	–	–	–			6,177
	8,599,984	1,749,823		1,549,823			9,243,027
NET ASSETS	7,324,066	1,026,825		316,325			8,186,337

Notes:

1. The amounts are extracted from the latest published unaudited condensed consolidated statement of financial position of the Group as at 30 June 2013.

2. The amounts are extracted from the Accountants' Report on the Target Group as set out in Appendix II to this Circular, which is issued by BDO Limited.

3. According to the Transfer Agreement, certain entities held by the Target Company as at the date of the Transfer Agreement will be disposed of by the Target Company to TCL Corporation at a consideration of RMB303,450,000 and the completion of the disposal of the Excluded Entities is one of the precedent conditions for the completion of the Acquisition. The adjustments reflect the exclusion of the assets and liabilities of the Excluded Entities. The amounts of these adjustment, are extracted from Section D of the Accountants' Report of the Target Group as set out in Appendix II to this Circular after certain net-off of current account with amounts due from/to related parties.

4. On 23 December 2013, the Company entered into the Transfer Agreement with the Vendors to acquire the Target Group. TCL Corporation and Shenzhen Fantasia further agreed that TCL Corporation would assign to Shenzhen Fantasia the Acquired Indebtedness at the completion of the Acquisition. On the same date, the Company entered into a Subscription Agreement with TCL (HK) in relation to the issue of 863,600,074 Subscription Shares at the subscription price of HK$1.4129 per share (collectively referred to as the "Transaction").

The consideration for the acquisition of the entire equity interest in the Target Company is approximately RMB164,105,000. For pro forma financial information purposes, the Acquired Indebtedness is assumed to be RMB1,652,038,000, representing the amount of indebtedness due to TCL Corporation by the Target Group as at 30 September 2013, and accordingly the total consideration for the Acquisition is assumed to be settled as follows:

(a) as to RMB798,898,000, being partial consideration for the Acquired Indebtedness will be payable to TCL Corporation by cash at completion; and as to approximately RMB73,847,000, being consideration for the acquisition of the 45% equity interest in the Target Company will be payable to TCL Corporation by cash at completion of the Acquisition;

(b) as to approximately RMB49,232,000, being consideration for the acquisition of the 30% equity interest in the Target Company will be payable to Hai Gu Zhou by cash at completion of the Acquisition;

(c) as to the equivalent of RMB41,026,000 payable to TCL (HK) for the acquisition of the 25% equity interest in the Target Company will be set off against the aggregate Subscription Price pursuant to the Subscription Agreement; and

(d) for the remaining consideration for the Acquired Indebtedness amounting to RMB853,140,000 payable to TCL Corporation will be settled by cash within 3 years after completion of the Acquisition ("Deferred Consideration"). According to the Transfer Agreement, the repayment schedule of the remaining consideration for the Acquired Indebtedness will be determined as follows:

Settlement date	**Settlement amount**
1st year after completion of the Acquisition	Remaining consideration for the Acquired Indebtedness *(1/3 +9%)
2nd year after completion of the Acquisition	Remaining consideration for the Acquired Indebtedness *(1/3 +6%)
3rd year after completion of the Acquisition	Remaining consideration for the Acquired Indebtedness *(1/3 +3%)

The nominal value of the settlement amount at the end of the first year, second year and third year after completion of the Acquisition is assumed to be RMB361,163,000, RMB335,569,000 and RMB309,974,000, respectively. The pro forma fair value of the total remaining consideration for the Acquired Indebtedness at the date of completion of the Acquisition is assumed to be RMB844,914,000 by discounting their nominal values to their present values at an effective interest rate of 9.56% per annum.

The Transfer Agreement and Subscription Agreement are inter-conditional. The cash consideration (excluding Deferred Consideration) for the Acquisition of the Target Group approximated the cash consideration for the Subscription Shares. As such, after taking into accounts both agreements, the pro forma total consideration of the Acquisition of the Target Group is the aggregate of the pro forma fair value of the Subscription Shares issued by the Company, which is based on the share price of the Company on 28 June 2013 of HK$1.23 (RMB0.9708) and the fair value of the Deferred Consideration.

The pro forma fair value of assets acquired and liabilities assumed of the Target Group at 30 September 2013 are as follows:

	Target Group
	RMB'000
Property, plant and equipment	7,173
Investment properties	175,700
Intangible assets	264
Land development expenditure	254,000
Deposits paid for acquisition of land use rights	42,680
Interests in joint ventures	10,009
Deferred tax assets	5,312
Properties for sale	1,778,471
Trade and other receivables	170,169
Amount due from a joint venture	2
Bank balances and cash	206,582
Trade and other payables	(543,587)
Deposits received on sale of properties	(191,621)
Amounts due to non-controlling interests	(6,000)
Tax payable	(69,559)
Borrowings	(107,000)
Deferred tax liabilities	(20,777)
	1,711,818

Satisfied by:

	RMB'000
Pro forma fair value of Subscription Shares	838,099
Pro forma fair value of Deferred Consideration	844,914
Pro forma fair value of consideration for acquisition of equity interest and Acquired Indebtedness	1,683,013
Plus: non-controlling interests of the Target Group	28,805
Net assets acquired	1,711,818
Deferred Consideration due within one year	329,648
Deferred Consideration due after one year	515,266
	844,914

The difference between the pro forma consideration of RMB1,683,013,000 for the acquisition of the entire equity interest in the Target Company and the Acquired Indebtedness and the carrying amount of net assets of the Target Group acquired of RMB1,939,558,000 at 30 September 2013, amounting to RMB256,545,000, is allocated to the properties for sale of the Enlarged Group in arriving at its pro forma fair value.

Since the amount of Acquired Indebtedness and the fair value of shares of the Company on the date of completion of the Transaction may be different from the amount disclosed above, the total consideration for the Acquisition may be different from the pro forma amounts and consequently, affect the purchase price allocation of the amounts of consideration allocated to the identifiable assets and liabilities of the Target Group on the completion date.

5. The adjustment represents expenditures incurred directly in connection with the Transaction which is charged to profit or loss of the Company including legal fees, printing costs, accountants' fees, and other related expenses to be borne by the Group of approximately RMB4,633,000.

6. Apart from the above, no adjustments have been made to the unaudited pro forma consolidated statement of assets and liabilities, to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 June 2013 for the Group and 30 September 2013 for the Target Group where applicable.

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

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

TO THE DIRECTORS OF FANTASIA HOLDINGS GROUP CO., LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Fantasia Holdings Group Co., 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 statement of assets and liabilities as at 30 June 2013, and related notes as set out on pages III-3 to III-7 of the circular issued by the Company dated 28 March 2014 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages III-1 to III-2 of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of Huizhou TCL Real Estate Development Co., Ltd. and the acquired indebtedness and the issue of 863,600,074 shares at a subscription price of HK$1.4129 per share on the Group's assets and liabilities as at 30 June 2013 as if the acquisition and the share subscription had taken place at 30 June 2013. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2013, on which review report has been published.

Directors' Responsibilities 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 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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 ("HKSAE") 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and 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 the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the 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 pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or 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 event or transaction at 30 June 2013 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 event or 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 event or 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 purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28 March 2014

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant, in connection with its valuation as at 31 December 2013 of the property interests of the Target Group.

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Licence No: C-030171

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牌照號碼: C-030171

28 March 2014

The Board of Directors
Fantasia Holdings Group Co., Limited
Room 1103, 11th Floor
Top Glory Tower
262 Gloucester Road
Causeway Bay, Hong Kong

Dear Sirs,

In accordance with your instructions to value the property interests held by Huizhou TCL Real Estate Development Co., Ltd. (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 December 2013 (the "valuation date").

Our valuation is carried out on a market value basis. Market value 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 and where the parties had each acted knowledgeably, prudently, and without compulsion".

We have valued the property interest in Group I which is held by the Group for sale and property interest in Group III which is held by the Group for future development by direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

For the purpose of our valuation, real estate developments for future development are those for which the Construction Works Commencement Permit(s) have not been issued, while the State-owned Land Use Rights Grant Contract have been Signed; real estate developments for sale are those for which the Construction Works Certified

Report(s) or Certificate(s) of Completion or Building Ownership Certificate(s)/Real Estate Title Certificate(s) have been issued by the relevant local authority, this also includes those property interests which have been contracted to be sold, but the formal assignment procedures of which have not yet been completed.

In valuing the property interest in Group II which is currently under development, we have assumed that it will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of value, we have adopted the comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees that expected to be incurred for completing the development.

For the purpose of our valuation, real estate developments under development are those for which the Construction Works Commencement Permit(s) has (have) been issued while the Construction Works Certified Report(s) or Certificate(s) of Completion of the building(s) have not been issued.

We have valued the property interests in Group IV by income approach by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any neither of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation-Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, and particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers – Commerce & Finance Law Offices, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out in January and February 2014 by Mr. Dave Cui who obtained Bachelor's degree with academic background in real estate survey of Tongjin University and has over 6 years' experience in the valuation of properties in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T.W. Yiu
MRICS MHKIS RPS (GP)
Director

Notes: Eddie T.W. Yiu is a Chartered Surveyor who has 20 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Group I – Property interest held for sale by the Target Group in the PRC

No.	Property	Capital value in existing state as at 31 December 2013 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 December 2013 *RMB*
1.	The unsold portion of Huizhou Kangcheng Four Seasons located at the southern side of Hui Feng Fourth Road Zhongkai High-tech Industrial Development Zone Huizhou City Guangdong Province The PRC (惠州康城四季待售)	21,904,000	100%	21,904,000
	Sub-total:	21,904,000		21,904,000

Group II – Property interest held under development by the Target Group in the PRC

No.	Property	Capital value in existing state as at 31 December 2013 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 December 2013 *RMB*
2.	Wuhan Kangcheng Oasis located at the western side of Renhe Road Hongshan District Wuhan City Hubei Province The PRC (武漢康城綠洲)	798,000,000	86.8%	692,664,000
	Sub-total:	798,000,000		692,664,000

Group III – Property interests held for future development by the Target Group in the PRC

No.	Property	Capital value in existing state as at 31 December 2013 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 December 2013 *RMB*
3.	A parcel of land located at the western side of Huanhu Mid Road, northern side of Baihuan 2nd Road Dongxihu District Wuhan City Hubei Province The PRC (武漢金銀湖項目)	425,000,000	100%	425,000,000
4.	Phases II to IV of Huizhou Kangcheng Four Seasons located at the southern side of Hui Feng Fourth Road Zhongkai High-tech Industrial Development Zone Huizhou City Guangdong Province The PRC (惠州康城四季空地)	249,000,000	100%	249,000,000
5.	A parcel of land located at the northern side of Renmin 1st Road, western side of Jiangjun Road Qiuchang Street Huiyang District Huizhou City Guangdong Province The PRC (惠州文化創意園項目)	96,800,000	100%	96,800,000
	Sub-total:	770,800,000		770,800,000

Group IV – Property interests held for investment by the Target Group in the PRC

No.	Property	Capital value in existing state as at 31 December 2013 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 December 2013 *RMB*
6.	The clubhouse, kindergarten and 713 car parking spaces of Huizhou Palm Park No. 3 Hechang 5th Road West Zhongkai High-tech Industrial Development Zone Huizhou City Guangdong Province The PRC (惠州棕櫚園幼兒園、會所及車位)	95,400,000	100%	95,400,000
7.	The kindergarten and 114 car parking spaces of Huizhou Jiayuan Estate No. 25 Maidi South Road Huicheng District Huizhou City Guangdong Province The PRC (惠州嘉園幼兒園及車位)	25,600,000	100%	25,600,000
8.	The clubhouse and 307 car parking spaces of Huizhou Xiangxie Garden No. 63 Yanda Avenue Huicheng District Huizhou City Guangdong Province The PRC (惠州香榭園會所及車位)	27,300,000	100%	27,300,000

No.	Property	Capital value in existing state as at 31 December 2013 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 December 2013 *RMB*
9.	173 car parking spaces of Cuiyuan Garden No. 35 Maidi South Road Huicheng District Huizhou City Guangdong Province The PRC (惠州翠園車位)	13,800,000	100%	13,800,000
10.	170 car parking spaces of Yayuan Garden No. 1 Huayuan Road Huicheng District Huizhou City Guangdong Province The PRC (惠州雅園車位)	13,600,000	100%	13,600,000
	Sub-total:	175,700,000		175,700,000
	Grand total:	1,766,404,000		1,661,068,000

VALUATION CERTIFICATE

Group I – Property interest held for sale by the Target Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2013 *RMB*
1.	The unsold portion of Huizhou Kangcheng Four Seasons located at the southern side of Hui Feng Fourth Road Zhongkai High-tech Industrial Development Zone Huizhou City Guangdong Province The PRC	The property comprises the unsold portion of a residential development known as Kangcheng Four Seasons completed in 2013. The property has a total gross floor area of approximately 1,897.79 sq.m. The details are set out as following: **Items** / **Gross Floor Area** *(sq.m.)* Residential 242.15 Commercial 1,655.64 **Total:** 1,897.79 The land use rights of the property have been granted for terms with the expiry dates on 10 September 2047 and 10 September 2077 for commercial and residential uses respectively.	The property was vacant as at the valuation date.	21,904,000 100% interest attributable to the Target Group: RMB21,904,000

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract and a Modification Agreement entered into between Huizhou TCL Real Estate Development Co., Ltd. (惠州TCL房地產開發有限公司, "Huizhou TCL") and Land and Resources Bureau of Huizhou City, Guangdong Province dated 10 September 2007 and 10 March 2012 respectively, the land use rights of a parcel of land with a site area of approximately 228,528.9 sq.m. were contracted to be granted to Huizhou TCL with the particulars as follows:

Site Area	:	228,528.9 sq.m.
Land Use	:	Residential and commercial
Land Term	:	70 years for residential use, 40 years for commercial use
Land Premium	:	RMB299,000,000

2. Pursuant to a State-owned Land Use Rights Certificate – Hui Fu Guo Yong (2012) Di No. 13021451234, the land use rights of a parcel of land with a site area of approximately 88,544 sq.m. (on which the property is located) have been granted to Huizhou TCL for with the expiry dates on 10 September 2047 and 10 September 2077 for commercial and residential uses respectively.

3. Pursuant to a Construction Land Planning Permit – Di Zi Di No. 441302(2011)60043 in favour of Huizhou TCL, permission towards the planning of the subject land with a site area of approximately 88,545.9 sq.m. has be granted to Huizhou TCL.

4. Pursuant to 4 Construction Work Planning Permits issued by Housing and Urban-rural Planning & Construction Bureau of Huizhou City in favour of Huizhou TCL, the construction works of 4 residential buildings have been approved:

Permit No.	Phase	Gross Floor Area *(sq.m.)*	Issued Date
Jian Zi Di No. 441302(2011)60119	Building No. 3	8,809.20	2011-10-27
Jian Zi Di No. 441302(2011)60120	Building No. 5	9,659.07	2011-10-27
Jian Zi Di No. 441302(2011)60121	Building No. 6	27,197.10	2011-10-27
Jian Zi Di No. 441302(2011)60122	Building No. 7	54,194.19	2011-10-27
	Total:	99,859.96	

5. Pursuant to a Construction Work Commencement Permit issued by Housing and Urban-rural Planning & Construction Bureau of Huizhou City in favour of Huizhou TCL, the commencement of the construction works of Phase I of Kangcheng Four Seasons have been permitted:

Permit No.	Phase	Gross Floor Area *(sq.m.)*	Issued Date
441105201112223401	Building Nos. 1 to 3, 5 to 8 and basement	199,083.62	2011-12-22

6. Pursuant to 4 Pre-sales Permits – Hui Shi Fang Yu Xu (2012) Nos. 040, 058 and 094, Huizhou TCL is entitled to sell portions of Phase I of Kangcheng Four Seasons with a total gross floor area of approximately 97,106.02 sq.m. to purchasers.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The State-owned Land Use Rights Grant Contract is legal, valid and binding to both sides, Huihou TCL has obtained relevant Land Use Rights Certificate;

   b. There is possibility that portion of the land being identified as idle land by local authority. A maximum amount of 20% of land premium would be fined if over 1 year's idleness was recognized and local authority would have the rights to take back the land use rights of the property without compensation if over 2 years idleness was recognized;

   c. Huizhou TCL legally holds the ownership and land use rights of the property and has rights to pre-sale the property in accordance with the above mentioned Pre-sales Permits; and

   d. Huizhou TCL has the rights to legally use, lease out, transfer, mortgage or otherwise dispose of the property.

8. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Pre-sales Permit/ Sales Permit	Yes
f.	Construction Work Completion and Inspection Certificate/Table	No
g.	Building Ownership Certificate	N/A

VALUATION CERTIFICATE

Group II – Property interest held under development by the Target Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2013 *RMB*
2.	Wuhan Kangcheng Oasis located at the western side of Renhe Road Hongshan District Wuhan City Hubei Province The PRC (武漢康城綠洲)	The property comprises a parcel of land with a site area of approximately 73,866.4 sq.m. and a composite development known as Kangcheng Oasis which was being constructed thereon as at the valuation date. The development of the property is scheduled to be completed in September 2016. Upon completion, the development will have a total gross floor area of approximately 261,454 sq.m. and details are set out as below:	The property was under construction as at the valuation date.	798,000,000 86.8% interest attributable to the Group: RMB 692,664,000

Use	Gross Floor Area *(sq.m.)*
Retail	22,815
Office/Apartment	44,271
Residential	131,787
Public Rental Housing	7,235
Ancillary	3,530
Open Floor and Car parking spaces	51,816
Total:	**261,454**

The land use rights of the property have been granted for various terms with the expiry dates on 17 December 2052, 17 December 2062 and 17 December 2082 for commercial, transportation and residential uses respectively.

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract entered into between Wuhan TCL Kangcheng Real Estate Co., Ltd. (武漢TCL康城房地產有限公司, "Wuhan Kangcheng") and Land Resources and Planning Bureau of Wuhan City dated 18 December 2012, the land use rights of a parcel of land with a site area of approximately 73,866.4 sq.m. (including Lot A, B and C) were contracted to be granted to Wuhan Kangcheng with the particulars as follows:

Site Area	:	73,866.4 sq.m.
Land Use	:	Residential, commercial and transportation
Land Term	:	70 years for residential use, 40 years for commercial use and 50 years for transportation use
Plot Ratio	:	3.3 for Lot A, 2.7 for Lots B and C
Land Premium	:	RMB494,000,000

2. Pursuant to a State-owned Land Use Rights Certificate, the land use rights of a parcel of land, where the property is located therein, were granted to Wuhan Kangcheng with the particulars as follows:

Land Use Right Certificate	**Site Area** *(sq.m.)*	**Usage**	**Expiry Date**	**Issued Date**
Wu Guo Yong (2013) Di No.19	73,866.4	Residential, commercial and transportation	2052-12-17 for commercial use, 2062-12-17 for transportation use and 2082-12-17 for residential use	2013-2-18

3. Pursuant to a Construction Land Planning Permit – Wu Gui Di [2013] No. 044 in favour of Wuhan Kangcheng, permission towards the planning of the subject land with a site area of approximately 73,866.4 sq.m. has be granted to Wuhan Kangcheng.

4. Pursuant to a Construction Work Planning Permit issued by Land Resources and Planning Bureau of Wuhan City Hongshan Sub-bureau in favour of Wuhan Kangcheng, the construction works of the following have been approved:

Permit No.	**Building**	**Gross Floor Area** *(sq.m.)*	**Issued Date**
Jian Zi Di Wu Gui (Hong) Jian [2013] No. 014	Wuhan TCL Kangcheng Oasis	152,809.35	29 June 2013

5. Pursuant to a Construction Work Commencement Permit issued by Construction Bureau of Hongshan District, Wuhan City in favour of Wuhan Kangcheng, the commencement of the construction works of the following has been permitted:

Permit No.	**Building**	**Gross Floor Area** *(sq.m.)*	**Issued Date**
No. 4201112013071600114BJ4001	Kangcheng Oasis	89,259.42	3 December 2013
	Total:	**89,259.42**	

6. The capital value of the property, as if completed as at the valuation date under the development proposals as described above and which can be freely transferred in the market, would be RMB2,033,000,000.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The State-owned Land Use Rights Grant Contract is legal, valid and binding to both sides, Wuhan Kangcheng has obtained relevant Land Use Rights Certificate;

   b. Wuhan Kangcheng legally holds the ownership and land use rights of the property;

   c. After obtaining the relevant Pre-sales permits, Wuhan Kangcheng would have the rights to legally pre-sale the property; and

   d. Wuhan Kangcheng has the rights to legally use, lease out, transfer, mortgage or otherwise dispose of the property except for the public rent units..

8. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Pre-sales Permit	No
f.	Construction Work Completion and Inspection Certificate/Table	N/A

VALUATION CERTIFICATE

Group III– Property interests held for future development by the Target Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2013 *RMB*
3.	A parcel of land located at the western side of Huanhu Mid Road, northern side of Baihuan 2nd Road Dongxihu District Wuhan City Hubei Province The PRC (武漢金銀湖項目)	The property comprises a parcel of land with a site area of approximately 97,868.83 sq.m.which is planned to be developed into a residential development. The development of the property is scheduled to be completed in April 2016. Upon completion, the development will have a total gross floor area of approximately 293,606.49 sq.m. The land use rights of the property have been granted for terms with the expiry dates on 1 October 2052 and 1 October 2082 for commercial and residential uses respectively.	The property was vacant as at the valuation date.	425,000,000 100% interest attributable to the Group: RMB425,000,000

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract entered into between Wuhan TCL Land Investment Co., Ltd. (武漢TCL置地投資有限公司, "Wuhan TCL Investment") and Land Resources and Planning Bureau of Dongxihu District, Wuhan City dated 5 July 2012, the land use rights of a parcel of land with a site area of approximately 97,868.83 sq.m. were contracted to be granted to Wuhan TCL with the particulars as follows:

Site Area	:	97,868.83 sq.m.
Land Use	:	Residential
Land Term	:	70 years
Plot Ratio	:	3
Land Premium	:	RMB400,000,000

2. Pursuant to a State-owned Land Use Rights Certificate, the land use rights of a parcel of land were granted to Wuhan TCL Investment with the particulars as follows:

Land Use Right Certificate	Site Area *(sq.m.)*	Usage	Expiry Date	Issued Date
Dong Guo Yong (2013) Di No.280401021	97,868.83	Residential and commercial	2052-10-1 for commercial use and 2082-10-1 for residential use	2013-1-17

3. Pursuant to a Construction Land Planning Permit – Wu Gui (Dong) Di [2012] No. 67 in favour of Wuhan TCL Investment, permission towards the planning of the subject land with a site area of approximately 97,868.83 sq.m. has be granted to Wuhan TCL Investment.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The State-owned Land Use Rights Grant Contract is legal, valid and binding to both sides, Wuhan TCL Investment has obtained relevant Land Use Rights Certificate;

   b. There is possibility that the property being identified as idle land by local authority. A maximum amount of 20% of land premium would be fined if over 1 year's idleness was recognized and local authority would have the rights to take back the land use rights of the property without compensation if over 2 years idleness was recognized;

   c. During the prescribed period, Wuhan TCL Investment has the rights to legally occupy, use and develop the property in accordance with the prescribed use; and

   d. Wuhan TCL Investment has the rights to transfer, lease out, mortgage or otherwise dispose of the land use rights of the property on the premise that the development progress meets the prescribed requirement and relevant taxes and payments have been paid to local authority.

5. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	N/A
d.	Construction Work Commencement Permit	N/A
e.	Pre-sales Permit	N/A
f.	Construction Work Completion and Inspection Certificate/Table	N/A

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2013 *RMB*
4.	Phases II to IV of Huizhou Kangcheng Four Seasons located at the southern side of Hui Feng Fourth Road Zhongkai High-tech Industrial Development Zone Huizhou City Guangdong Province The PRC	The property comprises the undeveloped portion of 2 parcels of land with a total site area of approximately 162,892.6 sq.m. which is planned to be developed into a residential development. The development of the property is scheduled to be completed in 2016. Upon completion, the development will have a total gross floor area of approximately 396,478.92 sq.m. The land use rights of the property have been granted for terms with the expiry dates on 10 September 2047 and 10 September 2077 for commercial and residential uses respectively.	The property was vacant as at the valuation date.	249,000,000 100% interest attributable to the Group: RMB249,000,000

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract and a Modification Agreement entered into between Huizhou TCL Real Estate Development Co., Ltd. (惠州TCL房地產開發有限公司, "Huizhou TCL") and Land and Resources Bureau of Huizhou City, Guangdong Province dated 10 September 2007 and 10 March 2012 respectively, the land use rights of a parcel of land with a site area of approximately 228,528.9 sq.m. were contracted to be granted to Huizhou TCL with the particulars as follows:

Site Area	:	228,528.9 sq.m.
Land Use	:	Residential and commercial
Land Term	:	70 years for residential use, 40 years for commercial use
Land Premium	:	RMB299,000,000

2. Pursuant to 2 State-owned Land Use Rights Certificates – Hui Fu Guo Yong (2012) Di Nos. 13021451234 and 13021451235, the land use rights of 2 parcels of land with a total site area of approximately 162,892.6 sq.m. have been granted to Huizhou TCL for terms with the expiry dates on 10 September 2047 and 10 September 2077 for commercial and residential uses respectively.

3. Pursuant to a Construction Land Planning Permit – Di Zi Di No. 441302(2011)60043 in favour of Huizhou TCL, permission towards the planning of the subject land with a site area of approximately 88,545.9 sq.m. has be granted to Huizhou TCL.

4. Pursuant to 3 Construction Work Planning Permits issued by Housing and Urban-rural Planning & Construction Bureau of Huizhou City in favour of Huizhou TCL, the construction works of 3 residential buildings have been approved:

Permit No.	**Phase**	**Gross Floor Area** *(sq.m.)*	**Issued Date**
Jian Zi Di No. 441302(2011)60117	Building No. 1	15,436.93	2011-10-27
Jian Zi Di No. 441302(2011)60118	Building No. 2	16,067.61	2011-10-27
Jian Zi Di No. 441302(2011)60123	Building No. 8	33,253.59	2011-10-27
	Total:	64,758.13	

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The State-owned Land Use Rights Grant Contract is legal, valid and binding to both sides, Huizhou TCL has obtained relevant Land Use Rights Certificate;

   b. There is possibility that the property being identified as idle land by local authority. A maximum amount of 20% of land premium would be fined if over 1 year's idleness was recognized and local authority would have the rights to take back the land use rights of the property without compensation if over 2 years idleness was recognized;

   c. During the prescribed period, Huizhou TCL has the rights to legally occupy, use and develop the property in accordance with the prescribed use; and

   d. Huizhou TCL has the rights to transfer, lease out, mortgage or otherwise dispose of the land use rights of the property on the premise that the development progress meets the prescribed requirement and relevant taxes and payments have been paid to local authority.

6. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Portion
d.	Construction Work Commencement Permit	N/A
e.	Pre-sales Permit	N/A
f.	Construction Work Completion and Inspection Certificate/Table	N/A

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2013 *RMB*
5.	A parcel of land located at the northern side of Renmin 1st Road, western side of Jiangjun Road Qiuchang Street Huiyang District Huizhou City Guangdong Province The PRC (惠州文化創意園項目)	The property comprises a parcel of land with a site area of approximately 123,331 sq.m.which is planned to be developed into a residential development. The development of the property is scheduled to be completed in 2016. Upon completion, the development will have a total gross floor area of approximately 184,996.5 sq.m. The land use rights of the property have been granted for terms with the expiry dates on 4 April 2051 and 4 April 2081 for commercial and residential uses respectively.	The property was vacant as at the valuation date.	96,800,000 100% interest attributable to the Group: RMB96,800,000

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract entered into between Huizhou TCL Hongjia Property Co., Ltd. (惠州市TCL鴻嘉置業有限公司, "Huizhou Hongjia") and Land and Resources Bureau of Huizhou City dated 4 March 2011, the land use rights of a parcel of land with a site area of approximately 123,331 sq.m. were contracted to be granted to Huizhou Hongjia with the particulars as follows:

Site Area	:	123,331 sq.m.
Land Use	:	Residential and commercial
Land Term	:	70 years for residential use, 40 years for commercial use
Plot Ratio	:	1.5
Land Premium	:	RMB65,920,000

2. Pursuant to a State-owned Land Use Rights Certificate, the land use rights of a parcel of land were granted to Guangdong (Huizhou) TCL Industrial Culture Creativity Park Development Co., Ltd. (廣東(惠州)TCL工業文化創意園發展有限公司, "TCL Culture") with the particulars as follows:

Land Use Right Certificate	Site Area *(sq.m.)*	Usage	Expiry Date	Issued Date
Hui Yang Guo Yong (2013) Di No. 0500034	123,331	Residential and commercial	2051-4-4 for commercial use and 2081-4-4 for residential use	2013-4-8

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The State-owned Land Use Rights Grant Contract is legal, valid and binding to both sides, Huizhou Hongjia Investment has obtained relevant Land Use Rights Certificate;

   b. There is possibility that the property being identified as idle land by local authority. A maximum amount of 20% of land premium would be fined if over 1 year's idleness was recognized and local authority would have the rights to take back the land use rights of the property without compensation if over 2 years idleness was recognized;

   c. During the prescribed period, Huizhou Hongjia has the rights to legally occupy, use and develop the property in accordance with the prescribed use; and

   d. Huizhou Hongjia has the rights to transfer, lease out, mortgage or otherwise dispose of the land use rights of the property on the premise that the development progress meets the prescribed requirement and relevant taxes and payments have been paid to local authority.

4. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	N/A
c.	Construction Work Planning Permit	N/A
d.	Construction Work Commencement Permit	N/A
e.	Pre-sales Permit	N/A
f.	Construction Work Completion and Inspection Certificate/Table	N/A

VALUATION CERTIFICATE

Group IV – Property interests held for investment by the Target Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2013
				RMB
6.	The clubhouse, kindergarten and 713 car parking spaces of Huizhou Palm Park No. 3 Hechang 5th Road West Zhongkai High-tech Industrial Development Zone Huizhou City Guangdong Province The PRC (惠州棕櫚園幼兒園、會所及車位)	The property comprises the clubhouse, kindergarten and 713 car parking spaces of a residential development known as Huizhou Palm Park completed in various stage between 2008 and 2011. The property has a total gross floor area of approximately 41,693.4 sq.m. The details are set out as following: **Use** / **Gross Floor Area (sq.m.)** Clubhouse 3,500.0 Kindergarten 1,890.1 Car parking spaces 36,303.3 **Total: 41,693.4** The land use rights of the property have been granted for a term expiring on 3 July 2077 for commercial and residential uses.	As at the valuation date, the clubhouse of the property was occupied by the Group for commercial purpose, the kindergarten was leased by a connected party for kindergarten operating purpose whilst the car parking spaces of the property various independent third parties for car parking purpose. As advised by the Group, the tenancies with respect to the car parking spaces of the property were on short-term basis.	95,400,000 100% interest attributable to the Target Group: RMB95,400,000

Notes:

1. Pursuant to 2 State-owned Land Use Rights Certificates – Hui Fu Guo Yong (2007) Di Nos. 13021400161 and 13021400162, the land use rights of 2 parcel of land with a total site area of approximately 79,595.5 sq.m. (on which the property is located) have been granted to Huizhou TCL for a term expiring on 3 July 2077 for commercial and residential uses.

2. According to a Tenancy Agreement, the kindergarten of the property is leased to the Labour Union Committee of Huizhou TCL Mobile Communication Co., Ltd. (惠州TCL移動通信有限公司工會委員會), a connected party for a term of 10 years commencing from 1 January 2012 and expiring on 31 December 2021 for kindergarten operating purpose. The annual rent is RMB453,624 for the first year and will be increased by 2% annually, exclusive of management fee, water and electricity charges.

3. As advised by the Company, the clubhouse of the property is currently occupied by the Group for sales office purpose whilst the car parking spaces of the property were subject to various short-term tenancies.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The property was self-developed by Huizhou TCL, the initial property registration has not been completed and has not obtained the building ownership certificate. Huizhou TCL has the rights to lease out, use and transfer the property but shall not constitute a defense against bona fide third party. Besides, the behavior of the dispossession of the property does not create real right effect; and

   b. Huizhou TCL is restricted from transferring its ownership rights of the car parking spaces. However, Huizhou TCL has the rights to lease out, use the car parking spaces of the property and transfer the earning rights of them but shall not constitute a defense against bona fide third party.

5. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Building Ownership Certificate	No

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2013 *RMB*
7.	The kindergarten and 114 car parking spaces of Huizhou Jiayuan Estate No. 25 Maidi South Road Huicheng District Huizhou City Guangdong Province The PRC (惠州嘉園幼兒園及車位)	The property comprises the kindergarten and 114 car parking spaces of a residential development known as Huizhou Jiayuan Estate completed in about 2007. The property has a total gross floor area of approximately 11,721.68 sq.m. The details are set out as following: **Use** — **Gross Floor Area** *(sq.m.)* Kindergarten — 2,121.68 Car parking spaces — 9,600.00 **Total:** — **11,721.68** The land use rights of the property have been granted for a term expiring on 11 November 2075 for commercial and residential uses.	As at the valuation date, the kindergarten was leased by an independent third party for kindergarten operating purpose whilst the car parking spaces of the property were leased to various independent third parties for car parking purpose. As advised by the Group, the tenancies with respect to the car parking spaces of the property were on short-term basis.	25,600,000 100% interest attributable to the Target Group: RMB25,600,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Hui Fu Guo Yong (2006) Di No. 13020900003, the land use rights of a parcel of land with a site area of approximately 28,682.7 sq.m. (on which the property is located) have been granted to Huizhou TCL for a term expiring on 11 November 2075 for commercial and residential uses.

2. According to a Tenancy Agreement and a Supplementary Agreement, the kindergarten of the property is leased to Jin Chunji (金春姬), an independent third party for a term of 5 years commencing from 1 July 2013 and expiring on 30 June 2018 for kindergarten operating purpose. The annual rent is RMB509,203.2 exclusive of management fee, water and electricity charges.

3. As advised by the Company, the car parking spaces of the property were subject to various short-term tenancies.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The property was self-developed by Huizhou TCL, the initial property registration has not been completed and has not obtained the building ownership certificate. Huizhou TCL has the rights to lease out, use and transfer the property but shall not constitute a defense against bona fide third party. Besides, the behavior of the dispossession of the property does not create real right effect; and

   b. Huizhou TCL is restricted from transferring its ownership rights of the car parking spaces. However, Huizhou TCL has the rights to lease out, use the car parking spaces of the property and transfer the earning rights of them but shall not constitute a defense against bona fide third party.

5. A summary of major certificates/approvals is shown as follows:

c.	State-owned Land Use Rights Certificate	Yes
d.	Building Ownership Certificate	No

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2013 *RMB*
8.	The clubhouse and 307 car parking spaces of Huizhou Xiangxie Garden No. 63 Yanda Avenue Huicheng District Huizhou City Guangdong Province The PRC (惠州香榭園會所及車位)	The property comprises the clubhouse and 307 car parking spaces of a residential development known as Huizhou Xiangxie Yuan Estate completed in about 2012. The property has a total gross floor area of approximately 17,801.45 sq.m. The details are set out as following: **Use** / **Gross Floor Area** *(sq.m.)* Clubhouse 371.25 Car parking spaces 17,430.20 **Total: 17,801.45** The land use rights of the property have been granted for a term expiring on 20 September 2076 for commercial and residential uses.	As at the valuation date, the clubhouse was vacant whilst the car parking spaces of the property were leased to various independent third parties for car parking purpose. As advised by the Group, the tenancies with respect to the car parking spaces of the property were on short-term basis.	27,300,000 100% interest attributable to the Target Group: RMB27,300,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Hui Fu Guo Yong (2007) Di No. 13020900097, the land use rights of a parcel of land with a site area of approximately 80,055.9 sq.m. (on which the property is located) have been granted to Huizhou TCL for a term expiring on 20 September 2076 for commercial and residential uses.

2. As advised by the Company, the car parking spaces of the property were subject to various short-term tenancies.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The property was self-developed by Huizhou TCL, the initial property registration has not been completed and has not obtained the building ownership certificate. Huizhou TCL has the rights to lease out, use and transfer the property but shall not constitute a defense against bona fide third party. Besides, the behavior of the dispossession of the property does not create real right effect; and

   b. Huizhou TCL is restricted from transferring its ownership rights of the car parking spaces. However, Huizhou TCL has the rights to lease out, use the car parking spaces of the property and transfer the earning rights of them but shall not constitute a defense against bona fide third party.

4. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Building Ownership Certificate	No

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2013 *RMB*
9.	173 car parking spaces of Cuiyuan Garden No. 35 Maidi South Road Huicheng District Huizhou City Guangdong Province The PRC (惠州翠園車位)	The property comprises 173 car parking spaces of a residential development known as Cui Yuan Estate completed in about 2006. The property has a gross floor area of approximately 13,322.3 sq.m. The land use rights of the property have been granted for a term expiring on 26 August 2075 for commercial and residential uses.	As at the valuation date, the property was leased to various independent third parties for car parking purpose. As advised by the Group, the tenancies with respect to the property were on short-term basis.	13,800,000 100% interest attributable to the Target Group: RMB13,800,000

Notes:

1. Pursuant to 2 State-owned Land Use Rights Certificates – Hui Fu Guo Yong (2005) Di Nos. 13020900241 and 130209000242, the land use rights of 2 parcels of land with a total site area of approximately 29,891.6 sq.m. (on which the property is located) have been granted to Huizhou TCL for a term expiring on 26 August 2075 for commercial and residential uses.

2. As advised by the Company, the car parking spaces of the property were subject to various short-term tenancies.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The property was self-developed by Huizhou TCL, the initial property registration has not been completed and has not obtained the building ownership certificate. Huizhou TCL has the rights to lease out, use and transfer the property but shall not constitute a defense against bona fide third party. Besides, the behavior of the dispossession of the property does not create real right effect; and

   b. Huizhou TCL is restricted from transferring its ownership rights of the car parking spaces. However, Huizhou TCL has the rights to lease out, use the property and transfer the earning rights of it but shall not constitute a defense against bona fide third party.

4. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Building Ownership Certificate	No

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2013 *RMB*
10.	170 car parking spaces of Yayuan Garden No. 1 Huayuan Road Huicheng District Huizhou City Guangdong Province The PRC (惠州雅園車位)	The property comprises 170 car parking spaces of a residential development known as Ya Yuan Estate completed in about 2007. The property has a gross floor area of approximately 7,890.1 sq.m. The land use rights of the property have been granted for a term expiring on 26 August 2075 for commercial and residential uses.	As at the valuation date, the property was leased to various independent third parties for car parking purpose. As advised by the Group, the tenancies with respect to the property were on short-term basis.	13,600,000 100% interest attributable to the Target Group: RMB13,600,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Hui Fu Guo Yong (2005) Di No. 13020100401, the land use rights of a parcel of land with a site area of approximately 12,481.8 sq.m. (on which the property is located) have been granted to Huizhou TCL for a term expiring on 26 August 2075 for commercial and residential uses.

2. As advised by the Company, the car parking spaces of the property were subject to various short-term tenancies.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The property was self-developed by Huizhou TCL, the initial property registration has not been completed and has not obtained the building ownership certificate. Huizhou TCL has the rights to lease out, use and transfer the property but shall not constitute a defense against bona fide third party. Besides, the behavior of the dispossession of the property does not create real right effect; and

   b. Huizhou TCL is restricted from transferring its ownership rights of the car parking space. However, Huizhou TCL has the rights to lease out, use the property and transfer the earning rights of it but shall not constitute a defense against bona fide third party.

4. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Building Ownership Certificate	No

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 Group and the Target 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

(a) Director's Interest in the securities of the Company

As at the Latest Practicable Date, save as disclosed below, none of the Directors and chief executive of the Company has any interests and short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

Name of Director	Number of Shares	Capacity in which interest is held	Interest as to % of the issued share capital of the Company
Zeng Jie, Baby *(Note 1)*	3,239,789,000	Beneficial owner/ Interest of a controlled corporation	56.27
Pan Jun *(Note 2)*	9,980,000	Beneficial owner	0.17
Wang Liang *(Note 2)*	6,580,000	Beneficial owner	0.11
Lam Kam Tong *(Note 2)*	2,770,000	Beneficial owner	0.05
Ho Man *(Note 2)*	1,600,000	Beneficial owner	0.03
Huang Ming *(Note 2)*	1,600,000	Beneficial owner	0.03
Liao Martin Cheung Kong *(Note 2)*	1,600,000	Beneficial owner	0.03
Xu Quan *(Note 2)*	1,600,000	Beneficial owner	0.03

Notes:

1. Fantasy Pearl International Limited ("**Fantasy Pearl**") is owned as to 80% by Ice Apex Limited ("**Ice Apex**") and 20% by Graceful Star Overseas Limited ("**Graceful Star**"). While Ice Apex is wholly owned by Ms. Zeng Jie, Baby, Ms. Zeng Jie, Baby is deemed to be interested in the shares of the Company held by Fantasy Pearl for the purpose of Part XV of the SFO.

2. The relevant Director was granted options to subscribe for such number of Shares under the share option scheme on 29 August 2011.

(b) Director's Interest in the securities of the Company's Associated Corporations

As at the Latest Practicable Date, save as disclosed below, none of the Directors and chief executive of the Company has any interests and short positions in the Shares, underlying Shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

Name of Director	Nature of interest	Name of associated corporation	Number of Shares	Approximate % of the issued share capital of the associated corporation
Zeng Jie, Baby *(Note 1)*	Corporate interest	Fantasy Pearl	80	80%
Pan Jun *(Note 2)*	Corporate interest	Fantasy Pearl	20	20%

Note:

1. Fantasy Pearl is owned as to 80% by Ice Apex and 20% by Graceful Star. While Ice Apex is wholly owned by Ms. Zeng Jie, Baby, Ms. Zeng Jie, Baby is deemed to be interested in the shares of the Company held by Fantasy Pearl for the purpose of Part XV of the SFO.

2. These are shares held by Graceful Star in Fantasy Pearl and Graceful Star is wholly owned by Mr. Pan Jun.

(c) Substantial shareholders' interest

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following shareholders (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Name of Shareholder	Nature of interest	Number of Shares interested	Approximate % of the issued share capital of the Company
Zeng Jie, Baby *(Note 1)*	Beneficial owner/ Interest of a controlled corporation	3,239,789,000	56.27%
Fantasy Pearl *(Note 1)*	Beneficial owner	3,229,809,000	56.10%
Ice Apex *(Note 1)*	Interest of a controlled corporation	3,229,809,000	56.10%
TCL (HK) *(Note 2)*	Beneficial owner	863,600,074	15%
TCL Corporation *(Note 2)*	Interest of a controlled corporation	863,600,074	15%

Notes:

1. Fantasy Pearl is owned as to 80% by Ice Apex and 20% by Graceful Star. While Ice Apex is wholly owned by Ms. Zeng Jie, Baby, Ms. Zeng Jie, Baby is deemed to be interested in the shares of the Company held by Fantasy Pearl for the purpose of Part XV of the SFO.

2. TCL (HK) is wholly owned by TCL Corporation. By virtue of the SFO, TCL Corporation is deemed to be interested in the 863,600,074 shares held by TCL (HK).

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at the Latest Practicable Date.

3. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was considered to have interests in businesses apart from the Group's businesses which compete, or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules.

4. DIRECTORS' INTERESTS IN ASSETS

Li Dong Sheng, a non-executive Director, is the chairman and chief executive officer of TCL Corporation.

Save for aforesaid, as at the Latest Practicable Date, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 December 2012 (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to the Latest Practicable Date, 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.

5. DIRECTORS' 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 determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

Li Dong Sheng, a non-executive Director, is the chairman and chief executive officer of TCL Corporation.

Save for aforesaid, as at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

7. MATERIAL CONTRACTS

The following contracts (being contracts entered into outside the ordinary course of business carried on by the Enlarged Group) have been entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular:

(a) The Transfer Agreement; and

(b) The Subscription Agreement.

8. EXPERTS

The following is the qualification of the experts who have given its opinion or advice which is contained in this circular:

Name	Qualification
BDO Limited ("**BDO**")	Certified Public Accountants
Deloitte Touche Tohmatsu ("**Deloitte**")	Certified Public Accountants
Jones Lang LaSalle	Property valuer

As at the Latest Practicable Date, each of BDO, Deloitte and Jones Lang LaSalle (i) had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) had no direct or indirect interest in any assets which had been, since 31 December 2012 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and (iii) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name included herein in the form and context in which it appears.

9. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

10. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there is no material adverse change in the financial or trading position of the Company since 31 December 2012, the date to which the latest published audited consolidated financial statements of the Company have been made up.

11. GENERAL

a) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

b) The head office and principal place of business of the Company in Hong Kong is Room 1103, Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.

c) The secretary of the Company is Mr. Lam Kam Tong who is a member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants.

d) The Cayman Islands principal share registrar and transfer office is Royal Bank of Canada Trust Company (Cayman) Limited, 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Islands.

e) The Hong Kong branch share registrar and transfer office is Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

f) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail over its Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. on any weekday (except public holidays) at the corporate head office of the Company in Hong Kong at Room 1103, Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong for a period of 14 days from the date of this circular:

a) the memorandum and articles of association of the Company;

b) the annual reports of the Company for the years ended 31 December 2011 and 31 December 2012;

c) the interim report of the Company for the six months ended 30 June 2013;

d) the accountant's report issued by BDO on the financial information on the Target Group as set out in Appendix II to this circular;

e) the report issued by Deloitte on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;

f) the property valuation report from issued by Jones Lang LaSalle as set out in Appendix IV to this circular;

g) the written consent referred to in the paragraph headed "Experts" in this Appendix;

h) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;

i) the circulars dated 1 April 2013, 9 April 2013, 28 August 2013 issued by the Company; and

j) this circular.