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

If you have sold or transferred all your shares in **C C Land Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



C C Land Holdings Limited 中渝置地控股有限公司

(Incorporated in Bermuda with limited liability)

Website: www.ccland.com.hk

(Stock Code: 1224)

DISCLOSEABLE AND CONNECTED TRANSACTIONS AND NOTICE OF SPECIAL GENERAL MEETING

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



A notice convening a special general meeting of C C Land Holdings Limited to be held on Wednesday, 3 December 2014 at 11:00 a.m. at 33/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong is set out on page SGM-1 of this circular. A form of proxy for use at the special general meeting is also enclosed with this circular. Whether or not you intend to attend and vote at the special general meeting in person, you are requested to complete and return it to the branch share registrar of C C Land Holdings Limited in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjournment thereof should you so wish.

13 November 2014

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	6
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	34
LETTER FROM HALCYON CAPITAL	35
APPENDIX I – SHARE VALUATION REPORT	AI-1
APPENDIX II – PROPERTY VALUATION REPORT	AII-1
APPENDIX III – GENERAL INFORMATION	AIII-1
NOTICE OF SGM	SGM-1

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 7 April 2014 in relation to, among other things, the Investment Agreement and the transactions contemplated thereunder
“Articles”	articles of association of Starhigh as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Change of Control”	in relation to a party to the Shareholders’ Deed, where a person (including any individual, partnership and corporation) ceases to have direct or indirect Control of that party to the Shareholders’ Deed
“Charm Best”	Charm Best Investment Limited, a company incorporated in Hong Kong with limited liability, which is directly wholly-owned by Starhigh and indirectly wholly-owned by the Company
“Company”	C C Land Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the main board of the Stock Exchange
“Conditions Precedent”	conditions precedent to the SP Completion and the Subscription Completion specified in the Investment Agreement and as described under the paragraph headed “2.6 Conditions Precedent” in the Letter from the Board
“connected person”	has the meaning ascribed to it under the Listing Rules
“Control”	in relation to a person (including any individual, partnership and corporation), where such person has (a) the indirect or direct control of the affairs of another person, (b) the beneficial interest of the entire issued share capital or equity interest of that other person, (c) all of the voting rights conferred by all the issued share capital of that other person which are ordinarily exercisable in a general meeting, (d) the indirect or direct control over the composition of the full board of that other person, or (e) the ability to exercise full control of the management of that other person’s through voting rights, contracts or otherwise
“CQZY”	重慶中渝物業發展有限公司 (Chongqing Zhong Yu Property Development Co. Ltd.), a privately-owned enterprise established in the PRC, which is directly wholly-owned by Charm Best and indirectly wholly-owned by the Company
“CQZY Group”	CQZY and its subsidiaries
“Director(s)”	the director(s) of the Company
“First Subscription Completion”	completion of the subscription of the first tranche of Subscription Shares pursuant to the terms and conditions of the Investment Agreement

DEFINITIONS

“First Subscription Completion Date”	the date on which First Subscription Completion takes place, being a date within 6 months after the fulfilment or waiver of the last Condition Precedent, or such other date as Starhigh and Mr. Tsang may agree in writing prior to the First Subscription Completion
“GCAL”	Greater China Appraisal Limited, an independent firm of professional valuer
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Guojia Cheer Gain Group”	成都國嘉志得置業有限公司 (Chengdu Guojia Cheer Gain Property Company Limited), a privately-owned enterprise established in the PRC and directly owned as to 51% by Cheer Gain Development Limited (an indirect wholly-owned subsidiary of the Company) and as to 49% by 四川省國嘉地產有限公司 (Sichuan Guojia Property Company Limited), and its subsidiaries
“Halcyon Capital”	Halcyon Capital Limited, a licensed corporation to carry out business in Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Investment Agreement, the Share Sale, the Subscription and the transactions contemplated thereunder
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent board committee of the Company comprising Messrs. Lam Kin Fung Jeffrey, Leung Yu Ming Steven and Wong Lung Tak Patrick being all the independent non-executive Directors, which has been formed to advise the Independent Shareholders in relation to the Investment Agreement and the transactions contemplated thereunder
“Independent Shareholders”	any Shareholder that is not required to abstain from voting at a general meeting in relation to the approval of the Investment Agreement and the transactions contemplated thereunder (in this case, any Shareholders other than Mr. Tsang and his associates)
“Insolvency Event”	(a) in respect of any company, that such company has ceased to trade or has had a receiver, manager or administrator appointed over its assets or undertaking, or has become insolvent or gone into liquidation (unless such liquidation is for the purposes of a solvent reconstruction or amalgamation), compounded with its creditors generally or has been otherwise unable to meet its debts as they fall due or has suffered any similar action in consequence of debt; or (b) in respect of any individual, that such individual is liable to be adjudicated bankrupt or has compounded with his creditors generally or has been otherwise unable to meet his debts as they fall due or has suffered any similar action in consequence of debt
“Investment Agreement”	the investment agreement dated 7 April 2014 entered into between Marvel Leader, Starhigh and Mr. Tsang in relation to the Share Sale and the Subscription

DEFINITIONS

“Latest Practicable Date”	7 November 2014, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	7 July 2015
“Marvel Leader”	Marvel Leader Investments Limited, a company incorporated in the BVI with limited liability and directly wholly-owned by the Company
“Mr. Cheung”	Mr. Cheung Chung Kiu
“Mr. Tsang”	Mr. Tsang Wai Choi, among others, a Director and deputy chairman of the Board, holding 3,394,242 Shares as at the Latest Practicable Date (representing approximately 0.13% of the issued Shares), the legal representative (法人代表), the chairman of the board of directors (董事長) and the general manager (總經理) of CQZY, and the legal representative (法人代表) and the chairman of the board of directors (董事長) of Yunnan Zhong Yu
“Mr. Tsang’s Nominee”	such entity which is beneficially wholly-owned by Mr. Tsang and to be the purchaser of the Sale Shares and subscriber of the Subscription Shares if so nominated by Mr. Tsang
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the 240 Starhigh Shares owned by Marvel Leader, representing 8% of the entire issued share capital of Starhigh as at the date of the Investment Agreement, and representing approximately 5.22% of the total issued share capital of Starhigh on a fully diluted basis upon the SP Completion and the Subscription Completion
“Second Subscription Completion”	completion of the subscription of the second tranche of Subscription Shares pursuant to the terms and conditions of the Investment Agreement
“Second Subscription Completion Date”	the date on which Second Subscription Completion takes place, being a date within 12 months after the fulfilment or waiver of the last Condition Precedent, or such other date as Starhigh and Mr. Tsang may agree in writing prior to the Second Subscription Completion
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened on 3 December 2014 for approving the Investment Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares

DEFINITIONS

“Shareholders’ Deed”	shareholders’ deed to be entered into among Marvel Leader, Starhigh and Mr. Tsang (and where applicable Mr. Tsang’s Nominee) relating to the management and operation of Starhigh
“Share Sale”	sale of the Sale Shares by Marvel Leader to Mr. Tsang (or Mr. Tsang’s Nominee) pursuant to the terms and conditions of the Investment Agreement
“SP Completion”	completion of the Share Sale
“SP Completion Date”	the date on which the SP Completion takes place, being a date within 14 days after the fulfilment or waiver of the last Condition Precedent, or such other date as Marvel Leader and Mr. Tsang may agree in writing prior to the SP Completion
“sqm”	square meters
“Starhigh”	Starhigh International Limited, a company incorporated in the BVI with limited liability, which is directly wholly-owned by Marvel Leader and indirectly wholly-owned by the Company, as at the Latest Practicable Date
“Starhigh Board”	the board of directors of Starhigh
“Starhigh Share(s)”	the ordinary share(s) of US\$1.00 each (equivalent to approximately HK\$7.76) in the share capital of Starhigh and having the voting and other rights and benefits and being subject to the restrictions set out in the Articles, the terms of the Shareholders’ Deed and any arrangements which may be agreed between Marvel Leader, Mr. Tsang and any other Starhigh Shareholders from time to time, which shall rank pari passu in all respects with each other
“Starhigh Shareholder(s)”	holder(s) of Starhigh Share(s)
“Starhigh Group”	Starhigh, Charm Best and CQZY Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	subscription of the Subscription Shares by Mr. Tsang (or Mr. Tsang’s Nominee) pursuant to the terms and conditions of the Investment Agreement
“Subscription Completion”	completion of the Subscription
“Subscription Completion Date”	the First Subscription Completion Date and/or the Second Subscription Completion Date
“Subscription Share(s)”	1,600 Starhigh Shares to be issued and allotted by Starhigh and subscribed by Mr. Tsang (or Mr. Tsang’s Nominee) pursuant to the Investment Agreement which will constitute approximately 34.78% of the issued share capital of Starhigh as enlarged by the Subscription
“US\$”	United States dollars, the lawful currency of the United States of America

DEFINITIONS

“Verakin Property Group”	重慶同景置業有限公司 (Chongqing Verakin Real Estate Company Limited), a privately-owned enterprise established in the PRC and directly owned as to 51% by Chongqing Top Pioneer Realty Co (an indirect wholly-owned subsidiary of the Company) and as to 49% by 同景集團有限公司 (Verakin Group Company Limited), and its subsidiaries
“Yunnan Zhong Yu”	雲南中渝置地發展有限公司 (Yunnan Zhong Yu Land Development Company Limited), a privately-owned enterprise established in the PRC and directly owned as to 70% by CQZY (an indirect wholly-owned subsidiary of the Company) and as to 30% by 雲南光華投資集團有限公司 (Yunnan Guang Hua Investment Group Company Limited)
“%”	Percent

The English names/translations of the companies established in the PRC, relevant authorities in the PRC and other Chinese terms used in this circular are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.

In this circular, RMB and US\$ have been converted to HK\$ at the rate of RMB1 = HK\$1.272 and US\$1 = HK\$7.76 respectively for illustration purpose only. No representation is made that any amounts in RMB, US\$ or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.

LETTER FROM THE BOARD



C C Land Holdings Limited 中渝置地控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1224)

Executive Directors:

Mr. Cheung Chung Kiu (*Chairman*)
Dr. Lam How Mun Peter
(Deputy Chairman & Managing Director)
Mr. Tsang Wai Choi (*Deputy Chairman*)
Mr. Leung Chun Cheong
Mr. Leung Wai Fai

Non-executive Director:

Mr. Wong Yat Fai

Independent Non-executive Directors:

Mr. Lam Kin Fung Jeffrey
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

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

Rooms 3308-10, 33rd Floor,
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

13 November 2014

To the Shareholders,

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

1. INTRODUCTION

Reference is made to the Announcement. On 7 April 2014, Marvel Leader, Starthigh and Mr. Tsang entered into the Investment Agreement, pursuant to which Mr. Tsang would invest in Starthigh by (a) Marvel Leader conditionally agreeing to sell, and Mr. Tsang conditionally agreeing to purchase, or procure the purchase of, the Sale Shares; and (b) Starthigh conditionally agreeing to issue and allot, and Mr. Tsang conditionally agreeing to subscribe, or procure the subscription of, the Subscription Shares, at a total consideration of HK\$717,600,000, of which HK\$93,600,000 (representing approximately 13.04%) is attributable to the Share Sale and HK\$624,000,000 (representing approximately 86.96%) attributable to the Subscription.

The purpose of this circular is to provide you with, among other things, (i) further details of the Investment Agreement including, in particular, the potential negative impacts and disadvantages of the transactions contemplated thereunder in the paragraph headed “3. Potential Negative Impacts and Disadvantages and Reasons for and benefits of the Share Sale and Subscription”; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders on the terms of the Investment Agreement and the transactions contemplated thereunder; (iii) letter of advice from Halcyon Capital containing its advice to the Independent Board Committee and the Independent Shareholders; (iv) a share valuation report; (v) a property valuation report; and (vi) a notice of the SGM.

LETTER FROM THE BOARD

2. THE INVESTMENT AGREEMENT

2.1 Date

7 April 2014

2.2 Parties

- | | | |
|-------|--|---------------|
| (i) | Vendor of the Sale Shares: | Marvel Leader |
| (ii) | Issuer of the Subscription Shares: | Starhigh |
| (iii) | Purchaser of the Sale Shares and
subscriber of the Subscription Shares: | Mr. Tsang |

If Mr. Tsang is to nominate Mr. Tsang's Nominee as purchaser of the Sale Shares and subscriber of the Subscription Shares, he shall notify Marvel Leader and Starhigh in writing of the nomination prior to the SP Completion Date or the First Subscription Completion Date, whichever is the earlier, and such nomination shall be irrevocable in respect of both the Share Sale and the Subscription once notified without the written consent of Marvel Leader and Starhigh.

2.3 Sale and Purchase of the Sale Shares

Subject to the fulfilment (or waiver) of the Conditions Precedent, on the SP Completion, Marvel Leader shall sell as the legal and beneficial owner, and Mr. Tsang shall purchase or procure the purchase by Mr. Tsang's Nominee of, 240 Starhigh Shares free from encumbrances and together with all rights at the SP Completion and thereafter attaching thereto subject to the restrictions set out in the Articles, the terms of the Shareholders' Deed and any arrangements which may be agreed between Marvel Leader, Mr. Tsang and any other Starhigh Shareholders from time to time.

The sale and purchase of all the Sale Shares shall be completed simultaneously.

The Sale Shares will represent 8% of the then total issued share capital of Starhigh upon the SP Completion, and will represent approximately 5.22% of the total issued share capital of Starhigh on a fully diluted basis upon the SP Completion and the Subscription Completion.

2.4 Subscription of the Subscription Shares

Subject to the fulfilment (or waiver) of the Conditions Precedent, Starhigh shall issue and allot, and Mr. Tsang shall subscribe, or procure the subscription by Mr. Tsang's Nominee of, the Subscription Shares as follows:

- (1) on the First Subscription Completion Date, not less than 800 Starhigh Shares; and
- (2) on the Second Subscription Completion Date, balance of the Subscription Shares not previously subscribed on the First Subscription Completion Date.

The SP Completion and the Subscription Completion are not inter-conditional on the occurrence of each other.

The Subscription Shares shall be issued and allotted by Starhigh as fully paid and free from all encumbrances.

LETTER FROM THE BOARD

Upon the Subscription Completion, the issued share capital of Starhigh will increase from US\$3,000 (equivalent to approximately HK\$23,280) to US\$4,600 (equivalent to approximately HK\$35,696) by the issue and allotment of the Subscription Shares. Taking into account the SP Completion, the Subscription Shares will represent approximately 34.78% of the total issued share capital of Starhigh on a fully diluted basis. Upon the SP Completion and the Subscription Completion, Starhigh will be owned as to 60% by Marvel Leader and as to 40% directly or indirectly by Mr. Tsang.

2.5 Consideration for the Sale Shares and for the Subscription Shares

Consideration for the Sale Shares

The consideration for the Sale Shares shall be at the rate of HK\$390,000 per Sale Share and the total consideration for the Sale Shares shall be HK\$93,600,000, which shall be payable by Mr. Tsang to Marvel Leader in cash on the SP Completion Date.

Consideration for the Subscription Shares

The consideration for the Subscription Shares shall be at the rate of HK\$390,000 per Subscription Share and the total consideration for the Subscription Shares shall be HK\$624,000,000. On each Subscription Completion Date, the consideration for the Subscription Shares to be subscribed, being the consideration per Subscription Share multiplied by the number of Subscription Shares to be subscribed on such Subscription Completion Date, shall be payable by Mr. Tsang to Starhigh in cash.

Basis of determination of the consideration

The respective consideration for the Sale Shares and for the Subscription Shares was determined following arm's length negotiations on normal commercial terms between the parties to the Investment Agreement and represents approximately 11% premium to the market value per Starhigh Share of HK\$349,870 as at 31 December 2013 ("**Share Valuation**") as determined by GCAL after taking into account, among other factors, the arrangement regarding Marvel Leader's sole entitlement and right to receive a cumulative amount of a distribution of RMB2.55 billion (equivalent to approximately HK\$3.24 billion) by Starhigh prior to any pro-rata distribution between Marvel Leader and Mr. Tsang pursuant to the proposed terms of the Shareholders' Deed ("**Sole Distribution Entitlement**"). The amount of the Sole Distribution Entitlement was also determined following arm's length negotiations on normal commercial terms between the parties to the Investment Agreement, having regard to, among other things, the undistributed retained earnings of CQZY Group as at 31 December 2013 amounting to approximately RMB2.29 billion (equivalent to approximately HK\$2.91 billion). Having taken into account that the Group's financial resources will mostly be deployed for its development projects and investment in the PRC and the costs of repatriation of funds from and to the PRC comprising the immediate payment of PRC withholding tax upon distribution of dividends at a tax rate of 10% and potential exchange losses on remittance of such funds back to the PRC for its projects and investment, it is not currently intended by the Group to distribute the Sole Distribution Entitlement or any part thereof prior to the SP Completion or the Subscription Completion. With the Group's interest in and entitlement to the Sole Distribution Entitlement being safeguarded under the Shareholders' Deed, the Group may arrange for distribution of the Sole Distribution Entitlement or any part thereof at any time. Further, in view of the Group's funding requirements in terms of its mode of operations where working capital will be used in or reinvested in the property business conducted in the PRC, the Shareholders' Deed has proposed provisions allowing the Group to make use of the undistributed funds by allowing CQZY at the request of Marvel Leader to lend any part of the undistributed funds sufficient for the Sole Distribution Entitlement to any companies of the Group other than the Starhigh Group. The Directors therefore consider it not in the interests of the Group to make the arrangement a Condition Precedent to the SP Completion and/or the Subscription Completion in terms of cash flow management and taking into consideration the costs of repatriation of funds. The Directors will determine distribution of the Sole Distribution Entitlement when it is deemed necessary in the

LETTER FROM THE BOARD

best interests of the Group in terms of cash flow management and costs of repatriation of funds. The Directors consider that the respective consideration for the Sale Shares and for the Subscription Shares is fair and reasonable.

Valuation Approach adopted for Share Valuation

In assessing the Share Valuation, GCAL adopted the cost approach by measuring the net asset value of Starthigh with appropriate adjustments and made various assumptions as follows:

- (i) no material changes in the existing political, legal, fiscal, foreign trade and economic conditions in the PRC;
- (ii) no significant deviations in the industry trends and market conditions from the current market expectation;
- (iii) no material change in interest rates or foreign currency exchange rates from those currently prevailing;
- (iv) no major change in the current taxation law in Hong Kong, the PRC and countries of origin of the comparable companies;
- (v) all relevant legal approvals, business certificates or licenses for the normal course of operation formally obtained, in good standing and no additional costs or fees needed to procure such during the application; and
- (vi) Starthigh retaining competent management, key personnel, and technical staff to support the ongoing business operations.

Under this approach, the Share Valuation was derived as follows:

	<i>HK\$'000</i>
Unaudited net asset value of Starthigh Group as at 31 December 2013	7,133,529
Adjustment on revaluation of the properties	4,797,342
Adjustment on deferred tax liabilities arising from revaluation of properties	<u>(4,111,349)</u>
Adjusted unaudited net asset value of Starthigh Group as at 31 December 2013	7,819,522
Less: Non-controlling interest of CQZY Group	<u>(153,586)</u>
Adjusted unaudited net asset value of Starthigh Group as at 31 December 2013 attributable to equity holders of Starthigh	7,665,936
Adjustment on discount for lack of control (20%)	<u>(1,533,187)</u>
	6,132,749
Adjustment on discount for lack of marketability (30%)	<u>(1,839,825)</u>
Market value of Starthigh Group cum-dividend	4,292,924
Deduction on Marvel Leader's Sole Distribution Entitlement to RMB2.55 billion (equivalent to approximately HK\$3.24 billion) pursuant to the Shareholders' Deed	<u>(3,243,326)</u>
Market value of Starthigh Group ex-dividend	<u><u>1,049,598</u></u>
	3,000
Number of issued Starthigh Shares	<u><u>Starthigh Shares</u></u>
Market value of each Starthigh Share ex-dividend	<u><u>349.87</u></u>

LETTER FROM THE BOARD

As stated in the share valuation report disclosed in Appendix I of this circular (“**Share Valuation Report**”), GCAL has assessed the market value of the properties of CQZY Group as at 31 December 2013 and adjusted the unaudited net asset value of Starhigh Group as at 31 December 2013 for (i) the revaluation surplus being the difference between the market value and the carrying values of the properties of CQZY Group; (ii) deferred tax liabilities arising from revaluation of properties; (iii) discount for lack of control (“**DLOC**”) as Mr. Tsang will own a minority and non-controlling stake of 40% direct or indirect interest in Starhigh and the Company will continue to have control of the Starhigh Board upon the SP Completion and the Subscription Completion; (iv) discount for lack of marketability (“**DLOM**”) to reflect the reduced level of marketability of a minority and non-controlling interest; and (v) the Sole Distribution Entitlement.

With respect to DLOC, GCAL has determined a control premium of 25% and applied a DLOC of 20% to the unaudited adjusted net asset value of Starhigh Group as Mr. Tsang will own a minority and non-controlling stake of 40% direct or indirect interest in Starhigh and the Company will continue to have control of the Starhigh Board upon the SP Completion and the Subscription Completion. DLOC is the inverse of control premium which is defined as the amount of premium that a buyer is willing to pay over the current market price of a company for a controlling interest in that company, and is derived from control premium as follows:

$$\text{DLOC} = 1 - (1 / (1 + \text{control premium}))$$

According to GCAL, as there is currently no available empirical study on control premiums specifically conducted for companies in Hong Kong or the PRC, control premium is determined by GCAL by reference first to the “Control Premium Study 3rd Quarter 2013” (the “**Control Premium Study**”) which is a commonly and widely used database of control premiums published by Factset Mergerstat, LLC (“**Mergerstat**”) on a regular basis. GCAL has also conducted further research based on Bloomberg database in their determination and considered the relevant facts and circumstances of the Starhigh Group in order to determine an appropriate control premium, and thus the DLOC, for the present case. The methodology adopted is commonly recognized and standard method in valuation. Their research based on Bloomberg was conducted by reference to the following selection criteria which GCAL considers are comparable to the relevant particulars of the Starhigh Group:

1. Type of transaction: 50.01% or more of a company was acquired
2. Transaction status: completed
3. Target’s sector: real estate
4. Target’s sub-sector: property development
5. Business location: Asia Pacific
6. Net asset value: between HKD4 billion to HKD10 billion
7. Period: 1 January 2011 to 31 December 2013

LETTER FROM THE BOARD

Based on the Bloomberg database and given the selection criteria set out above, there are 4 comparable transactions as shown in the following table identified by GCAL on a best effort and unbiased basis and to the best of their knowledge, these sample transactions are full and exhaustive.

No.	Property Location	Acquisition Target	Completion Date	Control Premium	Market Capitalisation (HK\$ Million)	NAV (HK\$ Million)
1	Malaysia	Bandar Raya Development Bhd.	29 October 2012	20.43%	3,678.80	4,535.50
2	Malaysia	Sunway City Bhd.	23 August 2011	24.53%	2,589.39	7,514.70
3	Hong Kong	CSI Properties Limited.	23 February 2012	27.15%	2,181.77	5,516.70
4	China	SPG Land (Holdings) Limited	27 August 2013	28.25%	3,970.60	5,700.20
			Average	25.09%		

According to GCAL, the control premium is derived by Bloomberg by comparing the purchase price of the target company's common stock to the average 20-day stock price of the target company's common stock before the transaction announcement and is calculated as follows:

$$\text{Control premium} = (\text{Purchase price} - \text{Average 20-day stock price}) / \text{Average 20-day stock price}$$

According to GCAL, each of the 4 comparables identified above is a fair and representative sample in terms of their business activity of property development, net asset value within a reasonable range of from approximately HK\$4,536 million to HK\$7,515 million comparing to the unaudited adjusted net asset value of Starthigh Group of HK\$7,666 million). GCAL pointed out that only one of the 4 comparables has the same property location as the Starthigh Group with a control premium of approximately 28.3%. However, GCAL opined that the basis of determination of control premium would be too narrow if it was solely based on one single transaction which has the same property location as the Starthigh Group, without taking into account all other transactions which are also fair and representative samples compared to the Starthigh Group in terms of net asset value and business sector. In conclusion, GCAL opined that its determination of the control premium should be based on these 4 comparables and applied a control premium of 25% being the average control premium of these 4 comparable transactions. The DLOC is thus 20% as calculated below:

$$\text{DLOC} = 1 - (1 / (1 + \text{control premium})) = 1 - (1 / (1 + 25\%)) = 20\%$$

Having considered the basis of determination of the DLOC in the Share Valuation Report and taking into account the relevant facts and circumstances of the Starthigh Group and having reviewed the basis of the analysis performed by GCAL, the Directors consider that GCAL has provided sufficient information on the basis and assumptions of their determination of the DLOC, each of the sample transactions identified is a fair and representative sample compared with the Starthigh Group in terms of net asset value and business sector, the methodology adopted is commonly recognized and standard method in determining DLOC, the basis and assumptions adopted are fair and reasonable, and the determination based on all 4 comparable transactions is fair and reasonable. The Directors are therefore of the view that the DLOC determined by GCAL is fair and reasonable.

With respect to DLOM, GCAL has determined to apply a DLOM of 30% to the unaudited adjusted net asset value of Starthigh Group in order to reflect the lack of marketability of Starthigh Shares. In selecting an appropriate DLOM, GCAL has as a starting point referred to the studies on restricted stock transactions and pre-IPO transactions for a general range of DLOM for this transaction, and used the put option methodology in valuation to estimate the appropriate DLOM for the present case. According to GCAL, the methodology adopted is commonly recognized and

LETTER FROM THE BOARD

standard method in determining DLOM. As the transaction contemplated under the Investment Agreement is similar to a restricted stock transaction rather than a pre-IPO transaction, GCAL opined that the range of DLOM for non-controlling ownership for this transaction should be in general about 30% to 40%, being the average DLOM based on the restricted stock studies, and companies with a larger scale would normally be valued at a lower DLOM. Based on the put option methodology and the assumptions as stated in the Share Valuation Report, GCAL estimated that the DLOM is around 34% for a restriction period of 5 years. Although there are restrictions on the transfer of and other dealings in Starhigh Shares by Mr. Tsang for a period of 10 years as set out in the sub-paragraph (6) of the paragraph headed “2.7 Proposed material terms of the Shareholders’ Deed” below, the Directors are of the view that it is fair and reasonable for GCAL to assume a 5-year restriction period for present purposes, being the mid-point of the 10 years’ restriction period, in assessing the DLOM under put option methodology for reasons as stated in the Share Valuation Report including the reason to secure Mr. Tsang’s long-term commitment to CQZY Group and the Group for entering into the transaction. We have been advised by GCAL that it is a common and standard practice in valuation to refer to other comparable public companies’ volatility in estimating the volatility of a share of a private company when using the put option methodology since a closely held company’s share does not trade, and thus there will not be any data of the volatility of the share of a private company available for analysis. In using the put option method, we understand that GCAL is not suggesting that the terms of the Investment Agreement in respect of the Starhigh Shares resemble a put option with a fixed strike price in any way. Rather, as GCAL has explained it, the put option model is used to measure the value of an hypothetical put option in a scenario where there are two identical securities with the only difference between them being that one is marketable with a freely traded price (instead of a fixed strike price) and the other is non-marketable but provided with a put option to sell it back also at its freely traded price (same as the marketable security) at the end of the expected restriction period, such that the value of the put option will be equal to the DLOM. As also explained by GCAL, this method is relevant to the present case as it does not only provide a general and common methodology in determining DLOM, but also takes into account the length of the required holding period (or restrictions on transfer) and its effect on the magnitude of the DLOM providing a more case-specific analysis. GCAL has further taken into account all other relevant facts and circumstances including the nature and the size of the business of Starhigh Group in concluding the appropriate DLOM for this transaction. As the Starhigh Group is engaging in property development, the majority of its assets are tangible in nature which makes it easier to be evaluated. Furthermore, as Starhigh is comparatively large in scale, a lower DLOM should be adopted. Based on GCAL’s analysis, it was considered that the appropriate DLOM would be 30%. The Directors are of the view that, having considered the basis of determination of the DLOM in the Share Valuation Report and taking into account the relevant facts and circumstances of the Starhigh Group and having reviewed the basis of the analysis performed by GCAL, GCAL has provided sufficient information on the basis and assumptions of their determination of the DLOM, the methodology adopted is commonly recognized and standard method in determining DLOM and relevant to the present case and the basis and assumptions adopted for the put option methodology are fair and reasonable. The Directors are therefore of the view that the DLOM determined by GCAL is fair and reasonable.

Having reviewed the valuation approach including the basis and methods adopted being commonly recognized standard, the sample transactions being fair and representative and the assumptions made being fair and reasonable, the Directors consider that the Share Valuation prepared by GCAL is fair and reasonable.

Please refer to Appendix I – Share Valuation Report for the details of the Share Valuation prepared by GCAL.

LETTER FROM THE BOARD

2.6 Conditions Precedent

Both the SP Completion and the Subscription Completion are subject to and conditional upon the fulfilment (or waiver, as the case may be) of the following conditions precedent on or prior to the SP Completion Date or the relevant Subscription Completion Date (as the case may be):

- (1) if it is required under the Listing Rules or otherwise by the Stock Exchange, the Company having obtained all necessary approval of its Independent Shareholders in general meeting by way of an ordinary resolution approving the Investment Agreement and the transactions contemplated thereunder, and all other necessary approvals or waivers (where applicable);
- (2) the board of directors of Marvel Leader (in respect of the SP Completion only) and the Starhigh Board (in respect of the Subscription Completion only) having approved the Investment Agreement and the transactions contemplated thereunder;
- (3) all consents and approvals of, or waivers from any bank or financial institution which is a creditor of the Company or any members of the Starhigh Group for the consummation of the transactions contemplated under the Investment Agreement and the Shareholders' Deed having been obtained or effected and remained effective, and where any such consents, approvals or waivers are subject to any condition, such condition being acceptable to Marvel Leader (in respect of the SP Completion only) or Starhigh (in respect of the Subscription Completion only) in their respective absolute discretion;
- (4) all consents and approvals of, notices to and filings or registrations with or waivers from any governmental or regulatory authority (including but not limited to the Stock Exchange and the Securities and Futures Commission in Hong Kong) for the consummation of the transactions contemplated under the Investment Agreement and the Shareholders' Deed having been obtained or effected and remained effective;
- (5) Mr. Tsang having delivered to each of Marvel Leader (in respect of the SP Completion only) and Starhigh (in respect of the Subscription Completion only) evidence to the satisfaction of each of Marvel Leader (in respect of the SP Completion only) and Starhigh (in respect of the Subscription Completion only) respectively that financial resources are available to Mr. Tsang sufficient to settle the consideration for the Sale Shares and for the Subscription Shares, respectively;
- (6) Mr. Tsang having performed and complied in all respects with all of his agreements and obligations contained in the Investment Agreement or other documents to which he is a party that are required to be performed or complied with by him on or before the SP Completion Date or the relevant Subscription Completion Date (as the case may be); and
- (7) the warranties given by Mr. Tsang remaining true and correct in all respects on the SP Completion Date or the relevant Subscription Completion Date (as the case may be).

Other than the Condition Precedent set out in sub-paragraph (1) above, Marvel Leader may waive all or any of the Conditions Precedent in respect of the SP Completion, and Starhigh may waive all or any of the Conditions Precedent in respect of the Subscription Completion, at any time on such terms as Marvel Leader or Starhigh (as the case may be) may decide. None of the other Conditions Precedent had been waived as at the Latest Practicable Date.

LETTER FROM THE BOARD

If any Condition Precedent has not been fulfilled (or has not been previously waived) by 5:30 p.m. on the Long Stop Date, Marvel Leader or Starhigh (as the case may be) may notify Mr. Tsang, at their respective option, without prejudice to their respective rights thereunder and under applicable law, amongst other things, to terminate the Investment Agreement, in which case, all rights and obligations of the parties shall cease immediately, and no party shall have any right or claim against or liabilities or obligations to the other party. The Long Stop Date not only serves to provide flexibility for fulfilment of the Conditions Precedent but also sets a definitive end date of the entire transactions contemplated under the Investment Agreement should any of the Conditions Precedent be not fulfilled or waived by then.

As at the Latest Practicable Date, it is not required to obtain any consents or approvals of, or waivers from any bank or financial institution which is a creditor of the Company or any member of Starhigh Group, or any consents or approvals of, notices to and filings or registrations with or waiver from any governmental or regulatory authority for the consummation of the transactions contemplated under the Investment Agreement and the Shareholders' Deed. As at the Latest Practicable Date, Mr. Tsang has already delivered to both Marvel Leader and Starhigh satisfactory evidence in the form of a letter issued by a finance company duly registered as a money lender in Hong Kong under the Money Lenders Ordinance (Cap. 163) and has been engaging in money lending business in good standing for more than 22 years, confirming that the finance company has committed to provide Mr. Tsang with a 5-year term loan facility for the sum of HK\$720 million for his due and punctual discharge and settlement of all his payment obligations under the Investment Agreement including, but not limited to, the consideration for the Sale Shares and the consideration for the Subscription Shares as and when they fall due and payable. Further, as at the Latest Practicable Date, Marvel Leader and Starhigh are not aware of, nor has any of them been informed by Mr. Tsang of, anything that will or may prevent Mr. Tsang from performing and complying with his agreements and obligations in the Investment Agreement and/or from maintaining the accuracy and correctness of the warranties given by him in the Investment Agreement.

Accordingly, save and except the Condition Precedent set out in sub-paragraph (1) above, all of the Conditions Precedent have been fulfilled as at the Latest Practicable Date. The parties to the Investment Agreement therefore have no intention to extend the SP Completion Date and/or the Subscription Completion Date. It is expected that the SP Completion and the Subscription Completion will take place, and thus the entire proceeds from the Share Sale and the Subscription will be received, within 12 months from the fulfilment of the last Condition Precedent. In light of the above, the Directors are of the view that the timeframe for the SP Completion Date, the Subscription Completion Date and the Long Stop Date are on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

Should the SP Completion Date, the Subscription Completion Date and/or the Long Stop Date be extended, the Company will re-comply with the Listing Rules as may be required.

2.7 Proposed material terms of the Shareholders' Deed

Pursuant to the Investment Agreement, Marvel Leader, Starhigh and Mr. Tsang have agreed, as a completion deliverable to the SP Completion or Subscription Completion (whichever is earlier), that Marvel Leader, Starhigh, Mr. Tsang (and where applicable Mr. Tsang's Nominee) shall enter into a shareholders' deed relating to the management and operation of Starhigh. The main features of the proposed material terms of the Shareholders' Deed (which are subject to finalisation among Marvel Leader, Starhigh and Mr. Tsang) are set out below:

- (1) subject to the provisions mentioned in sub-paragraph (2) below and other terms and conditions in the Shareholders' Deed, all profits legally permissible and available for distribution shall be distributed by way of dividend to the Starhigh Shareholders in proportion to their respective shareholdings in Starhigh at such time as the Starhigh Board may determine;

LETTER FROM THE BOARD

- (2) Mr. Tsang's Nominee agrees and undertakes that whenever Starhigh distributes any dividend to Starhigh Shareholders, Mr. Tsang's Nominee absolutely and irrevocably, among others, (a) assigns, and directs Starhigh to pay, to Marvel Leader all such dividend to which Mr. Tsang's Nominee is entitled, and (b) waives all of its entitlement and right to receive such dividend to which Mr. Tsang's Nominee is otherwise entitled, until the cumulative amount of the dividend so paid to Marvel Leader is equal to RMB2.55 billion (equivalent to approximately HK\$3.24 billion);
- (3) the Starhigh Shareholders shall agree to and procure the director(s) appointed by them to agree to CQZY, at the request of Marvel Leader, to lend such portion of all or any amount available for distribution by CQZY to Charm Best but not otherwise distributed, up to a cumulative amount which would have been sufficient for Starhigh to distribute the Sole Distribution Entitlement, had such amount been distributed by CQZY to Charm Best and by Cham Best to Starhigh, to any companies of the Group other than the Starhigh Group, on such terms and with or without security as Marvel Leader may determine from time to time;
- (4) the Starhigh Board initially comprises 4 directors all being appointed by Marvel Leader, and if and as long as its shareholdings reach or exceed 25% of the then entire issued share capital of Starhigh, Mr. Tsang's Nominee shall have the right to appoint Mr. Tsang as a director to the Starhigh Board. Any further appointment or removal of directors of Starhigh shall be determined by the Starhigh Board, save and except, if at any time Mr. Tsang beneficially holds less than 25% of the then entire issued share capital of Starhigh, Mr. Tsang shall be removed as a director of Starhigh immediately;
- (5) the Starhigh Board shall be responsible for the overall management of Starhigh Group, and may delegate its power, including daily operation of the business of Starhigh Group or such other matters relating to CQZY Group and any member of Starhigh Group, to Mr. Tsang or other committee or advisers for such period as the Starhigh Board may determine;
- (6) for a period of 10 years commencing from the date of the Shareholders' Deed, Mr. Tsang's Nominee shall not, without the prior written consent of Marvel Leader or except as specifically permitted by the Shareholders' Deed, directly or indirectly sell, transfer, assign, dispose of, pledge, mortgage or charge or give the whole or any part of its legal or beneficial interest in or otherwise grant any interest of any kind or create any encumbrance in the legal or beneficial interest in any of the Starhigh Shares or the certificates representing any of the Starhigh Shares now or in the future held by it, other than pursuant to a transfer in accordance with the terms set out in the Shareholders' Deed. If Mr. Tsang's Nominee proposes to sell, transfer or otherwise dispose of all or any portion of its Starhigh Shares, Mr. Tsang's Nominee shall give a transfer notice to Marvel Leader and Starhigh regarding its proposal to transfer Starhigh Shares and Marvel Leader shall have the pre-emptive right on the Starhigh Shares proposed to be transferred by Mr. Tsang's Nominee, subject to the terms set out in the Shareholders' Deed. Marvel Leader shall have the right to appoint an independent firm of certified public accountants, professional valuation firm or other consultancy firm rendering valuation services in Hong Kong as an expert for determining the fair market value of the Starhigh Shares proposed to be sold, transferred or otherwise disposed of by Mr. Tsang's Nominee as at the date of the transfer notice. In determining the fair market value of the Starhigh Shares, the said expert shall, to the extent practicable, apply a basis of valuation which is in line with the basis of valuation of the Starhigh Shares when determining the consideration of the Sale Shares and Subscription Shares for the purposes of the Investment Agreement, and may take into account all such factors and circumstances as shall seem to them relevant, including but not limited to the rights and benefits attached to such Starhigh Shares;

LETTER FROM THE BOARD

- (7) Mr. Tsang shall undertake with Starhigh Shareholders and Starhigh that during the term of the Shareholders' Deed:
- (a) if so designated by the Starhigh Board, he shall be responsible for the management of the day-to-day business and operations of CQZY Group, including the preparation of business plans and budget of CQZY Group;
 - (b) if so designated by the Starhigh Board, he shall be engaged by CQZY in the current positions he is holding in CQZY, and by Yunnan Zhong Yu in the current positions he is holding in Yunnan Zhong Yu, and such other engagements and for such period as the Starhigh Board may determine from time to time; and
 - (c) for so long as Mr. Tsang's Nominee holds any Starhigh Shares, Mr. Tsang shall not, and shall not procure to, without the prior written consent of Marvel Leader, directly or indirectly transfer, assign or otherwise create any encumbrance in any of the shares of Mr. Tsang's Nominee or the holding company of Mr. Tsang's Nominee (where applicable) or the certificates representing any of the shares of Mr. Tsang's Nominee or the holding company of Mr. Tsang's Nominee (where applicable) now or in the future held by him;
- (8) Mr. Tsang absolutely, irrevocably and unconditionally guarantees to Marvel Leader and Starhigh as primary obligor the full, due and punctual performance, satisfaction, payment, discharge and observance of all obligations, covenants and undertakings to be performed and/or discharged by Mr. Tsang's Nominee under or pursuant to the Shareholders' Deed (including but not limited to the provisions relating to the financing obligations of Starhigh Shareholders set out in sub-paragraph (10) below and the assignment and waiver of entitlement to dividend of Starhigh set out in sub-paragraph (2) above) and undertakes and agrees that he will forthwith perform, satisfy, pay, discharge and/or observe the obligations of Mr. Tsang's Nominee under the Shareholders' Deed on demand and will make good to and indemnify and keep indemnified Marvel Leader and Starhigh in respect of all losses, costs and expenses sustained by Marvel Leader and Starhigh by reason or in consequence of any default by Mr. Tsang's Nominee in respect of any such obligations of Mr. Tsang's Nominee under the Shareholders' Deed;
- (9) each of Mr. Tsang (for so long as he continues to be beneficially interested in any Starhigh Shares) and Mr. Tsang's Nominee (for so long as it continues to be legally and/or beneficially interested in any Starhigh Shares) undertakes and covenants to and for the benefit of the Marvel Leader and Starhigh, that he/it shall not directly or indirectly on his/its own account or on behalf of any other person and whether as principal, shareholder, partner, employee, agent or otherwise, and he/it will procure his/its associates, as applicable, not to, at any time during the term of the Shareholders' Deed and for a period of one year after the date of termination of the Shareholders' Deed or the date on which Mr. Tsang or Mr. Tsang's Nominee (as the case may be) ceases to be legally and/or beneficially interested in any Starhigh Shares, whichever is earlier, among others,
- (a) within all such territories in which CQZY Group conducts its business from time to time (including but not limited to Chongqing, the PRC), carry on or be concerned or interested or engaged in or acquire or hold any right or interest in (i) any business similar to or competing with the business carried on by Starhigh Group from time to time, (ii) the setting up, operation or management of any business similar to or competing with the business carried on by Starhigh Group from time to time; or (iii) provision of any services in relation to any business similar to or competing with the business carried on by Starhigh Group from time to time;

LETTER FROM THE BOARD

- (b) canvass or solicit any business carried on by Starhigh Group from time to time from any person who was at any time in the twelve-month period ending on the date in question a client or customer of Starhigh Group; or
 - (c) do any business carried on by Starhigh Group from time to time with any person who was at any time in the twelve-month period ending on the date in question a client or customer of Starhigh Group;
- (10) the working capital needs of Starhigh shall firstly be provided by Starhigh's share capital and reserves and secondly from outside borrowings as the Starhigh Board shall determine from time to time. If further working capital cannot be satisfied from Starhigh's share capital, reserves, outside borrowings and the Starhigh Board decides that such further working capital requirement shall be satisfied by loans from the Starhigh Shareholders, then the Starhigh Shareholders shall advance to Starhigh in proportion to their respective shareholdings in Starhigh at such time such sums as shall be specified by the Starhigh Board and on terms as the Starhigh Shareholders shall agree. If the Starhigh Board decides that such further working capital shall be funded by the Starhigh Shareholders by way of subscription of additional Starhigh Shares, then the Starhigh Shareholders shall subscribe such additional Starhigh Shares in proportion to their respective shareholdings in Starhigh at such time and on such terms as the Starhigh Board shall decide; and
- (11) (a) the occurrence of the following events to or in relation to Mr. Tsang and/or Mr. Tsang's Nominee shall constitute an event of default under the Shareholders' Deed:
- (i) Mr. Tsang and/or Mr. Tsang's Nominee shall commit a material breach or shall commit persistent material breaches of the Shareholders' Deed, the Investment Agreement or the Articles, which, if capable of remedy, has/have not been remedied within thirty days of the Starhigh Shareholders (other than Mr. Tsang and/or Mr. Tsang's Nominee) serving notice on Mr. Tsang and/or Mr. Tsang's Nominee;
 - (ii) Mr. Tsang and/or Mr. Tsang's Nominee shall be the subject of an Insolvency Event;
 - (iii) Mr. Tsang and/or Mr. Tsang's Nominee is convicted of any criminal offence involving fraud, dishonesty, corruption under the laws of Hong Kong, the PRC or any other jurisdictions or any other serious offences which in the opinion of the Starhigh Board would or would likely prevent Mr. Tsang and/or Mr. Tsang's Nominee from properly discharging his/its obligations under the Shareholders' Deed; or
 - (iv) there is a Change of Control of Mr. Tsang and/or Mr. Tsang's Nominee;
- (b) upon the occurrence of an event of default, without prejudice to any other rights or remedies available to Marvel Leader with respect of Mr. Tsang and/or Mr. Tsang's Nominee as the defaulting party(ies), Marvel Leader may serve a default notice requiring Mr. Tsang and/or Mr. Tsang's Nominee (as the case may be) not to exercise any of his/its right to attend and vote at general meetings of Starhigh; and Mr. Tsang/Mr. Tsang's Nominee would then be deemed to have served a transfer notice in respect of its Starhigh Shares, such that Marvel Leader shall have the pre-emptive right on the Starhigh Shares deemed to be transferred by Mr. Tsang/Mr. Tsang's Nominee, subject to the terms set out in the Shareholders' Deed. The purchase price for such Starhigh Shares shall first be determined by agreement between Mr. Tsang and/or Mr. Tsang's Nominee (on one part) and Marvel Leader (on the other part), failing which the purchase price for such Starhigh Shares shall be determined by an independent

LETTER FROM THE BOARD

firm of certified public accountants, professional valuation firm or other consultancy firm rendering valuation services in Hong Kong. The purchase price for such Starhigh Shares shall be determined on the date when the default notice was served and in the same manner as the fair market value of the Starhigh Shares is determined pursuant to sub-paragraph (6) above with a discount of 10%; and

- (c) upon completion of the said transfer of Starhigh Shares, the Shareholders' Deed shall be terminated as between the defaulting party and the non-defaulting party forthwith. Such termination of the Shareholders' Deed shall not affect or be construed or operate as a waiver of the right of Marvel Leader aggrieved by any breach of the Shareholders' Deed to be compensated for damages resulting therefrom which is incurred either before or after such termination. In addition, Marvel Leader may seek specific performance, interim or final injunctive relief or any other relief of similar nature or effect in any court of competent jurisdiction against Mr. Tsang and/or Mr. Tsang's Nominee as the defaulting party(ies).

The provision on delegation of the Starhigh Board's powers pursuant to sub-paragraph (5) above is intended by the parties to the Investment Agreement to provide the Starhigh Board with the necessary flexibility, including to put in place a strong local management core in Chongqing with appropriate abilities and track record, without inappropriately fettering the discretion of the Starhigh Board in the exercise of its powers in relation to its responsibility for the overall management of Starhigh Group. In addition to Mr. Tsang, the Starhigh Board may delegate its power to any committee as the Starhigh Board may designate consisting of one or more directors of Starhigh or any advisers whom the Starhigh Board may consider having such expertise and experience beneficial to the business of Starhigh Group or other matters of CQZY Group including any officers or agents the Starhigh Board may consider necessary or expedient to appoint from time to time. The powers which the Starhigh Board may delegate will mainly include the day-to-day business operation and management of CQZY Group, preparation of business plans and budgets, and such other duties and responsibilities as the Starhigh Board may consider appropriate to delegate from time to time. Given the serious challenges and important opportunities that face the Group in Chongqing and the long service, substantial expertise and experience of Mr. Tsang particularly in Chongqing as referred to in the paragraph headed "3. Potential Negative Impacts and Disadvantages and Reasons for and benefits of the Share Sale and Subscription" below, it is the current intention of the Starhigh Board to continue to delegate Mr. Tsang with the primary responsibility of supervising the day-to-day business operation and management of CQZY Group including appointing him to those positions he has been holding within CQZY Group. The Starhigh Board has no current intention to delegate any of its powers to such other committee or advisers in relation to the management of Starhigh Group.

Should Marvel Leader exercise such pre-emptive right on the Starhigh Shares proposed to be transferred by Mr. Tsang's Nominee pursuant to sub-paragraph (6) above or deemed to be transferred by Mr. Tsang/Mr. Tsang's Nominee pursuant to sub-paragraph (11)(b) above, the Company will re-comply with the Listing Rules as may be required.

Should an event of default set out under the Shareholders' Deed and as described under sub-paragraph (11)(a) above occur, Marvel Leader and/or Starhigh would strictly enforce all its/their rights under the Shareholders' Deed and available at law against Mr. Tsang and/or Mr. Tsang's Nominee to the fullest extent possible.

LETTER FROM THE BOARD

2.8 Completion of the Share Sale and Subscription

SP Completion

The SP Completion shall take place within 14 days after the fulfilment (or waiver, as the case may be) of the last Condition Precedent, or such other date as Marvel Leader and Mr. Tsang may agree in writing prior to the SP Completion.

Subscription Completion

The First Subscription Completion and the Second Subscription Completion shall take place within 6 months and 12 months respectively after the fulfilment (or waiver, as the case may be) of the last Condition Precedent, or such other date as Starhigh and Mr. Tsang may agree in writing prior to the First Subscription Completion or the Second Subscription Completion (as the case may be).

3. POTENTIAL NEGATIVE IMPACTS AND DISADVANTAGES AND REASONS FOR AND BENEFITS OF THE SHARE SALE AND SUBSCRIPTION

Potential negative impacts and Disadvantages

As for other transactions, the Investment Agreement is not without any potential negative impacts or disadvantages.

As mentioned in the paragraph headed “4. Financial Effect on the Share Sale and Subscription and Use of Proceeds” below, the equity interest of the Company (through Marvel Leader) in Starhigh Group will be diluted from 100% to 60% upon the SP Completion and the Subscription Completion. This dilution will give rise to a reduction of an aggregate amount of approximately HK\$1,044.7 million in the Group’s owners’ equity or HK\$0.40 per Share based on 2,588,223,112 Shares in issue as at the Latest Practicable Date. The Directors are of the view that, the Group’s financial commitments to CQZY Group will be lowered in proportion to the dilution of the Company’s equity interest in Starhigh Group as Mr. Tsang will have to share in proportion with the other Starhigh Shareholders the rights (except for Marvel Leader’s rights on the Sole Distribution Entitlement) and obligations of CQZY Group (in terms of sharing of its assets, liabilities, financial commitments and results including any of its losses), in that any capital injection to CQZY which may be required from Starhigh Shareholders after the SP Completion and the Subscription Completion will be borne by them in proportion to their respective shareholdings in Starhigh.

Notwithstanding the proposed introduction of Mr. Tsang as a shareholder to Starhigh, funding to CQZY Group’s operating cash outflows will be unchanged in accordance with its current proposed financing plan and there is currently no concrete plan of any further capital injection to CQZY by Starhigh Shareholders despite various projects being still under construction or at the planning stage. As mentioned below, the operating cash outflows of CQZY Group will be financed mainly by the proceeds from pre-sale of properties. As for any other company, further capital injection from Starhigh Shareholders will not normally be required unless CQZY Group cannot generate sufficient positive cash flow from its business to maintain its operations, and if required any further capital injection shall be provided by Starhigh Shareholders in proportion to their respective shareholdings. Accordingly, unlike the case where only some but not all shareholders shall be required to make further capital injection or where some shareholders shall be required to inject capital in excess of their proportional shareholdings without any adequate compensatory arrangements, the Directors do not consider it unreasonable or unfair that the current proposed financing plan of CQZY relies mainly on the proceeds from pre-sale of properties and does not require not just Mr. Tsang but also Marvel Leader to inject further capital to finance CQZY Group’s operating cash outflows right after Mr. Tsang has become a Starhigh Shareholder. However, there is no assurance that the progress of pre-sale of properties would not turn out to be slower than currently projected, particularly in view of the recent growing uncertainty over the PRC’s property market, such that additional capital would be required from Starhigh Shareholders. In this connection, the Shareholders’

LETTER FROM THE BOARD

Deed has proposed provisions requiring Starhigh Shareholders to meet further future working capital requirement of CQZY by way of shareholders' loans and/or subscription for additional Starhigh Shares in proportion to their respective shareholdings. The aggregate proceeds of HK\$624 million to be received from the Subscription might appear immaterial when compared with the total operating cash outflows for 2014 to 2016 amounting to approximately RMB9.1 billion (equivalent to approximately HK\$11.6 billion). However, such proceeds could well serve as a cash buffer to immediately meet any temporary working capital shortfall of CQZY Group so as to avoid having any adverse impact on its development pace. Although the Directors consider that there would not be any material change to the availability of banking facilities to CQZY (on a standalone basis or otherwise) after the SP Completion and the Subscription Completion, there is no assurance that bank loans would be available to CQZY as and when required or, if available, would be on terms acceptable to CQZY. In such case, it is important that the aggregate proceeds of HK\$624 million to be received from the Subscription can serve as a cash buffer. Despite the fact that the aggregate proceeds of HK\$717.6 million from the Share Sale and the Subscription would represent approximately 5.4% of the total cash outflows of RMB10,440 million (equivalent to approximately HK\$13,280 million) for 2014 to 2016 for CQZY Group, Mr. Tsang will as mentioned above share in proportion with the other Starhigh Shareholders the rights (except for Marvel Leader's rights on the Sole Distribution Entitlement) and obligations of CQZY Group (in terms of assets, liabilities, financial commitments and results including any losses) based on their respective shareholdings in Starhigh. The Directors do not consider it inappropriate for any profit to be shared between shareholders in proportion to their respective shareholdings rather than by reference to the amount of the consideration paid for their shareholdings compared with the total cash outflows, bearing in mind that any further capital injection shall be made proportionally by Starhigh Shareholders. It is equally not considered inappropriate if Mr. Tsang has to share any losses of Starhigh with Marvel Leader in proportion to their respective shareholdings instead of by reference to the 5.4% only. Although there is currently no concrete plan of any further capital injection to CQZY, all Starhigh Shareholders (including Mr. Tsang) shall provide further capital as and when the Starhigh Board may from time to time consider necessary to satisfy any working capital requirements of Starhigh not otherwise satisfied. In this connection, the Directors have considered not only Mr. Tsang's financial resources to settle the consideration under the Investment Agreement, but also his ability to inject capital if required. As mentioned in the paragraph headed "2.6 Conditions Precedent" above, given that Mr. Tsang has already provided satisfactory evidence of his financial resources in accordance with the Investment Agreement, and based on the Group's long-term dealing with him, the Directors believe that Mr. Tsang would be able to fulfill his obligations should any further capital injection to CQZY Group be required from Starhigh Shareholders. Nevertheless, given the above and in view of the substantial amount of CQZY Group's projected operating cash outflows, there is no assurance that Mr. Tsang could definitely inject sufficient capital to meet any capital shortfall of CQZY Group as and when required. As mentioned in the paragraph headed "2.7 Proposed material terms of the Shareholders' Deed" above, should Mr. Tsang be in default of his capital contribution obligations constituting an event of default set out under the Shareholders' Deed, the Company shall strictly enforce all its rights under the Shareholders' Deed and available at law against Mr. Tsang and/or Mr. Tsang's Nominee to the fullest extent possible, including but not limited to, serving a default notice requiring Mr. Tsang and/or Mr. Tsang's Nominee (as the case may be) not to exercise any of his/its right to attend and vote at general meetings of Starhigh and exercising its pre-emptive right on the Starhigh Shares thereby deemed to be transferred by Mr. Tsang/Mr. Tsang's Nominee as the Company may consider appropriate. In particular, if further working capital shall be funded by way of subscription for additional shares and Mr. Tsang and/or Mr. Tsang's Nominee fails to subscribe for his/its due portion of additional shares, the Company shall have the right to additionally subscribe for all or part of such unsubscribed shares, which will have the effect of diluting Mr. Tsang and/or Mr. Tsang's Nominee's equity interest in Starhigh. In the circumstances, the Directors are of the view that all relevant factors including without limitation CQZY Group's capital requirements, fairness and reasonableness of capital contribution and sharing of profit and loss, Mr. Tsang's financial resources, other potential negative impacts and disadvantages and the reasons and benefits for introducing Mr. Tsang as a shareholder to Starhigh have been taken into account. Further, the proposed terms of the Shareholders' Deed will provide Marvel Leader with sufficient remedies in case of any default by Mr. Tsang in fulfilling any of his capital contribution obligations. As further explained below, the Directors consider that the benefits of introducing Mr. Tsang as a shareholder to Starhigh outweigh the potential negative impacts and disadvantages.

LETTER FROM THE BOARD

Reasons and Benefits

The continuing strengthening of the PRC government's measures to deflate the residential property market in the PRC, the increase in finance cost and land cost in the PRC, and the recent changes in the property market in Chongqing, in particular the taking off of the commercial property market and a slowing residential property market, all present serious challenges as well as important opportunities to the Group. In the past decade, the Group's property operations involved predominantly the development and sale of residential property, in which it achieved outstanding results. Following from the recent zoning of the Jiazhou area of the Yubei District, Central Chongqing (the "**Jiazhou Zone**") as a Core Commercial Zone (主城核心商圈) of the Yubei District, Chongqing, the Group is currently fast tracking its property development and investment in Chongqing to build up in the city a portfolio comprising a significant portion of investment properties. With the change in development objectives, the Directors consider that the Group will need to diversify its operations and fine-tune its business strategies which include allocation of additional financial and human resources in the development of high-end commercial property, in tenancy procurement, and in estate management. In view of this new development, the Group responded by reviewing and, if necessary and appropriate, fine-tuning the portfolio of properties held by CQZY Group in other districts of Chongqing in order that more resources of CQZY Group could be pooled together to facilitate and expedite the development of CQZY Group's properties in the Jiazhou Zone, and to enable CQZY Group to build up a substantial portfolio of investment properties in this zone (as against properties held for sale which currently make up the bulk of CQZY Group's portfolio).

Mr. Tsang has been serving the Group for a substantial period of time, being directly in charge of the Group's property development and sales of CQZY. With various professional teams and the management directly led by Mr. Tsang, CQZY was one of the pioneers in large scale high-rise property development in Chongqing during the time when Chongqing was accorded the status of a Direct Administration City (直轄市). Since then in his personal capacity Mr. Tsang contributed to the development of commerce and the property development industry in Chongqing by serving, among other things, as vice-president of the Chongqing Real Estate Association (重慶市房地產業協會) and the Chongqing Overseas Chinese Chamber of Commerce (重慶市僑商會). Over the past few years, CQZY Group has established a track record of continuous growth, with both its revenue and profits now accounting for a substantial part of the Group's overall revenue and profits. More recently, with his deep knowledge, expertise and vast experience in the PRC real estate development industry and local connections, Mr. Tsang has successfully procured a high-end operator of a chain of department stores in Taiwan to enter into a pre-leasing agreement with CQZY to lease a gross floor area of approximately 250,000 sqm of commercial space currently under development by CQZY in the Jiazhou Zone for operating a large-scale and high-end shopping and entertainment centre which will be one of the largest and the most high-end shopping and entertainment centres in Western China. As further explained in the paragraph headed "6. Information on Marvel Leader and Starhigh Group" below, the operating cash outflows of CQZY Group will be financed mainly by the proceeds from pre-sale of properties. Accordingly, the Directors are of the view that, given that various projects of CQZY Group are still under construction or at the planning stage, success in the development, sale and completion of projects on schedule are of the utmost importance to CQZY Group, particularly in view of the Group's initiative in investment properties, and believe that Mr. Tsang, with his track record of attaining the Group's targets, is the most appropriate person to be continuously entrusted with those responsibilities following the change in the development objectives of the Jiazhou Zone.

As disclosed by the Company in its 2013 annual report, the Company has always adopted a prudent and cautious investment strategy and will from time to time consider any investment and/or cooperation opportunities that may further improve its equity structure and cash flow and enhance returns from its projects in order to accelerate further growth of the Group as a whole. Negotiations with potential parties for the disposal of and/or seeking partners to jointly invest and/or develop with respect to the Group's projects are frequently ongoing. For this reason and in view of the substantial capital expenditure to be incurred by the Group for the development of a significant portfolio of investment properties and to retain the choicest land lots in the Group's land bank for development, the Company has been considering various options to achieve a higher level of liquidity and to lower the Group's financial commitments, particularly those pertaining to CQZY Group, as part of the Company's process of ongoing review of the Group's business activities in line with its prudent and cautious investment strategy.

LETTER FROM THE BOARD

The Group's business model of partnering with local entrepreneurs in other business ventures such as Verakin Property Group and Guojia Cheer Gain Group has proved successful in that not only their businesses have seen continuous growth over the past few years, but also the long-term commitment of the local partners to the development of the Group can be better secured which is in the interests of the Group. Under this model, the Company has successfully turned potential competitors into business partners and in the process has benefited from their entrepreneurship input and networking effect. With the competitive edge gained from this business model, the Group ranked 5th and 4th in years 2012 and 2013 respectively in terms of sales revenue in Chongqing (on a single company basis, CQZY ranked 9th and 11th respectively). Using the same business model, the Directors are of the view that the proposed introduction of Mr. Tsang as an investor to Starthigh will not only confer a strategic advantage to the Group by aligning the long-term interests of Mr. Tsang with that of the Group and securing his long-term commitment to the development of CQZY Group in the future, but will also facilitate the steady operation of CQZY Group by preserving its development pace and strategy which is therefore in the interests of the Company and Shareholders.

Notwithstanding that Mr. Tsang has been serving the Group for a substantial period of time, there is no assurance that Mr. Tsang would continue to serve the Company and to contribute to the success of the Group as part of the management of the Group. The Directors consider that, as success in the development, sale and completion of projects on schedule are of the utmost importance to CQZY Group as mentioned above, Mr. Tsang's long-term commitment to the Group, and particularly to CQZY Group, is vital, Mr. Tsang will as an equity holder in CQZY, bear the opportunities and challenges facing CQZY at the stakeholder level upon completion of the Share Sale and Subscription. With Mr. Tsang being introduced as an investor and a shareholder of Starthigh with a shareholding of 40%, the Directors consider that the Company will be able to better align the long-term interest of Mr. Tsang with that of the Group and secure his long-term commitment to CQZY Group and the Group, Mr. Tsang will also have to contribute to the financial commitment of CQZY Group in proportion to his shareholding in Starthigh pursuant to the Shareholders' Deed.

The Directors further consider that, as part of the Group's process of ongoing review of the Group's business activities and planning, Mr. Tsang's participation in the Investment Agreement is an important part of the Group's strategic plans for the Group's continuing development in the face of the challenges and opportunities now presented to the Group. The adherence to the business model of partnering with local entrepreneurs, the fine-tuning of the portfolio of properties held by CQZY so as to facilitate and expedite the development of CQZY Group's properties in the Jiazhou Zone, and the adoption of a prudent and cautious investment strategy will be the strategic plans for the Group's continuing development as far as the Chongqing market is concerned. As a safeguard that the Group maintains its competitive edge and succeeds in its strategic plans, the Group will cautiously monitor the Chongqing property market, particularly the strategies of its competitors, and react proactively taking advantage of the combined experience and network available to the Group under its business model of partnering with local entrepreneurs and if possible avoiding excessive competition. The change of role of Mr. Tsang to that of an investment partner is part of the Group's strategic plans, with Mr. Tsang being willing and capable of taking up the role, and his commitment to do so as signified by execution of the Investment Agreement. In addition to the proven performance records of Mr. Tsang and his position in the property development industry in Chongqing as stated above, Mr. Tsang has been accorded, among other honours, the honour for Excellence in Entrepreneurship (優秀企業家) jointly by various federations in the building industry in Chongqing including the Chongqing Federation for the Construction Industry (重慶市建築業協會) and the Chongqing Real Estate Association (重慶市房地產業協會), and has been cited as one of the top 10 entrepreneurs in the Chongqing real estate industry, which are clear indicators of his entrepreneurial qualities and personal influences. The Directors are aware that it may seem exceptional for an executive member of a business concern to take up the role of an equity holder, but the proposed change will strengthen the competitiveness of the Group in various aspects as mentioned above, and is therefore in the interests of the Company and Shareholders as a whole. As in the past, the Company will continue to review and adjust its planning and consider any business opportunities that may be presented to the Company from time to time which are in the interests of the Company and Shareholders as a whole.

LETTER FROM THE BOARD

The Directors have not considered it necessary to consider introducing any third party other than Mr. Tsang as shareholder to Starhigh Group or CQZY Group at this stage. The Directors believe that, in order to continue the growth of CQZY Group, any such third party has to have a proven track record of success in real estate development, particularly in Chongqing, and have established good working relationships, and experience in dealing with local authorities and banking institutions, and most importantly the Directors have confidence in such third party and can be assured that he/she fully understands, and possesses the ability to properly execute, the Group's strategy and business plans laid down by the Group from time to time. The Directors consider that Mr. Tsang not only fulfills all the above requirements but also will not cause any interruptions to the operations of CQZY Group that might otherwise arise during the transition if any third party were introduced as shareholder to Starhigh Group or CQZY Group and delegated with the responsibility of supervising the day-to-day business operation and management of CQZY Group in place of Mr. Tsang. Further, with Mr. Tsang as shareholder, the Group could be able to maintain control over the management and operation of Starhigh Group and CQZY Group, and continue to attract and retain talents necessary for the diversified operations of CQZY, which might not otherwise be possible had a third party been introduced as shareholder instead. The Directors also believe that with his deep knowledge, expertise and vast experience in the PRC real estate development industry and local connections, Mr. Tsang would be able to accelerate returns from Starhigh Group's current developing and future development projects, which is in the interests of the Company and Shareholders.

In addition to the above, the Investment Agreement offers an opportunity for the Group to improve its equity structure in both Starhigh Group and CQZY Group. The capital base of the Starhigh Group will be enlarged by the proceeds to be received from the Subscription in the sum of HK\$624,000,000 (representing approximately 86.96% of the total consideration of HK\$717,600,000 for the Sale Shares and the Subscription Shares). The improved equity structure of Starhigh Group will enhance its ability to arrange for outside borrowings as and when the Starhigh Board may consider necessary on top of the proceeds to be received from the Subscription, for the continuous growth (in terms of assets, revenue and profit) of CQZY Group as more resources through additional capital injection into CQZY Group (which will also improve its equity structure) can be pooled to step up the development speed of a significant portfolio of investment properties and to retain the choicest land lots in the Group's land bank for development. In view of this, the Directors consider that the current arrangement comprising the Share Sale and the Subscription is the preferred arrangement following negotiations with Mr. Tsang. As further mentioned in the paragraph headed "4. Financial Effect on the Share Sale and Subscription and Use of Proceeds" below that the equity interest of the Company (through Marvel Leader) in Starhigh Group will be diluted if the transactions contemplated under the Investment Agreement proceed, the Group's financial commitments to CQZY Group will also be lowered in proportion to the dilution. The proceeds to be generated from the Share Sale and the Subscription will also strengthen the Group's general working capital, enabling the Group to capture other development opportunities in Western China. Further, by preserving its Sole Distribution Entitlement, the Directors believe that the Group's interest and entitlement to the retained earnings of Starhigh Group prior to the SP Completion and the Subscription Completion are safeguarded.

Having considered all the relevant factors as mentioned above, the Directors are of the view that the benefits of the Share Sale and the Subscription outweigh the potential negative impacts and disadvantages.

The entering into the Investment Agreement is therefore in line with the Group's prudent and cautious investment strategy, and the Share Sale and Subscription is in the interests of the Company and the Shareholders as a whole. As no two transactions even of a similar nature would be identical in all aspects and the circumstances leading to each transaction would not be the same, it would not be appropriate to assess whether the proposed arrangements under the Investment Agreement follow the normal market practice, if there is any, for similar transactions. However, the Directors do consider that the terms of the Investment Agreement have been negotiated on an arm's length basis and on normal commercial terms and the terms thereof are fair and reasonable and are in the best interests of the Group and the Shareholders as a whole.

LETTER FROM THE BOARD

4. FINANCIAL EFFECT ON THE SHARE SALE AND SUBSCRIPTION AND USE OF PROCEEDS

Upon the SP Completion and the Subscription Completion, the interests of the Company (through Marvel Leader) in Starhigh will be diluted from 100% to 60%, with Starhigh becoming a non-wholly owned subsidiary of the Company. The assets and liabilities of Starhigh and its revenue and expenses will continue to be consolidated into the consolidated financial statements of the Company. Hong Kong Accounting Standard 27 (Revised) – Consolidated and Separate Financial Statements (“**HKAS 27 (Revised)**”), which is applicable for financial periods beginning on or after 1 July 2009 but before 1 January 2013 provided that “Changes in a parent’s ownership interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions and no gain or loss is recognised in profit or loss”. HKAS 27 (Revised) was superseded by Hong Kong Financial Reporting Standard 10 – Consolidated Financial Statements (“**HKFRS 10**”) which has become effective for financial periods beginning on or after 1 January 2013. Paragraph 23 of HKFRS 10 states that “Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions (i.e. transactions with owners in their capacity as owners). B96 of Appendix B of HKFRS 10 further states that “When the proportion of the equity held by non-controlling interests changes, an entity shall adjust the carrying amounts of the controlling and non-controlling interest to reflect the changes in their relative interests in the subsidiary. The entity shall recognize directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent”. As the dilution in the Company’s interests in Starhigh will not result in the loss of control of Starhigh, the Share Sale and Subscription will have to be accounted for as equity transactions and no gain or loss should be recognised in the consolidated statement of profit or loss of the Company in accordance with HKFRS 10, but with adjustments to be made within the equity attributable to the owners. The Group has been applying such change of basis to comply with the applicable accounting standard since its financial year beginning on 1 January 2010. For illustration purpose and assuming that the SP Completion and the Subscription Completion was completed on 31 December 2013, the dilution of the Company’s interests in Starhigh would give rise to a reduction of an aggregate amount of approximately HK\$1,044.7 million in the Group’s owners’ equity (representing approximately 7% of the Group’s owners’ equity of HK\$14,185.2 million as at 31 December 2013), being the difference between the total consideration for the Sale Shares and the Subscription Shares and the amount of the Starhigh Group’s net assets attributable to the Share Sale and the Subscription (excluding the amount of Marvel Leader’s Sole Distribution Entitlement) calculated as follows:

	<i>HK\$ (in million)</i>
Net assets of Starhigh Group as at 31 December 2013 attributable to the Company	7,025.0
Proceeds from the Subscription	624.0
Marvel Leader’s Sole Distribution Entitlement	<u>(3,243.3)</u>
Adjusted net assets of Starhigh Group	<u><u>4,405.7</u></u>
40% of the net assets attributable to the Share Sale and the Subscription	1,762.3
Total consideration for the Share Sale and the Subscription	<u>(717.6)</u>
Reduction in the Group’s owners’ equity	<u><u>1,044.7</u></u>

The reduction of an aggregate amount of approximately HK\$1,044.7 million in the Group’s owners’ equity represents a reduction of HK\$0.40 per Share based on 2,588,223,112 Shares in issue as at the Latest Practicable Date. Assuming that the SP Completion and the Subscription Completion was completed on 31 December 2013, the Group’s cash balances and non-controlling interests would be increased by approximately HK\$717.6 million and HK\$1,762.3 million respectively while the Group’s owners’ equity would be decreased by HK\$1,044.7 million.

LETTER FROM THE BOARD

The Directors have also discussed with the Company's auditors the financial impact of the Share Sale and the Subscription under Hong Kong Financial Reporting Standard 2 – Share-based Payment (“**HKFRS 2**”) in addition to HKFRS 10 as mentioned above. According to the Company's auditors, paragraph 2 of HKFRS 2 states that “*an entity shall apply this HKFRS in accounting for all share-based payment transactions, whether or not the entity can identify specifically some or all of the goods or services received, including equity-settled share-based payment transactions*”. Although the present transactions with Mr. Tsang involving the Sale Shares and the Subscription Shares which apparently do not link to any goods/services to be provided by Mr. Tsang, given that Mr. Tsang is an employee of the Group who delivers services to the Group, the transactions with him are falling within the scope of HKFRS 2. Paragraph 8 of HKFRS 2 further states that “*when the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they shall be recognised as expenses*”. Further, paragraphs 10 and 11 of HKFRS 2 also state that for equity-settled share-based payment transactions with employees, “*the entity shall measure the fair value of the services received by reference to the fair value of the equity instruments granted, because typically it is not possible to estimate reliably the fair value of the services received and the fair value of those equity instruments shall be measured at grant date*”. Whether or not a share-based payment expense would be charged in the consolidated statement of profit or loss of the Company depends on the market value of the Sale Shares and the Subscription Shares at the grant date (the date of fulfilling the last Condition Precedent to be fulfilled as referred to in the paragraph headed “2.6 Conditions Precedent”). In the case that the market value of the Sale Shares and the Subscription Shares at the grant date is higher than the total consideration for the Sale Shares and the Subscription Shares, the exceeded amount shall be regarded as a reward for the services provided by Mr. Tsang to the Group in his capacity as an employee and such amount shall be recorded as a share-based payment expense in the consolidated statement of profit or loss of the Company. No share-based payment expense shall be recorded vice versa. We have been advised by GCAL that the market value of the Sale Shares and the Subscription Shares at the grant date will be determined by adopting the same methodologies and approaches as those adopted in assessing the market value of the Starthigh Shares as at 31 December 2013, such that both DLOC and DLOM adjustments will equally be applicable in the valuation. As the grant date will be subject to the timing of the fulfillment of the last Condition Precedent, it is unable at this stage to assess the impact of the transactions on the Company's consolidated financial statements. Assuming for present purposes that the grant date was 31 December 2013 when the last Condition Precedent had been fulfilled, there would not be any impact of the transactions on the Company's consolidated financial statements because the market value of the Sale Shares and the Subscription Shares at 31 December 2013 being HK\$643,760,800 was lower than the total consideration for the Sale Shares and the Subscription Shares of HK\$717,600,000 and no share-based payment expense was therefore required to be recorded under HKFRS 2. While we do not expect that the market value of the Starthigh Shares would substantially deviate from its market value as at 31 December 2013 assuming the market conditions remained more or less unchanged, should the market value of the Sale Shares and the Subscription Shares at the grant date turn out to be higher than the total consideration for the Sale Shares and the Subscription Shares, the Company would be required to record a share-based payment expense of an amount equal to the excess amount in the consolidated financial statements of the Company.

The Company will continue to comply with the requirements under HKFRS 2 and HKFRS 10 in preparing its future financial statements so long as they remain applicable.

Taking into account the factors as explained in the paragraph headed “3. Potential Negative Impacts and Disadvantages and Reasons for and benefits of the Share Sale and Subscription” above and considering the basis of determination of the consideration including the valuation approach adopted for the Share Valuation which is considered fair and reasonable as explained in the paragraph headed “2.5 Consideration for the Sale Shares and for the Subscription Shares” above, the Directors consider that such reduction is fair and reasonable. The Share Sale and the Subscription will generate an aggregate proceeds of HK\$717,600,000 in cash, of which HK\$93,600,000 (representing approximately 13.04%) is attributable to the Share Sale and HK\$624,000,000 (representing approximately 86.96%) attributable to the Subscription. The Directors intend to apply the proceeds of HK\$93,600,000 to be generated from the Share Sale as general working capital for the Group other than the Starthigh Group and HK\$624,000,000 from the Subscription solely for the Starthigh Group.

LETTER FROM THE BOARD

5. INFORMATION ON THE GROUP

The core businesses of the Group are property development and investment in Western China, as well as treasury investments.

6. INFORMATION ON MARVEL LEADER AND STARHIGH GROUP

Marvel Leader is a private limited company incorporated in the BVI on 11 May 2006 with a current issued share capital of US\$50,000 (equivalent to approximately HK\$388,000) which is directly wholly-owned by the Company. Marvel Leader is an investment holding company and the registered and beneficial owner of Starhigh. The principal business activity of Marvel Leader is investment holding.

Starhigh is a private limited company incorporated in the BVI on 17 March 2006. Marvel Leader originally held 1 Starhigh Share, being the then entire issued share capital of Starhigh. On 4 April 2014, Starhigh issued and allotted, and Marvel Leader subscribed, 2,999 Starhigh Shares at a total subscription price of US\$2,999 (equivalent to approximately HK\$23,272). As a result, Starhigh has a current issued share capital of US\$3,000 (equivalent to approximately HK\$23,280) which is directly wholly-owned by Marvel Leader. Starhigh is an investment holding company and the registered and beneficial owner of Charm Best. The sole business of Starhigh is the ownership of Charm Best.

Charm Best is a private limited company incorporated in Hong Kong on 30 March 2006 with a current issued share capital of HK\$1 which is directly wholly-owned by Starhigh. Charm Best is an investment holding company and the registered and beneficial owner of CQZY. The sole business of Charm Best is the ownership of CQZY.

CQZY is a privately-owned enterprise established in the PRC on 11 June 1992 with a current registered and paid-up capital of US\$131,000,000 (equivalent to approximately HK\$1,016,560,000) which is directly wholly-owned by Charm Best. The principal business of CQZY Group is property development and investment in the PRC.

During the period from 2007 to 2013, CQZY Group has completed various property development projects of over 1.3 million sqm. As at the Latest Practicable Date, CQZY Group owns a property portfolio of completed properties and developing projects with a total GFA of about 3.5 million sqm consisting of residential, commercial and hotel complexes which are mainly situated right at the heart of the Yubei District of Chongqing, a district where the central government administration region, major highway junctions and a new rail transportation hub are located. A summary of this property portfolio based on CQZY Group's latest development plans with details of the intended development plan (for sale or investment) is as follows:

Properties held under development

Property Location	Intended Use	Approximate Site Area (sqm)	Approximate GFA		Expected Completion Date (Year)	Status of Development
			For sale (sqm)	For investment (sqm)		
A site (Lot No. 17-1) located to the south of Xingai Road, Chongqing International Finance and Trade Development Area, Longxi Jie Dao, Yubei District, Chongqing, the PRC	Residential, Commercial, Auxiliary Facilities and Car Park	35,700	211,000	–	2016 or after	At planning stage

LETTER FROM THE BOARD

Property Location	Intended Use	Approximate Site Area (<i>sqm</i>)	Approximate GFA		Expected Completion Date (<i>Year</i>)	Status of Development
			For sale (<i>sqm</i>)	For investment (<i>sqm</i>)		
A site (Lot No. 9) located to the east of Songpai Road, Chongqing International Finance and Trade Development Area, Longxi Jie Dao, Yubei District, Chongqing, the PRC	Residential, Commercial, Office and Car Park	81,300	50,000	606,000	2016 or after	At planning stage
A site (Lot No. 3-1) located to the east of Hongjin Road, Chongqing International Finance and Trade Development Area, Longxi Jie Dao, Yubei District, Chongqing, the PRC	Residential, Commercial, Office and Car Park	47,900	361,000	–	2016 or after	At planning stage
Two sites (Lot No. 20 and Lot No. 11-1) located in Chongqing International Finance and Trade Development Area, Longxi Jie Dao, Yubei District, Chongqing, the PRC	Residential and Car Park	19,900	60,000	–	2016 or after	At planning stage
A site (Lot No. 22) located in Chongqing International Finance and Trade Development Area, Longxi Jie Dao, Yubei District, Chongqing, the PRC	Residential and Car Park	5,300	20,000	–	2016 or after	At planning stage
A site (Lot No. 7-1) located in Chongqing International Finance and Trade Development Area, Longxi Jie Dao, Yubei District, Chongqing, the PRC	Residential and Car Park	5,200	11,000	–	2016 or after	At planning stage
A site located in Xinpaifang, Yubei District, Chongqing, the PRC	Commercial, Office and Car Park	8,600	–	26,000	2016 or after	At planning stage
A site (Lot No. 10) located to the southeast of the junction of Xingai Road, and Hongjin Road, Chongqing International Finance and Trade Development Area, Longxi Jie Dao, Yubei District, Chongqing, the PRC	Commercial, Office, Hotel, Auxiliary Facilities and Car Park	59,400	69,000	290,000	2014-2015	Under construction
Three parcels of land (Lot No. 19) located in the junction of Xingai Road and Jinshan Road Chongqing International Finance and Trade Development Area, Longxi Jie Dao, Yubei District, Chongqing, the PRC	Residential, Commercial, Office, Auxiliary Facilities and Car Park	141,600	296,000	–	2015-2016	Under construction
A site located in Xiyong Zone, Shapingba District, Chongqing, the PRC	Residential, Commercial and Car Park	47,300	206,000	–	2015	Under construction
A site (Lot No. 4) located to the west of Hongjin Road, Chongqing International Finance and Trade Development Area, Longxi Jie Dao, Yubei District, Chongqing, the PRC	Residential, Commercial, Office and Car Park	96,900	260,000	492,000	2016 or after	Under construction

LETTER FROM THE BOARD

Completed properties held for sale

Property Location	Usage	Approximate GFA (<i>sqm</i>)
Portion of No. 1 Peak Road located at No. 2 Jinding Road, Longxi Town, Yubei District, Chongqing, the PRC	Residential, Commercial and Car Park	14,000
Portion of No. 8 Peak Road located at No. 11 Jinshan Road, Longxi Town, Yubei District, Chongqing, the PRC	Residential, Commercial and Car Park	3,000
Portion of L'Ambassadeur (Phases I, II, III and IV) located at No. 18 Xingai Avenue and No. 15 Jinshan Road, Longxi Town, Yubei District, Chongqing, the PRC	Residential, Commercial, Auxiliary Facilities and Car Park	103,000
Portion of Mansions on the Peak located at Junction of Jinshan Road and Jinding Road, Yubei District, Chongqing, the PRC	Residential, Commercial, Auxiliary Facilities and Car Park	49,000
Portion of i-City (Phases I, II and III) located at Nos. 301, 303, 305, 307, 309 and 333 Donghunan Road, Yubei District, Chongqing, the PRC	Residential, Commercial, Office, Auxiliary Facilities and Car Park	63,000
Portion of One Central Midtown (Phase IA) and Portion of 9 Central Midtown (Phase IB) located at No. 18 Jinshan Road and No. 6 Xingai Avenue, Longxi Town, Yubei District, Chongqing, the PRC	Residential, Commercial, Office and Car Park	35,000
Portion of Zhongyu Plaza (Phases II and III) of Land Lot No. 10, located at Hongjin Avenue, Longxi Town, Yubei District, Chongqing, the PRC	Office and Car Park	30,000
Portion of Academic Heights (Phases I and II) located at No. 17 Sixian Road, Shapingba District, Chongqing, the PRC	Residential, Commercial and Car Park	150,000
Portion of Silver Lining located at Lot Nos. R1-1-7, R1-1-7A and R1-1-10, Hi-tech Development District, Kunming City, Yunnan Province, the PRC	Residential, Commercial and Car Park	26,000

LETTER FROM THE BOARD

Completed properties held for investment

Property Location	Usage	Approximate GFA (sqm)
California Garden, Longxi Jie Dao, Yubei District, Chongqing, the PRC	Residential, Commercial and Car Park	40,000
California City Garden, Longxi Jie Dao, Yubei District, Chongqing, the PRC	Commercial, Auxiliary Facilities and Car Park	19,000
Kechuang Building, No. 8 Jinshan Road, Longxi Jie Dao, Yubei District, Chongqing, the PRC	Car Park	3,000
Huijingtai, No. 3 Jinshan Road, Longxi Jie Dao, Yubei District, Chongqing, the PRC	Commercial and Car Park	13,000
Underground Carpark, No. 2 Xingai Road, Longxi Jie Dao, Yubei District, Chongqing, the PRC	Car Park	8,000

Based on CQZY Group's current preliminary estimation, its total operating cash outflows for 2014 to 2016 would be approximately RMB9.1 billion (equivalent to approximately HK\$11.6 billion) comprising development costs, tax expenses as well as marketing, operating and interest expenses. CQZY Group's operating cash outflows and the estimated financing plan for 2014 to 2016 are set out as follows:

RMB (in million)

	2014	2015	2016	Total
Operating cash outflows in respect of:				
– development costs	(1,784)	(2,849)	(2,464)	(7,097)
– tax expenses	(329)	(424)	(446)	(1,199)
– marketing and operating expenses	(116)	(149)	(155)	(420)
– interest expenses	(100)	(100)	(138)	(338)
	<u>(2,329)</u>	<u>(3,522)</u>	<u>(3,203)</u>	<u>(9,054)</u>
Repayment of bank loans	(711)	(191)	(484)	(1,386)
Total cash outflows	<u>(3,040)</u>	<u>(3,713)</u>	<u>(3,687)</u>	<u>(10,440)</u>
To be financed by:				
– proceeds from presale of properties	2,321	2,960	3,028	8,309
– rental receipts	12	36	108	156
– bank loans	100	500	800	1,400
Total cash inflows	<u>2,433</u>	<u>3,496</u>	<u>3,936</u>	<u>9,865</u>
Net cash inflow/(outflow)	(607)	(217)	249	(575)
Cash balances as at beginning of the year	<u>2,183</u>	<u>1,576</u>	<u>1,359</u>	<u>2,183</u>
Cash balances as at end of the year	<u><u>1,576</u></u>	<u><u>1,359</u></u>	<u><u>1,608</u></u>	<u><u>1,608</u></u>

Note: As at the Latest Practicable Date, CQZY Group has internal cash resources of approximately RMB789 million and has RMB1,350 million undrawn banking facilities available.

LETTER FROM THE BOARD

CQZY Group's estimated pre-sale schedule for 2014 to 2016 is set out as follows:

GFA (sqm)

	2014	2015	2016	Total
Projects				
– i-City	12,300	12,400	12,300	37,000
– L'Ambassadeur	25,100	25,100	25,100	75,300
– Academic Heights	79,700	73,100	73,300	226,100
– Zhongyu Plaza	29,700	29,600	29,600	88,900
– Silver Lining	15,100	–	–	15,100
– Lot#4	–	64,000	36,000	100,000
– Residence Serene	55,000	53,300	60,000	168,300
– Mansions on the Peak	9,800	9,800	9,800	29,400
– Others	4,300	4,600	11,300	20,200
	<u>231,000</u>	<u>271,900</u>	<u>257,400</u>	<u>760,300</u>

As to the trend of the PRC property market, in view of the continuous growth of disposable income and accelerated urbanization in the PRC, the Directors consider that housing demand for own use and upgrading purposes will remain strong. The Directors therefore remain confident in general about the long-term growth of the PRC property market despite the recent growing uncertainty. However, the Directors consider it necessary for the Group to be well prepared for any short-term fluctuations in the market if the PRC Government imposes further restrictive and cooling measures to regulate the overheated property market and discourage speculations.

According to its current proposed financing plan, CQZY Group's operating cash outflows for 2014 to 2016 would be financed mainly by the proceeds from pre-sale of properties, with any shortfall by bank loans. The Directors believe that, despite various projects are still under construction or at the planning stage, proceeds from pre-sale of properties and bank loans should provide sufficient funds to meet CQZY Group's operating cash outflows during the period. Any bank loans to be obtained by CQZY Group would normally be secured by pledging to the banks the land use rights of the relevant projects. Should any guarantee be required from Starhigh Shareholders for securing any such bank loans, it will be provided by Starhigh Shareholders on a pro-rata basis. However, should any bank borrowings become insufficient or not available in circumstances beyond the control or expectation of CQZY and/or should the progress of pre-sale of properties be slower than currently projected, particularly in view of the recent growing uncertainty over the PRC's property market, the aggregate proceeds of HK\$624 million to be received from the Subscription could well serve as a cash buffer to meet any temporary working capital shortfall of CQZY Group so as to avoid having any adverse impact on its development pace to the extent possible in line with the Group's prudent and cautious investment strategy. Success in the development, sale and completion of properties on schedule is therefore of the utmost importance to CQZY Group. Although no shareholders' loan is currently required from Starhigh Shareholders based on CQZY Group's current proposed financing plan, should any change in the situation warrant the call for further working capital from Starhigh Shareholders, such additional working capital will be funded by the Starhigh Shareholders in proportion to their respective shareholdings in Starhigh. The Shareholders' Deed has proposed provision requiring Starhigh Shareholders (including Mr. Tsang's Nominee) to meet further future working capital requirement of CQZY Group by way of shareholders' loans and/or subscription for additional Starhigh Shares in due proportions as the Starhigh Board may decide. As mentioned in the paragraph headed "2.6 Conditions Precedent" above, Mr. Tsang has already provided satisfactory evidence showing that financial resources are available to him to meet his payment obligations under the Investment Agreement. Furthermore, the Starhigh Board has no intention to declare any dividend between 2014 and 2016 or thereafter unless and until Marvel Leader has received the Sole Distribution Entitlement pursuant to the Shareholders' Deed. In the circumstances, and taking into account the market

LETTER FROM THE BOARD

trend of the PRC property market, the Directors consider that the Investment Agreement to introduce Mr. Tsang as a shareholder of Starhigh with 40% equity interest could help ensure that CQZY Group's capital requirement could be satisfied as the equity structure in both Starhigh Group and CQZY Group would be improved.

The value of CQZY Group's property portfolio as at 31 August 2014 was valued at RMB13,837 million (equivalent to approximately HK\$17,601 million) by GCAL.

A reconciliation of the carrying value of the property portfolio as at 31 December 2013 and the valuation of the property portfolio as at 31 August 2014 is as follows:

	RMB <i>(in million)</i>
Carrying value of the property portfolio as at 31 December 2013	9,743
Development costs incurred during the period	1,080
Properties sold during the period	(796)
Depreciation provided during the period	(5)
	10,022
Carrying value of the property portfolio as at 31 August 2014	10,022
Appreciation in value of the property portfolio	3,815
	13,837
Represented by:	
Properties with land use rights certificates obtained (see AII-8 of Appendix II – Property Valuation Report)	13,664
Property with land use rights certificate not yet obtained (see note (iii) of AII-55 of Appendix II – Property Valuation Report)	173
	13,837

The financial highlights and consolidated operating results of the Starhigh Group included in the consolidated financial statements of the Company are as follows:

	6 months ended 30 June 2014 <i>HK\$'000</i> (Unaudited)	12 months ended 31 December 2013 <i>HK\$'000</i> (Unaudited)	12 months ended 31 December 2012 <i>HK\$'000</i> (Unaudited)
Revenue	1,348,565	1,879,475	2,697,939
Profit Before Tax	463,128	661,395	1,014,617
Net Profit	168,217	263,908	333,021
	As at 30 June 2014 <i>HK\$'000</i> (Unaudited)	As at 31 December 2013 <i>HK\$'000</i> (Unaudited)	As at 31 December 2012 <i>HK\$'000</i> (Unaudited)
Total Assets	15,053,090	15,639,746	14,617,850
Total Liabilities	7,826,712	8,506,217	7,980,288
Net Assets	7,226,378	7,133,529	6,637,562

LETTER FROM THE BOARD

7. LISTING RULES IMPLICATIONS

Upon the SP Completion and the Subscription Completion, Starhigh will be owned as to 60% by Marvel Leader and as to 40% directly or indirectly by Mr. Tsang, with Starhigh becoming a non-wholly owned subsidiary of the Company.

The Share Sale will constitute a disposal by the Company while the Subscription will constitute a deemed disposal under Rule 14.29 of the Listing Rules.

Further, since Mr. Tsang is a Director and as at the Latest Practicable Date holds 3,394,242 Shares, representing approximately 0.13% of the issued Shares, he and Mr. Tsang's Nominee (being his associate) are regarded as connected persons of the Company, and the Share Sale and the Subscription will constitute connected transactions of the Company. Mr. Tsang was required to abstain from, and accordingly had abstained from, voting on the resolutions of the Board approving and ratifying the Investment Agreement and the transactions contemplated thereunder.

As the applicable percentage ratio exceeds 5% but is below 25%, the Share Sale and the Subscription when aggregated also constitute discloseable and connected transactions and are subject to reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules. Any connected persons and/or Shareholders with a material interest in the Investment Agreement and their respective associates will abstain from voting on the resolution approving and ratifying the Investment Agreement and the transactions contemplated thereunder at the SGM. As at the Latest Practicable Date, Mr. Tsang holds 3,394,242 Shares, representing approximately 0.13% of the issued Shares, and so far as the Directors are aware, none of his associates (including Mr. Tsang's Nominee) holds any Shares. Accordingly, Mr. Tsang and his associates are required to abstain from voting on the proposed ordinary resolution approving the Investment Agreement and the transactions contemplated thereunder at the SGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, and save as disclosed above, no other Shareholders will be required to abstain from voting in relation to the resolution to approve and ratify the Investment Agreement and the transactions contemplated thereunder at the SGM. Save as disclosed above, none of the other Directors have a material interest in the Investment Agreement and the transactions contemplated thereunder, and therefore, no other Director was required to abstain from, and had therefore abstained from, voting on the resolutions of the Board approving and ratifying the Investment Agreement and the transactions contemplated thereunder.

The Independent Board Committee comprising Messrs. Lam Kin Fung Jeffrey, Leung Yu Ming Steven and Wong Lung Tak Patrick being all the independent non-executive Directors, has been formed to consider the terms of the Investment Agreement and to advise the Independent Shareholders in relation to the Investment Agreement and the transactions contemplated thereunder. Halcyon Capital has been appointed as the independent financial adviser by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

8. SGM

The SGM will be held at 33/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Wednesday, 3 December 2014 at 11:00 a.m., at which an ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, approve the Investment Agreement and the transactions contemplated thereunder. The notice of the SGM is set out on page SGM-1 of this circular. Votes of the Independent Shareholders will be taken at the SGM on a poll and results of voting at the SGM will be announced by the Company in accordance with the Listing Rules.

LETTER FROM THE BOARD

A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend and vote the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

9. RECOMMENDATION

Having taken into account the advice from Halcyon Capital, the Independent Board Committee considers that the terms of the Investment Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Independent Board Committee recommends that the Independent Shareholders vote in favour of the ordinary resolution set out in the notice of the SGM for the approval of the Investment Agreement and the transactions contemplated thereunder.

10. ADDITIONAL INFORMATION

Your attention is drawn to (a) the letter from the Independent Board Committee set out on page 34 of this circular which contains recommendations of the Independent Board Committee to the Independent Shareholders regarding the Investment Agreement and the transactions contemplated thereunder; and (b) the letter of advice from Halcyon Capital set out on pages 35 to 76 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Investment Agreement and the transactions contemplated thereunder, together with the principal factors and reasons considered in providing its advice.

Your attention is also drawn to the information set out in the Appendices to this circular and notice of the SGM.

Yours faithfully,
By the order of the Board of
C C Land Holdings Limited
Lam How Mun Peter
Deputy Chairman & Managing Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Investment Agreement and the transactions contemplated thereunder.



C C Land Holdings Limited 中渝置地控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1224)

Members of the Independent Board Committee:

Mr. Lam Kin Fung Jeffrey
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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

Rooms 3308-10, 33rd Floor,
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

13 November 2014

To the Independent Shareholders,

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

We refer to the circular (the “Circular”) issued by the Company to the Shareholders dated 13 November 2014 of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders in relation to the Investment Agreement and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” on pages 6 to 33 of the Circular.

Having taken into account the advice of Halcyon Capital, the independent financial adviser, set out in its letter of advice on pages 35 to 76 of the Circular, we consider that the terms of the Investment Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Investment Agreement and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee

Lam Kin Fung Jeffrey
*Independent
non-executive Director*

Leung Yu Ming Steven
*Independent
non-executive Director*

Wong Lung Tak Patrick
*Independent
non-executive Director*

LETTER FROM HALCYON CAPITAL

The following is the full text of the letter of advice from Halcyon Capital to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of the inclusion in this circular.



11/F, 8 Wyndham Street
Central
Hong Kong

13 November 2014

*To: the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Investment Agreement which involves the purchase of the Sale Shares and the subscription of the Subscription Shares by Mr. Tsang or his nominee from Marvel Leader and Starhigh respectively (the "Share Sale and Subscription"). Details of the Investment Agreement are contained in the circular of the Company to the Shareholders dated 13 November 2014 (the "Circular"), of which this letter forms part. Unless the context otherwise requires, capitalized terms used in this letter shall have the same meaning as those defined in the Circular.

As the applicable percentage ratios exceed 5% but are below 25%, the Share Sale and Subscription when aggregated constitute discloseable transactions of the Company under the Listing Rules. Mr. Tsang is an executive Director and holds 3,394,242 Shares, representing approximately 0.13% of the issued Shares as at the Latest Practicable Date. In view of Mr. Tsang's directorship, Mr. Tsang and his Nominee (being his associate) are therefore connected persons of the Company as defined under the Listing Rules. Accordingly, the Share Sale and Subscription constitute connected transactions of the Company and are subject to, among other things, the approval of the Independent Shareholders under Chapter 14A of the Listing Rules. Mr. Tsang, his nominee and their respective associates will abstain from voting in relation to the ordinary resolution(s) to be put forward at the SGM for the purpose of approving the Investment Agreement and the transactions contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lam Kin Fung, Jeffery, Mr. Leung Yu Ming Steven and Dr. Wong Lung Tak Patrick, has been established to advise the Independent Shareholders as to whether the terms of the Investment Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole and how to vote on the relevant resolution in the SGM. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, financial information and facts supplied to us and representations expressed by the Directors and/or the management of the Company and have assumed that all such information, financial information and facts and any representations made to us or referred to in the announcement of the Company dated 7 April 2014 and the Circular, for which they are fully responsible, are true, accurate and complete as at the time they were made and as at the date hereof and made after due and careful inquiry by the Directors and/or the management of the Company. We have been advised by the Directors and/or the management of the Company that all relevant material information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

LETTER FROM HALCYON CAPITAL

Our review and analyses were based upon, among others, the information provided by the Company including the Investment Agreement and certain published information from the public domain. We have also discussed with the management of the Company with respect to the terms of and reasons for the transactions contemplated under the Investment Agreement and considered that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information nor have we conducted any form of in-depth investigation or review into the businesses, affairs, financial position, working capital forecast, future capital requirement or prospects of the Group (including Marvel Leader and Starhigh Group) and the information of Mr. Tsang and each of their respective associates, and the parties involved in the transactions contemplated under the Investment Agreement.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the Share Sale and Subscription, we have considered the following principal factors and reasons:

I. Information on the Group

The core businesses of the Group are property development and investment in Western China, as well as treasury investments.

According to the Directors, in the past few years, the Group has focused its property development and investment in Western China including Chongqing, Chengdu, Guiyang, Xi'an and Dazhou, which have shown strong economic growth. In year 2013, the Chongqing Municipal Government announced the formal zoning of the Jiazhou (嘉州) area as a Core Commercial Zone (主城核心商圈) of the Yubei District (渝北區), Chongqing.

The Group currently owns certain lots of land in the Yubei District, Chongqing and has earmarked such lots for the development as separate but inter-linked projects consisting of hotels, commercial and residential complexes with a GFA of approximately 2.9 million sq.m (the "Yubei Projects"). Due to the prime locations of the Yubei Projects, the development of the hotels and commercial complexes of the Yubei Projects would be of a top-tier standard, including Grade A office buildings, entertainment centres, cinemas and retail stores. It is the current intention of the Group to build up the investment property portfolio in the coming years by retaining a significant portion of these commercial properties of the Yubei Projects after completion.

In order to finance the development of the Yubei Projects, the Group is currently fine-tuning its property portfolio in other regions of Chongqing to pool more resources in order to step up the development speed of the Yubei Projects. In November 2013, the Group entered into an agreement with an independent third party to dispose of its 100% interest in a subsidiary indirectly holding two adjacent land lots with a total site area of 265,313 sq.m located in North New District Group B Standard Subdivision, Zhaomu Mountain Area, Chongqing, the PRC. The disposal was completed in January 2014 and generated cash proceeds of approximately RMB1,425.5 million for the Group. The Directors were of the view that proceeds from the disposal had substantially strengthened the Group's working capital for the Group's development in its other projects including the Yubei Projects. For further details of the disposal, please refer to the announcement of the Company dated 13 November 2013 and the circular of the Company dated 4 December 2013.

LETTER FROM HALCYON CAPITAL

Financial information of the Group

Total revenue of the Group in 2013 decreased by approximately 7.9% to approximately HK\$6,844.9 million as compared to 2012, such decrease was mainly contributed by the decrease in revenue generated from sale of properties. Despite the Group recorded an increase in total completion area in 2013 by approximately 14.4% as compared to prior year, due to the completion certificate of the First City Project in Guiyang was not issued until the end of December 2013, revenue from this project's residential portion could only be recognized in 2014 upon delivery to buyers. As a result, the Group recorded a slight decline in delivered areas and revenue of property sales of approximately 2.3% to approximately 719,700 sq.m and approximately 8.2% to approximately HK\$6,798.4 million as compared to prior year respectively. According to the management of the Group, average selling price ("ASP") of the recognized property sales also decreased by approximately 8.6% to approximately RMB7,480 per sq.m (2012: approximately RMB8,180 per sq.m) as a result of the increase in supply of mid-end products which carried a lower ASP. Gross profit margin on the other hand remained at a comparable level of approximately 33.7% (2012: approximately 33.5%) as compared to prior year.

The Group has maintained a strong financial position in 2013 recording owners' equity of approximately HK\$14.2 billion as at 31 December 2013. As of 31 December 2013, the Group had an aggregate cash and bank balance and time deposits amounting to approximately HK\$9,636.3 million (2012: approximately HK\$8,172.8 million). The net gearing ratio of the Group as at 31 December 2013 was 10.3% (2012: 12.4%) calculated by total borrowings less bank balances and cash divided by owners' equity. During the period, the payment of land premium and related costs as well as construction costs were approximately RMB2.7 billion and approximately RMB5.1 billion respectively. These payments were mainly financed by internal resources generated from cash received from property presales and external bank borrowings. The cash collection ratio for the property business was approximately 91% in 2013 as compared to approximately 74% in 2012. The average borrowing interest rate for the year ended 31 December 2013 was approximately 6.73% (2012: approximately 6.09%) per annum which the Directors consider was relatively low in the market.

For the first half year of 2014, the Group recorded satisfactory results in terms of revenue and profit as compared with the same period of last year. The Group's revenue was approximately HK\$4,787.0 million, representing a substantial increase by approximately 261% from that of the same period last year. Net profit of approximately HK\$916.2 million was recorded during the period, representing an increase of approximately 972% from that of the same period last year. The increase in net profit was attributable to the non-recurring gain from the disposal of Zhaomu Mountain project, Chongqing, which derived a profit before tax of approximately HK\$457.4 million.

The Group has continued to maintain a strong financial position in the first half of the year recording owners' equity of approximately HK\$14.7 billion as at 30 June 2014. As of 30 June 2014, the Group had an aggregate cash and bank balance and time deposits amounting to approximately HK\$8,552.1 million (31 December 2013: approximately HK\$9,636.3 million). As at 30 June 2014, total borrowings of the Group amounted to approximately HK\$10,914.3 million (31 December 2013: approximately HK\$11,094.0 million). The average borrowing interest rate for the period ended 30 June 2014 was approximately 6.45% (six months ended 30 June 2013: approximately 6.48%) per annum. The total finance costs charged to the consolidated statement of profit or loss increased by approximately 225% as compared to the same period last year and amounted to approximately HK\$83.2 million, after the capitalization of approximately HK\$293.1 million (six months ended 30 June 2013: approximately HK\$25.6 million) into the cost of properties under development. The net gearing ratio of the Group as at 30 June 2014 was approximately 16.1% (31 December 2013: approximately 10.3%), which the Directors considered to be of a reasonable and healthy level.

LETTER FROM HALCYON CAPITAL

II. Information on Mr. Tsang

Mr. Tsang is, among others, an executive Director and deputy chairman of the Board, the legal representative (法人代表), the chairman of the board of directors (董事長) and the general manager (總經理) of CQZY, and the legal representative (法人代表) and the chairman of the board of directors (董事長) of Yunnan Zhong Yu, a privately-owned enterprise established in the PRC, of which 70% interest is directly held by CQZY. Mr. Tsang also holds 3,394,242 Shares, representing approximately 0.13% of the issued Shares as at the Latest Practicable Date.

III. The Share Sale and Subscription

1. *Background to and reasons for the Investment Agreement*

According to the Directors, (i) the continuous strengthening of the PRC government's measures to deflate the residential property market in the PRC; (ii) the increase in finance cost and land cost in the PRC; (iii) the recent changes in the property market in Chongqing that point to the taking off of the commercial property market; and (iv) a slowing residential property market all present challenges as well as opportunities for the Group. In the past decade, the Group's property operations involved predominantly the development and sale of residential properties, in which it has achieved outstanding results.

In view of the market condition and pursuant to the Group's plan, following from the recent zoning of the Jiazhou Zone of the Yubei District, Central Chongqing as a Core Commercial Zone (主城核心商圈), the Group is currently fast tracking its property development and investment in Chongqing to build up in the city a portfolio comprising a significant portion of investment properties. Bearing in mind with the change in development objectives, the Directors consider that the Group will need to diversify its operations and fine tune its business strategies which include allocation of additional financial and human resources in the development of high-end commercial property, tenancy procurement, and estate management. In view of this new development, the Group responded by reviewing and, if necessary and appropriate, fine-tuning the portfolio of properties held by CQZY Group in other districts of Chongqing. So that more resources of CQZY Group could be pooled together to facilitate and expedite the development of CQZY Group's properties in the Jiazhou Zone, and to enable CQZY Group to build up a substantial portfolio of investment properties in this zone (as against properties held for sale which currently make up the bulk of CQZY Group's portfolio).

Furthermore, as disclosed by the Company in its 2013 annual report, the Company has always adopted a prudent and cautious investment strategy and will from time to time consider any investment and/or cooperation opportunities that may further improve its equity structure and cash flow and enhance returns from its projects in order to accelerate further growth of the Group as a whole. Negotiations with potential parties for the disposal of and/or seeking partners to jointly invest and/or develop with respect to the Group's projects are frequently ongoing. For this reason and in view of the substantial capital expenditure to be incurred by the Group for the development of a significant portfolio of investment properties and to retain the choicest land lots in the Group's land bank for development, the Company has been considering various options to achieve a higher level of liquidity and to lower the Group's financial commitments, particularly those pertaining to CQZY Group, as part of the Company's process of ongoing review of the Group's business activities in line with its prudent and cautious investment strategy.

LETTER FROM HALCYON CAPITAL

Moreover, upon completion of the Yubei Projects, the Group intended to retain a significant portion of these properties of the Yubei Projects for investment purpose in generating long term steady rental income for the Group. In view of such intention, the payback period of the Yubei Projects would be relatively longer than the other projects of the Group which involve mainly properties developed for sale. By taking on-board Mr. Tsang, the Group would be able to benefit from reducing the tying up of capital commitment in the Yubei Projects, while at the same time retaining the Group's resources to develop other projects with shorter payback periods.

The Share Sale and Subscription would generate a total of HK\$717.6 million of gross proceeds for the Group. In view of the tightening of financing to property developers in the PRC as a result of the restrictive measures imposed by the PRC government in recent years, the Directors consider that the additional capital generated from the Share Sale and Subscription would provide additional cushion to the Group's working capital requirements in the coming years, which is in line with the Group's prudent and cautious investment strategy. The additional working capital would also allow the Group to explore and capture other investment opportunities in Western China which may provide quicker and higher return to the Group as well as reducing its reliance on bank borrowings and hence reduce the Group's finance cost accordingly.

Furthermore, by preserving the Group's entitlement to the dividend distribution of RMB2.55 billion (equivalent to approximately HK\$3.24 billion) in Starhigh Group, the Directors believe that the Group's interest and entitlement to the retained earnings of Starhigh Group prior to the SP Completion and the Subscription Completion are safeguarded.

Mr. Tsang has been serving the Group for a substantial period of time, being directly in charge of the Group's property development and sales of CQZY. With various professional teams and the management directly led by Mr. Tsang, CQZY was one of the pioneers in large scale high-rise property development in Chongqing during the time when Chongqing was accorded the status of a Direct Administration City (直轄市). Since then in his personal capacity, Mr. Tsang contributed to the development of commerce and the property development industry in Chongqing by serving, among other things, as vice-president of the Chongqingshi Real Estate Association (重慶市房地產協會) and the Chongqing Overseas Chinese Chamber of Commerce (重慶市僑商會). Over the past few years, CQZY Group has established a track record of continuous growth, with both its revenue and profits now accounting for a substantial part of the Group's overall revenue and profits. More recently, with his thorough knowledge, expertise and vast experience in the PRC real estate development industry and local connections, Mr. Tsang has successfully procured a high-end operator of a chain of department stores in Taiwan to enter into a pre-leasing agreement with CQZY to lease a gross floor area of approximately 250,000 sq.m of commercial space currently under development by CQZY in the Jiazhou Zone for operating a large-scale and high-end shopping and entertainment centre which will be one of the largest and the most high-end shopping and entertainment centres in Western China. As further explained in the paragraph headed "6. Information on Marvel Leader and Starhigh Group" of the "Letter from the Board" in the Circular, the operating cash outflows of CQZY Group will be financed mainly by the proceeds from pre-sale of properties. Accordingly, the Directors are of the view that, given that various projects of CQZY's Group are still under construction or at the planning stage, the success in the development, sale and completion of projects on schedule are of the utmost importance to CQZY Group, particularly in view of the Group's initiative in investment properties. The Directors believe that Mr. Tsang, with his track record of attaining the Group's targets, is the most appropriate person to be continuously entrusted with those responsibilities following the change in the development objectives of the Jiazhou Zone.

LETTER FROM HALCYON CAPITAL

As advised by the Directors, the Group's business model of partnering with local entrepreneurs in other business ventures such as Verakin Property Group and Guojia Cheer Gain Group has proved successful in the sense that not only their businesses have seen continuous growth over the past few years, but also the long-term commitment of the local partners to the development of the Group can be better secured. Under this model, the Company has successfully turned potential competitors into business partners and in the process has benefited from their entrepreneurship input and networking effect. With the competitive edge gained from this business model, the Group ranked 5th and 4th in years 2012 and 2013 respectively in terms of sales revenue in Chongqing (on a single company basis, CQZY ranked 9th and 11th respectively). Using the same business model, the Directors are of the view that the proposed introduction of Mr. Tsang as an investor to Starhigh will not only confer a strategic advantage to the Group by aligning the long-term interests of Mr. Tsang with that of the Group and securing his long-term commitment to the development of CQZY Group in the future, but will also facilitate the steady operation of CQZY Group by preserving its development pace and strategy which is therefore in the interests of the Company and Shareholders. As discussed with the management of the Company, set out below is the comparison of the Group's co-operation arrangements with the joint venture partners of Verakin Property Group ("Verakin JV Partner") and Guojia Cheer Gain Group ("Guojia JV Partner") and the current co-operation arrangement with Mr. Tsang:

	Mr. Tsang	Verakin JV Partner	Guojia JV Partner
Capital contribution:	Initial cash investment and to share any shareholders' contribution required according to their respectively shareholdings.	Initial cash and land investment to share any shareholders' contribution required according to their respectively shareholdings.	Initial cash investment and to share any shareholders' contribution required according to their respectively shareholdings.
Share of profit:	According to the equity interest of each shareholder.	According to the equity interest of each shareholder.	According to the equity interest of each shareholder.
Funding of future development:	According to the Shareholders' Deed, the working capital needs of Starhigh shall firstly be provided by Starhigh's share capital and reserves and secondly from outside borrowings as the Starhigh Board shall determine from time to time. If further working capital cannot be satisfied from Starhigh's share capital, reserves, outside borrowings, the Starhigh Board may determine that such further working capital requirement shall be satisfied by loans from the Starhigh Shareholders.	According to the Directors, the development of Verakin JV was mainly funded by share capital and reserves of Verakin JV and outside borrowings were also obtained if the internal funding was not sufficient. It was only when both internal funds and outside borrowings was insufficient to finance the development, will the Verakin JV's shareholders then provide the outstanding funds for development.	According to the Directors, the development of Guojia JV was mainly funded by share capital and reserves of Guojia JV and outside borrowings were also obtained if the internal funding was not sufficient. It was only when both internal funds and outside borrowings was insufficient to finance the development, will the Guojia JV's shareholders then provide the outstanding funds for development.
Major role and responsibility:	Day to day management and capital contribution.	Day to day management and capital contribution.	Day to day management and capital contribution.

LETTER FROM HALCYON CAPITAL

We noted from the Directors that the co-operations with the joint venture partners of Verakin JV Partner and Guojia JV Partner were mainly due to their expertise in the Chongqing and Sichuan local property market, of which such expertise in the local Chongqing property market was also possessed by Mr. Tsang as a result of being years of active market player in the Chongqing property market. Following the investing in Verakin Property Group and Guojia JV Partner in 2007, both groups subsequently became two main sub-groups of the Group's PRC property business. In 2013, Verakin Property Group contributed 42% and 20% to the Group's revenue and net profit respectively while Guojia Cheer Gain Group contributed 18% and 26% to the Group's revenue and net profit respectively. Pursuant to the investment agreements entered into between Verakin JV Partner, Guojia JV Partner and the Group respectively, the Group, Verakin JV Partner and Guojia JV Partner at the time of co-operation, contributed either cash or land for development to the joint venture, of which Mr. Tsang pursuant to the Investment Agreement will contribute a total amount of HK\$717.6 million in cash. As stipulated in the investment agreement with Verakin JV Partner and Guojia JV Partner, the joint venture partners had to share any shareholder contribution required according to their respective shareholdings, of which pursuant to the Investment Agreement, the Group and Mr. Tsang also have to provide shareholders' contribution according to their respective shareholdings when necessary. In case Mr. Tsang was unable to provide the necessary funding as required, his shareholding will be diluted according to the current mechanism. We have reviewed the capital contribution of Verakin JV Partner and Guojia JV Partner and noted that they are in-line with their respective shareholdings in the company. In addition, we are aware that the proportions of the capital contribution of each joint venture parties to the cash outflows of the joint venture companies were not necessarily equal to the shareholding of each of the shareholders of the joint ventures, given the joint venture companies similar to Starhigh Group have also been financing their respectively operation mainly via bank borrowings and internally generated funds. As the Group holds 51% interest in both joint ventures with Verakin JV Partner and Guojia JV Partner, the Group has control over of both joint ventures' board, which is in line with the case of Starhigh Group, where after the SP Completion and the Subscription Completion, the Group will continue to control the board of Starhigh. In respect of distribution of profit, profit distribution of both joint ventures with Verakin JV Partner and Guojia JV Partner were based according to the equity interest of each shareholder, by which after the SP Completion and the Subscription Completion, the same profit distribution mechanism (after Marvel Leader has received its Sole Distribution Entitlement in full) will be applied between Mr. Tsang and the Group. We would like to bring to your attention that, during the Group's investment in Verakin JV Partner's subsidiary to form a joint venture with Verakin JV Partner, pursuant to the terms of the investment agreement, Verakin JV Partner did not stipulate any terms to retain any pre-investment profit to be solely distributed to Verakin JV Partner, while pursuant to the Shareholders' Deed, the Group will be able to safeguard the retaining earnings of RMB2.55 billion (equivalent to approximately HK\$3.24 billion) prior to the SP Completion and the Subscription Completion.

In view of the above, we considered that the terms of introducing Mr. Tsang as an investment partner are all in-line with the terms of other joint venture investments which the Group has previously entered into.

Furthermore, Mr. Tsang has been serving the Group for a substantial period of time, there is no assurance that Mr. Tsang would continue to serve the Company and to contribute to the success of the Group as part of the management of the Group. The Directors consider that, as success in the development, sale and completion of projects on schedule are of the utmost importance to CQZY Group as mentioned above. Mr. Tsang's long-term commitment to the Group, and particularly to CQZY Group is one of the key factors. It is vital that Mr. Tsang as an equity holder in CQZY, will bear the opportunities and challenges faced by CQZY at the stakeholder level upon completion of the Share Sale and the Subscription. With Mr. Tsang being introduced as an investor and a shareholder of Starhigh with a shareholding of 40%, the Directors consider that the Company will be able to re-align and bundle the long-term interest of Mr. Tsang with that of the Group and secure his long-term commitment to CQZY Group and the Group. Mr. Tsang will also have to contribute to the financial commitment of CQZY Group in proportion to his respective shareholding in Starhigh pursuant to the Shareholders' Deed. The Directors further consider that, as part of the Group's process of ongoing review of the Group's business activities and planning, Mr. Tsang's

LETTER FROM HALCYON CAPITAL

participation in the Investment Agreement is an important part of the Group's strategic plans for the Group's continuing development in the face of the challenges and opportunities now presented to the Group. The adherence to the business model of partnering with local entrepreneurs, the fine-tuning of the portfolio of properties held by CQZY so as to facilitate and expedite the development of CQZY Group's properties in the Jiazhou Zone, and the adoption of a prudent and cautious investment strategy will be the strategic plans for the Group's continuing development as far as the Chongqing market is concerned. As a safeguard that the Group maintains its competitive edge and succeeds in its strategic plans, the Group will cautiously monitor the Chongqing property market, particularly the strategies of its competitors, and react proactively taking advantage of the combined experience and network available to the Group under its business model of partnering with local entrepreneurs and if possible avoiding excessive competition. The change of role of Mr. Tsang to that of an investment partner is also part of the Group's strategic plans. The execution of the Investment Agreement also signifies Mr. Tsang's long term commitment to the Group. In addition to the proven performance records of Mr. Tsang and his position in the property development industry in Chongqing as stated above, Mr. Tsang has been accorded, among other honours, the honour for Excellence in Entrepreneurship (優秀企業家) jointly by various federations in the building industry in Chongqing including the Chongqing Federation for the Construction Industry (重慶市建築業協會) and the Chongqing Real Estate Association (重慶市房地產業協會). Mr. Tsang has been also cited as one of the top 10 entrepreneurs in the Chongqing real estate industry, which largely indicates his entrepreneurial qualities and personal influences. The Directors are aware that it may seem exceptional for an executive member of a business concern to take up the role of an equity holder, but the proposed change will strengthen the competitiveness of the Group in various aspects as mentioned above, and is therefore in the interests of the Company and Shareholders as a whole. As in the past, the Company will continue to review and adjust its plan and consider any business opportunities that may be presented to the Company from time to time which are in the interests of the Company and Shareholders as a whole.

Besides, as advised by the Directors, the Directors have not considered it necessary to consider introducing any other third party as shareholder to Starhigh Group or CQZY Group. The Directors believe that, in order to maintain the growth momentum of CQZY Group, any such third party has to have a proven track record of success in real estate development, particularly in Chongqing, and have established good working relationships, and experience in dealing, with local authorities and banking institutions, and most importantly the Directors have confidence in such third party and can be assured that he/she fully understands, and possesses the ability to properly execute the Group's strategy and business plans laid down by the Group from time to time. The Directors consider that Mr. Tsang not only fulfills all the above requirements but also will not cause any interruptions to the operations of CQZY Group that might otherwise arise during the transition if any third party were introduced as a shareholder to Starhigh Group or CQZY Group and is delegated with the responsibility of supervising the day-to-day business operation and management of CQZY Group in place of Mr. Tsang. Furthermore, with Mr. Tsang as shareholder, the Group could be able to maintain control over the management and operation of Starhigh Group and CQZY Group and continue to attract and retain talents necessary for the diversified operations of CQZY, which might not otherwise be possible had another third party been introduced as shareholder instead. The Directors also believe that with his thorough knowledge, expertise and vast experience in the PRC real estate development industry and local connections, Mr. Tsang would be able to accelerate returns from Starhigh Group's current developing and future development projects, which is in the interests of the Group and Shareholders.

In addition to the above, the Investment Agreement offers an opportunity for the Group to improve its equity structure in both Starhigh Group and CQZY Group. The capital base of the Starhigh Group will be enlarged by the proceeds to be received from the Subscription in the sum of HK\$624,000,000 (representing approximately 86.96% of the total consideration of HK\$717,600,000 for the Sale Shares and the Subscription Shares). The improved equity structure of Starhigh Group will enhance its ability to arrange for outside borrowings as and when the Starhigh Board may consider necessary on top of the proceeds to be received from the Subscription, for the continuous growth of CQZY Group as more resources through additional capital injection into CQZY Group (which will also improve its equity structure) can be pooled to step up the development speed of a significant portfolio of investment properties and to retain the choicest

LETTER FROM HALCYON CAPITAL

land lots in the Group's land bank for development. In view of this, the Directors consider that the current arrangement comprising the Share Sale and the Subscription is the preferred arrangement following negotiations with Mr. Tsang. As further mentioned in the paragraph headed "4. Financial Effect on the Share Sale and Subscription and Use of Proceeds" of the "Letter from the Board" of the Circular that the equity interest of the Company (through Marvel Leader) in Starhigh Group will be diluted if the transactions contemplated under the Investment Agreement proceed, the Group's financial commitments to CQZY Group will also be lowered in proportion to the dilution. The proceeds to be generated from the Share Sale and the Subscription will also strengthen the Group's general working capital enabling the Group to capture other development opportunities in Western China. Furthermore, by preserving the Group's Sole Distribution Entitlement, the Directors believe that the Group's interest and entitlement to the retained earnings of Starhigh Group prior to the SP Completion and Subscription Completion are safeguarded.

The Directors are of the view and we concur that, by entering into the Share Sale and the Subscription would not only provide additional working capital to the Group as buffer cash and enhance its equity structure in CQZY Group, also could align the long-term interests of Mr. Tsang with those of the Group and securing his long-term commitment to the development of CQZY Group in the future, which we consider by introducing independent third parties would not be able to achieve such benefits in this degree. As such, we consider it is in the interest of the Group and Independent Shareholders as a whole to accept Mr. Tsang as a shareholder of Starhigh Group.

In view of the above, the Directors consider that the terms of the Investment Agreement have been negotiated on an arm's length basis and on normal commercial terms and the terms thereof are fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

2. Potential negative impacts and disadvantages

As for other transactions, the Investment Agreement is not without any potential negative impacts or disadvantages.

(i) Reduction of owners' equity

As mentioned in the paragraph headed "4. Financial Effect on the Share Sale and Subscription and Use of Proceeds" below, the equity interest of the Company (through Marvel Leader) in Starhigh Group will be diluted from 100% to 60% upon the SP Completion and the Subscription Completion. This dilution will give rise to a reduction of an aggregate amount of approximately HK\$1,044.7 million in the Group's owners' equity or HK\$0.40 per Share based on 2,588,223,112 Shares in issue as at the Latest Practicable Date.

The Directors are of the view that, the Group's financial commitments to CQZY Group will be lowered in proportion to the dilution of the Company's equity interest in Starhigh Group as Mr. Tsang will have to share in proportion with the other Starhigh Shareholders the rights (except for Marvel Leader's rights on the Sole Distribution Entitlement) and obligations of CQZY Group (in terms of sharing of its assets, liabilities, financial commitments and results including any of its losses), in that any capital injection to CQZY which may be required from Starhigh Shareholders after the SP Completion and the Subscription Completion will be borne by them in proportion to their respective shareholdings in Starhigh.

Notwithstanding the proposed introduction of Mr. Tsang as a shareholder to Starhigh, funding to CQZY Group's operating cash outflows will be unchanged in accordance with its current proposed financing plan and there is currently no concrete plan of any further capital injection to CQZY by Starhigh Shareholders despite various projects being still under construction or at the planning stage. As mentioned above, the operating cash outflows of CQZY Group will be mainly financed by the proceeds from pre-sale of properties. However, there is no assurance that the progress of pre-sale of properties would not turn out to be slower than currently projected, particularly in view of the recent growing uncertainty over

LETTER FROM HALCYON CAPITAL

the PRC's property market, such that additional capital would be required from Starhigh Shareholders. In this connection, the Shareholders' Deed has proposed provisions requiring Starhigh Shareholders to meet further future working capital requirement of CQZY by way of shareholders' loans and/or subscription for additional Starhigh Shares. The aggregate proceeds of HK\$624 million to be received from the Subscription might appear immaterial when compared with the total operating cash outflows for 2014 to 2016 amounting to approximately RMB9.1 billion (equivalent to approximately HK\$11.6 billion). However, such proceeds could well serve as a cash buffer to immediately meet any temporary working capital shortfall of CQZY Group so as to avoid having any adverse impact on its development pace. Although the Directors consider that there would not be any material change to the availability of banking facilities to CQZY (on a standalone basis or otherwise) after the SP Completion and the Subscription Completion, there is no assurance that bank loans would be available to CQZY as and when required or, if available, would be on terms acceptable to CQZY. In such case, it is important that the aggregate proceeds of HK\$624 million to be received from the Subscription can serve as a cash buffer. As mentioned in the paragraph headed "2.6 Conditions Precedent" above, given that Mr. Tsang has already provided satisfactory evidence of his financial resources in accordance with the Investment Agreement, and based on the Group's long-term dealing with him, the Directors believe that Mr. Tsang would be able to fulfill his obligations should any further capital injection to CQZY Group be required from Starhigh Shareholders. Nevertheless, given the above and in view of the substantial amount of CQZY Group's projected operating cash outflows, there is no assurance that Mr. Tsang could definitely inject sufficient capital to meet any capital shortfall of CQZY Group as and when required. As mentioned in the paragraph headed "2.7 Proposed material terms of the Shareholders' Deed" above, should Mr. Tsang be in default of his capital contribution obligations constituting an event of default set out under the Shareholders' Deed, the Company shall strictly enforce all its rights under the Shareholders' Deed and available at law against Mr. Tsang and/or Mr. Tsang's Nominee to the fullest extent possible, including but not limited to, serving a default notice requiring Mr. Tsang and/or Mr. Tsang's Nominee (as the case may be) not to exercise any of his/its right to attend and vote at general meetings of Starhigh and exercising its pre-emptive right on the Starhigh Shares thereby deemed to be transferred by Mr. Tsang/Mr. Tsang's Nominee as the Company may consider appropriate. In particular, if further working capital shall be funded by way of subscription for additional shares and Mr. Tsang and/or Mr. Tsang's Nominee fails to subscribe for his/its due portion of additional shares, the Company shall have the right to additionally subscribe for all or part of such unsubscribed shares, which will have the effect of diluting Mr. Tsang and/or Mr. Tsang's Nominee's equity interest in Starhigh. In view of such the Directors consider that and we concur, the reduction of owners' equity to be not unreasonable.

(ii) *Potential recognition of share base payment*

Given Mr. Tsang is an employee of the Group, if the Total Consideration is lower than the fair value of the Sale Shares and Subscription Shares at the grant date, the date of fulfilling the last Condition Precedent to be fulfilled as referred to in the paragraph headed "2.6 Conditions Precedent", (i.e. the date when the approval of the Investment Agreement and the transactions contemplated thereunder by Independent Shareholders is obtained), any exceeded amount shall be recognised as share-based payment expense in accordance with the HKFRS 2 requirements. Given, the Total Consideration was greater than the fair value of the equity interest in Starhigh as at 31 December 2013, should Total Consideration continue to be at a premium to the fair value of the equity interest in Starhigh on the date when the approval of the Investment Agreement and the transactions contemplated thereunder by Independent Shareholders is obtained, no share-based payment expense shall be recognized by the Group in accordance with HKFRS 2.

LETTER FROM HALCYON CAPITAL

However, final amount of share-based payment expense, if any, shall be determined on the fair value of the Sale Shares and the Subscription Shares on the grant date. If the fair value of the Sale Shares and the Subscription Shares on the grant date is significantly higher than the fair value as at 31 December 2013, the final amount of share-based payment expense to be recognized by the Group may be significant.

The Directors are of the view that, given it is unable for the Directors to ascertain the date of obtaining approval of the Investment Agreement and the transactions contemplated thereunder by Independent Shareholders neither the pricing trend of the PRC property market, thus the Directors had negotiated the best outcome to determine the Total Consideration at a premium of 11% over the fair value of the equity interest in Starhigh as at 31 December 2013. Such 11% premium provided a fair buffer catering for any upward movement in the value of the underlying properties of Starhigh Group. The Directors did acknowledge that, should the fair value of the equity interest in Starhigh on the date of obtaining approval of the Investment Agreement and the transactions contemplated thereunder by Independent Shareholders increased by more than 11% over its corresponding fair value as at 31 December 2013, share-based payment expense shall be recorded. However, taking into account (i) the foreseen the long term commitment of Mr. Tsang; (ii) the Total Consideration had already represented a 11% premium towards the fair value of the equity interest in Starhigh as at 31 December 2013; and (iii) it is not viable to ascertain whether there will be any possible share-based payment expense at the time of entering into the Investment Agreement, as such the risk of the possible recognition of share-based payment expense is consider to be generic and inevitable in transaction of such kinds, the Directors considered that and we concur, despite there will be risk of the Group in recognizing share-based payment expense, taking into account the Share Sale and Subscription totally, such risk of recognition of share-based payment expense is consider not unacceptable.

3. *Information on Marvel Leader and Starhigh Group*

Marvel Leader is a private limited company incorporated in the BVI on 11 May 2006 with a current issued share capital of US\$50,000 (equivalent to approximately HK\$388,000) which is directly wholly-owned by the Company. Marvel Leader is an investment holding company and the registered and beneficial owner of Starhigh. The principal business activity of Marvel Leader is investment holding.

Starhigh is a private limited company incorporated in the BVI on 17 March 2006, Marvel Leader originally held 1 Starhigh Share, being the then entire issued share capital of Starhigh. On 4 April 2014, Starhigh issued and allotted, and Marvel Leader subscribed, 2,999 Starhigh Shares at a total subscription price of US\$2,999 (equivalent to approximately HK\$23,272). As a result, Starhigh has a current issued share capital of US\$3,000 (equivalent to approximately HK\$23,280) which is directly wholly-owned by Marvel Leader. Starhigh is an investment holding company and the registered and beneficial owner of Charm Best. The sole business of Starhigh is the ownership of Charm Best.

Charm Best is a private limited company incorporated in Hong Kong on 30 March 2006 with a current issued share capital of HK\$1 which is directly wholly-owned by Starhigh. Charm Best is an investment holding company and the registered and beneficial owner of CQZY. The sole business of Charm Best is the ownership of CQZY.

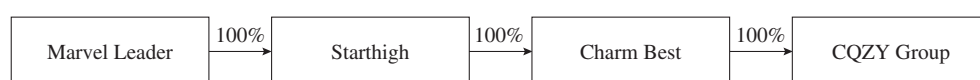
CQZY is a privately-owned enterprise established in the PRC on 11 June 1992 with a current registered and paid-up capital of US\$131,000,000 (equivalent to approximately HK\$1,016,560,000) which is directly wholly-owned by Charm Best. The principal business of CQZY Group is property development and investment in the PRC.

LETTER FROM HALCYON CAPITAL

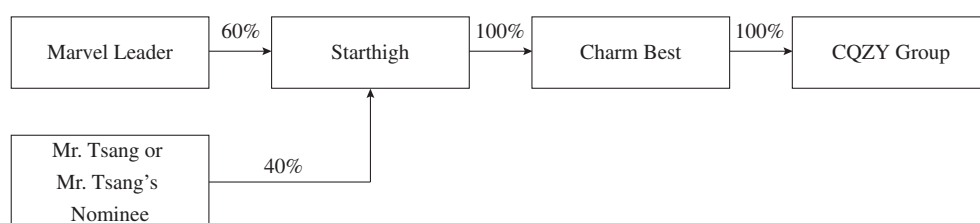
During the period from 2007 to 2013, CQZY Group has completed various property development projects of over 1.3 million sq.m. As at the Latest Practicable Date, CQZY Group currently owns a property portfolio of completed properties and developing projects with a total GFA of about 3.5 million sq.m consisting of residential, commercial and hotel complexes which are mainly situated right at the heart of the Yubei District of Chongqing, a district where the central government administration region, major highway junctions and a new rail transportation hub are located. The market value of CQZY Group's property portfolio as at 31 August 2014 was valued at RMB13,837 million by the Professional Valuer. For details, please refer to the "Letter from the Board" and "Appendix II – Property Valuation Report".

The following chart sets out the corporate structure of Marvel Leader and Starthigh Group immediately before and after the SP Completion and the Subscription Completion:

Immediately before the SP Completion and the Subscription Completion:



Immediately after the SP Completion and the Subscription Completion:



Financial information of Starthigh Group

The unaudited financial information of Starthigh Group prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and included in the consolidated financial statements of the Company is as follows:

	Six months ended 30 June 2014 HK\$'000 (Unaudited)	For the year ended 31 December	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Revenue	1,348,565	1,879,475	2,697,939
Profit Before Tax	463,128	661,395	1,014,617
Net Profit	136,239	263,908	333,021
	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Total Assets	15,053,090	15,639,746	14,617,850
Total Liabilities	7,826,712	8,506,217	7,980,288
Net Assets	7,226,378	7,133,529	6,637,562

LETTER FROM HALCYON CAPITAL

Revenue and net profit of Starthigh Group decreased by approximately 30% and 21% respectively for the year ended 31 December 2013. Such decrease was mainly contributed by the decrease in delivery of the properties pre-sold, which was because of the decrease in completion area of on schedule completed projects by 33% to 230,800 sq.m, and hence decreased the revenue and profit recognised in 2013.

Total assets of Starthigh Group as at 31 December 2013 mainly comprised of properties held for/ under development and completed properties held for sale amounted to approximately HK\$11,884.6 million and cash and bank balances and time deposits amounted to approximately HK\$2,777.0 million. Starthigh Group also recorded total liabilities amounting to approximately HK\$8,506.2 million mainly comprising of bank borrowings of approximately HK\$1,915.0 million, receipts in advance of approximately HK\$1,766.4 million and tax payable and deferred tax amounting to approximately HK\$2,527.5 million.

For the six months ended 30 June 2014, the Starthigh Group's revenue and net profit were amounted to approximately HK\$1,348.6 million and HK\$168.2 million respectively which was mainly contributed by the delivery of the properties pre-sold. Starthigh Group also recorded a slight increase in net asset value by 1.3% being the profit contribution of the six months period and the exchange reserve movement.

According to the Directors, save as one bank loan which has already been fully repaid on 4 August 2014, all other outstanding banking facilities were pledged with CQZY Group's asset and no shareholders' guarantee was required. The Directors do not anticipate any change in credit facility, guarantee arrangement or refinancing of CQZY's current banking facilities after the SP Completion and the Subscription Completion.

Future capital requirements of Starthigh Group

According to the Directors, based on CQZY Group's current preliminary estimation at the time of our review, its total operating cash outflows from 2014 to 2016 would be approximately RMB9.1 billion (equivalent to approximately HK\$11.6 billion) comprising development costs, tax expenses as well as marketing, operating and interest expenses. Based on CQZY Group's current development and proposed financing plan, CQZY Group will focus on the development of its Yubei Projects and the related expenditures mentioned above would be financed mainly by the proceeds from pre-sale of properties, with any shortfall by bank loans. Any further capital requirements would be satisfied by way of additional capital injection by Starthigh into CQZY utilizing the aggregate proceeds of HK\$624 million to be generated from the Subscription and such other funds as the Starthigh Board may decide in accordance with the financing obligations of the Starthigh Shareholders under the Shareholders' Deed.

According to the Shareholders' Deed, the working capital needs of Starthigh shall firstly be provided by Starthigh's share capital and reserves and secondly from outside borrowings as the Starthigh Board shall determine from time to time. If further working capital cannot be satisfied from Starthigh's share capital, reserves, outside borrowings and the Starthigh Board decides that such further working capital requirement shall be satisfied by loans from the Starthigh Shareholders, then the Starthigh Shareholders shall advance to Starthigh in proportion to their respective shareholdings in Starthigh at such time such sums as shall be specified by the Starthigh Board and on terms as the Starthigh Shareholders shall agree. If the Starthigh Board decides that such further working capital shall be funded by the Starthigh Shareholders by way of subscription of additional Starthigh Shares, then the Starthigh Shareholders shall subscribe such additional Starthigh Shares in proportion to their respective shareholdings in Starthigh at such time and on such terms as the Starthigh Board shall decide.

LETTER FROM HALCYON CAPITAL

The Directors are of the view that, the proposed financing plan of CQZY Group for its development by the proceeds from pre-sale of properties, with any shortfall by bank loans is in line with the Group's on-going financing strategy. The proceeds from the Subscription can also serve as an additional cushion to the CQZY Group's future possible finance needs.

We have discussed with the management of the Group regarding the financing plan and the pre-sales schedule of CQZY Group, for details of the financing plan and the pre-sales schedule, please refer to the section headed "Information on Marvel Leader and Starhigh Group" of the "Letter from the Board" of the Circular.

We note that CQZY Group's operating cashflow for 2014 to 2016 would be financed mainly by the proceeds from sales and pre-sale of properties, with any shortfall by bank loans. The Directors believe that, despite various projects are still under construction or at the planning stage, proceeds from pre-sale of properties and bank loans should provide sufficient funds to meet CQZY Group's operating cash outflows during the period. Any bank loans to be obtained by CQZY Group would normally be secured by pledging to the banks the land use rights of the relevant projects. Should any guarantee be required from Starhigh Shareholders for securing any such bank loans, it will be provided by Starhigh Shareholders on a pro-rata basis. However, should any bank borrowings become insufficient or not available in circumstances beyond the control or expectation of CQZY and/or should the progress of pre-sale of properties be slower than currently projected, particularly in view of the recent growing uncertainty over the PRC's property market, the aggregate proceeds of HK\$624 million to be received from the Subscription could well be served as a cash buffer to meet any temporary working capital shortfall of CQZY Group so as to avoid having any adverse impact on its development pace to the extent possible in line with the Group's prudent and cautious investment strategy. The Directors are of the view that the success in the development, sale and completion of properties on schedule is of the utmost importance to CQZY Group. Although currently no shareholders' loan is required from Starhigh Shareholders based on CQZY Group's current proposed financing plan, should any change in the situation warrant the call for further working capital from Starhigh Shareholders, such additional working capital will be called from the Starhigh Shareholders in proportion to their respective shareholdings in Starhigh. The Shareholders' Deed has proposed provision requiring Starhigh Shareholders (including Mr. Tsang's Nominee) to meet further future working capital requirement of CQZY Group by way of shareholders' loans and/or subscription for additional Starhigh Shares in due proportions as the Starhigh Board may decide.

As mentioned in the paragraph headed "2.6 Conditions Precedent" of the "Letter from the Board" of the Circular, Mr. Tsang has already provided satisfactory evidence in the form of a written credit reference given by a financial institution showing that financial resources are available to him to meet his payment obligations under the Investment Agreement. We have reviewed copy of a confirmation issued by a financial institution to Marvel Leader and Starhigh confirming that the financial institution had committed to provide to Mr. Tsang a 5-year term loan facility for his discharge and settlement of all his payment obligations under the Investment Agreement. Based on the copy of confirmation we have reviewed, we concur with the Directors that, Mr. Tsang has already provided satisfactory evidence of his ability to meet his payment obligations under the Investment Agreement.

Moreover, the Starhigh Board has no intention to declare any dividend between 2014 and 2016 or thereafter unless and until Marvel Leader has received the Sole Distribution Entitlement pursuant to the Shareholders' Deed. In such circumstances and taking into account the market trend of the PRC property market, the Directors consider that the Investment Agreement of introducing Mr. Tsang as a shareholder of Starhigh with 40% equity interest could help ensure that CQZY Group's capital requirement could be satisfied as the equity structure in both Starhigh Group and CQZY Group would be improved.

LETTER FROM HALCYON CAPITAL

Based on the discussion with the management of the Group, we note that pre-sales proceeds from sales of properties and bank loans among other things have always been the sources of funding of CQZY Group's development.

The estimated sales and pre-sales proceeds were based on the development plan and sales plan of CQZY Group which were prepared by the senior management and reviewed by the Directors. We note that, save as projects which will commence pre-sales in the 4th quarter of 2014, in 2015 and 2016, all projects which CQZY Group had forecasted to record sales or pre-sales proceeds had already obtained necessary pre-sales permit. We also noted that, the pre-sales schedule was based on the development plan and the historical sales recorded of CQZY Group. We understand that, it normally takes around 2 months to obtain the necessary pre-sales permits and according to the management of CQZY Group, they will apply for the pre-sales permit for the upcoming pre-sales in the 4th quarter of 2014, in 2015 and 2016, approximately 3 to 4 months before the commencement of the respective pre-sales. From our discussion with the management of the Company, CQZY Group did not encounter any material delay in obtaining and considered that the building in of a 4 months' time period for applying the pre-sales permit have already been factored in certain buffer in case of any minor delay in the application. According to the management of the Company, all necessary pre-sales permit regarding the pre-sales of CQZY Group's properties in 2014 had already been obtained or applied for (as the case maybe). We consider that the sales plan which took into account the construction progress according to the development plan of each individual project is an appropriate basis to formulate the cash inflow from sales and pre-sales proceeds projections.

In addition, when estimating the cash inflow from sales and pre-sales proceeds, at the time of our review, we note that the Directors took into account the actual aggregate level of area sold in 2013 with estimated selling price referred to the latest average selling price of CQZY Group's latest sales records. For new projects which will commence pre-sales by the end of 2014, in 2015 and 2016, CQZY Group estimated the average selling price with reference to the latest selling price of projects nearby. We also note that the projects which CQZY Group made reference to were projects which CQZY Group had commenced pre-sales, and locations of such projects were within walking distance to the new projects. The increase in the expected selling price of 8% per year from 2014 to 2016 is mainly due to the sale of different product mix within the projects of CQZY Group. We noted that the selling price of each property category was based on its historical average selling price of the project. The fluctuation of average selling prices during 2014 to 2016 was mainly due to the sale of different product mix of each project. The estimation of the sale of each property category by the Directors is mainly based on the construction progress of each project and their sales plan formulated by the senior management and approved by the Directors. The estimation has also made reference to the historical sales results of CQZY Group.

When estimating the rental income of CQZY Group, for 2014 the Directors estimated that the rental income will be more or less identical to 2013. While for 2015 and 2016, the Directors took into account the newly established commercial area which will be available for rental in the 4th quarter of 2015. The estimated rental income for 2015 will take into account 3 months rental income from the new commercial area expected to be completed in mid-2015 and the estimated rental income for 2016 will take into account the full year effect of renting out the new commercial area.

When estimating the cash inflows from the banking facilities, we note that the Directors took into account the banking facility offered by a financial institution amounted to RMB1.4 billion which CQZY Group commenced draw down in September 2014.

LETTER FROM HALCYON CAPITAL

When estimating the cash outflows of CQZY Group, we noted that the Directors have taken into account the estimated development costs of each project according to the construction budget plans. When coming up the construction budget plan, the management of CQZY Group has based the contract amount of the construction contracts or quotations obtained on hand. CQZY Group had also build-in certain reasonable buffer to cater for any unforeseen pricing adjustments and design change. The construction budget plans have also factored in all prices of construction contracts or purchase orders entered into or quotation obtained of each of CQZY Group's projects. We have reviewed certain items of the construction plan and we noted that the contract amounts of the items being reviewed were agreed to the construction contracts or purchases entered into by CQZY Group with their construction contractors or suppliers. We also understand that the fluctuation on the development cost is mainly due to the construction progress of the projects according to the development plan.

Cash outflows on repayment of banking facilities were estimated based on the repayment terms according to the banking facilities.

In the recent years, property market in the PRC have been subject to the aftermath of the austerity measures implemented by the PRC government. Any further implementation of the austerity measures on the Chongqing property market by the government will affect CQZY Group's performance. However, such ever changing external circumstances of property market condition are not predictable by the Directors and we noted that the Directors have been forecasting CQZY Group's future expenditure and financing projections prudently based on latest available historical figures, with no increment on price nor area to be sold in the upcoming years, instead the expected areas to be sold in the upcoming two years are estimated to be on a stable trend which the Directors considered and we concur that, such estimation had already factored in the possibility of change in external circumstances. We consider that it is appropriate to make the estimation of future capital requirements of CQZY Group based on the above assumptions.

We also note that the Directors currently do not have any immediate plan to change the financing plan of CQZY Group after the SP Completion and the Subscription Completion, which will be by way of pre-sales proceeds and bank loans. We consider that the change in shareholding of CQZY Group should not be a primary reason for changing CQZY Group's financing plan, as the currently financing plan accordingly to the Directors is considered to be appropriate for CQZY Group's development. Nevertheless, due to the ever changing external circumstances, it is prudent for the Group to introduce Mr. Tsang as a strategic investor, in case any part of the currently financing plan does not materialise, the Group would still be able to offload part of its' financial burden to Mr. Tsang.

In view of the austerity measures implemented by the PRC Government in the recent years, we concur with the Directors' view that, despite the Group as at the Latest Practicable Date did not have any concrete plan on shareholders' financing of Starhigh, should any bank borrowings become insufficient or not available in circumstances beyond the control or expectation of CQZY and/or should the progress of pre-sale of properties be slower than originally estimated, the aggregate proceeds of HK\$624 million to be received from the Subscription could well be served as a cash buffer to meet any temporary working capital shortfall of CQZY Group so as to avoid having any adverse impact on its development pace to the extent possible in line with the Group's prudent and cautious investment strategy and in case any financing of Starhigh is required from Starhigh Shareholders, the contribution shall be based on the Starhigh Shareholders' then shareholdings of Starhigh, which will enable the Group to off-load certain future possible capital requirements of the Starhigh Group to Mr. Tsang, as a shareholder and at the same time to retain the controlling interest in Starhigh Group and enjoy any possible future contribution of Starhigh, which is in the interest of the Group and Independent Shareholders as a whole.

LETTER FROM HALCYON CAPITAL

According to the Directors, they have considered the ability of Mr. Tsang to make future capital injection if required when negotiating the proposed terms of the Shareholders' Deed with him. The Directors are of the view that, regardless of whether Mr. Tsang will be able to make capital injection when necessary, the proposed terms as stipulated in the Shareholders' Deed have already safeguarded the Group's future interest in CQZY Group as according to the proposed terms of the Shareholders' Deed, should Mr. Tsang be unable to inject capital when necessary, the shareholding of Mr. Tsang will be diluted through the operation of the relevant provisions in the Shareholders' Deed.

We concur with the Directors' view that the proposed terms stipulated in the Shareholders' Deed to dilute Mr. Tsang's shareholding if he is unable to contribute to the require capital injection would be sufficient to safeguard the Group's on-going investment in CQZY Group upon Completion.

In addition, as the future capital requirement of CQZY Group is unable to be accurately determined at this point of time and for any forecast on future capital requirement of CQZY Group will involve many assumptions and estimations. In fact, events and circumstances frequently do not occur as expected, the difference between the estimated capital requirement and the actual requirement may be material. As such it is not appropriate to assess the ability of Mr. Tsang in fulfilling the future capital requirement. Instead, the Company should rely on the proposed terms of the Shareholders' Deed to safeguard the Group's contribution and entitlement in CQZY Group.

4. *Market overview of the Chongqing property market*

According to certain statistical information of Chongqing, the total area of commercial property sold in the first quarter of 2014 was approximately 10,131,700 sq.m, representing a drop of approximately 2.7% as compared to that of the first quarter of 2013. Among the total area sold, residential property accounted for approximately of 9,258,400 sq.m, representing a drop of approximately 5.1% in area sold and 2.2% in sales, as compared to the first quarter of 2013. Statistical information of Chongqing further revealed that, in the first quarter of 2014, the total land area purchased by the property developers and new housing construction area was approximately 3,820,400 sq.m and 9,537,100 sq.m respectively, representing a decrease of approximately 23.7% and 39.0% respectively, as compared to that of the first quarter of 2013.

Based on the study of statistical information of Chongqing, the slowdown in Chongqing property market was mainly due to i) implementation of the "National Five Policies" ("國五條"), which was announced during the executive meeting of the State Council in 2013, with the purpose to strengthen market regulations and tighten the macro-control in the PRC property market; ii) the formation of credit crunch, as evidenced by the decrease in total amount of mortgage loans, caused by the weakening of overall sentiment in the PRC property market; and iii) saturation of urban population and population control in the core city area under the new urban development policy in Chongqing.

In view of the above, we concur with the Directors' view that while the housing market will remain strong in the long-run, there might be short-term fluctuations in the market if the relevant PRC Government imposes further restrictive and cooling measures to regulate the property market and to discourage speculations. To tackle any unforeseen short-term fluctuations in the PRC property market, the Directors consider and we concur that, it is necessary for the Group to be well prepared for any short-term fluctuations in the market and introduce strategic investor to reduce the Group's financial burden during any downturn in the economy.

LETTER FROM HALCYON CAPITAL

5. *Principal terms of the Investment Agreement*

i) Sale and purchase of the Sale Shares and the subscription of the Subscription Shares

Subject to the fulfilment (or waiver) of the Conditions Precedent, on the SP Completion, Marvel Leader shall sell as the legal and beneficial owner, and Mr. Tsang shall purchase or procure the purchase by Mr. Tsang's Nominee of, 240 Starhigh Shares free from encumbrances and together with all rights at the SP Completion and thereafter attaching thereto subject to the restrictions set out in the Articles, the terms of the Shareholders' Deed and any arrangements which may be agreed between Marvel Leader and Mr. Tsang and any other Starhigh Shareholders from time to time. The sale and purchase of all the Sale Shares shall be completed simultaneously. The Sale Shares will represent 8% of the then total issued share capital of Starhigh upon the SP Completion, and will represent approximately 5.22% of the total issued share capital of Starhigh on a fully diluted basis upon the SP Completion and the Subscription Completion.

Subject to the fulfilment (or waiver) of the Conditions Precedent, Starhigh shall issue and allot, and Mr. Tsang shall subscribe for, or procure the subscription by Mr. Tsang's Nominee of, a total of 1,600 Subscription Shares which shall be issued and allotted by Starhigh as fully paid and free from all encumbrances. Upon the Subscription Completion, the issued share capital of Starhigh will increase from US\$3,000 (equivalent to approximately HK\$23,280) to US\$4,600 (equivalent to approximately HK\$35,696) by the issue and allotment of the Subscription Shares. Taking into account the SP Completion, the Subscription Shares will represent approximately 34.78% of the total issued share capital of Starhigh on a fully diluted basis. Upon the SP Completion and the Subscription Completion, Starhigh will be owned as to 60% by Marvel Leader and as to 40% directly or indirectly by Mr. Tsang.

ii) Proposed material terms of the Shareholders' Deed

Pursuant to the Investment Agreement, Marvel Leader, Starhigh and Mr. Tsang have agreed, as a completion deliverable to the SP Completion and Subscription Completion (whichever is earlier), that Marvel Leader, Starhigh, Mr. Tsang (and where applicable Mr. Tsang's Nominee) shall enter into a shareholders' deed relating to the management and operation of Starhigh. The main features of the proposed material terms of the Shareholders' Deed (which are subject to finalisation among Marvel Leader, Starhigh and Mr. Tsang) are set out below:

- (1) subject to the provisions mentioned in sub-paragraph (2) below and other terms and conditions in the Shareholders' Deed, all profits legally permissible and available for distribution shall be distributed by way of dividend to the Starhigh Shareholders in proportion to their respective shareholdings in Starhigh at such time as the Starhigh Board may determine;
- (2) Mr. Tsang's Nominee agrees and undertakes that whenever Starhigh distributes any dividend to Starhigh Shareholders, Mr. Tsang's Nominee absolutely and irrevocably, among others, (a) assigns, and directs Starhigh to pay, to Marvel Leader all such dividend to which Mr. Tsang's Nominee is entitled, and (b) waives all of its entitlement and right to receive such dividend to which Mr. Tsang's Nominee is otherwise entitled, until the cumulative amount of the dividend so paid to Marvel Leader is equal to RMB2.55 billion (equivalent to approximately HK\$3.24 billion) ("Sole Distribution Entitlement").

LETTER FROM HALCYON CAPITAL

The amount of the Sole Distribution Entitlement was determined following arm's length negotiations on normal commercial terms between the parties to the Investment Agreement, having regard to, among other things, the undistributed retained earnings of CQZY Group as at 31 December 2013 amounting to approximately RMB2.29 billion (equivalent to approximately HK\$2.91 billion).

The Directors consider that as the Group's financial resources will mostly be deployed for its development projects and investment in the PRC and the costs of repatriation of funds from and to the PRC comprising the immediate payment of PRC withholding tax upon distribution of dividends at a tax rate of 10% and potential exchange losses on remittance of such funds back to the PRC for its projects and investment, it is not currently intended by the Group to distribute the Sole Distribution Entitlement or any part thereof prior to the SP Completion or the Subscription Completion. With the Group's interest in and entitlement to the Sole Distribution Entitlement being safeguarded under the Shareholders' Deed, the Group may arrange for distribution of the Sole Distribution Entitlement or any part thereof at any time. Furthermore, in view of the Group's funding requirements in terms of its mode of operations where working capital will be used in or reinvested in the property business conducted in the PRC, the Shareholders' Deed has proposed provisions allowing the Group to make use of the undistributed funds by allowing CQZY at the request of Marvel Leader to lend any part of the undistributed funds sufficient for the Sole Distribution Entitlement to any companies of the Group other than the Starhigh Group. The Directors therefore consider it not in the interests of the Group to make the arrangement a Condition Precedent to the SP Completion and/or the Subscription Completion in terms of cash flow management and taking into consideration the costs of repatriation of funds. The Directors will determine distribution of the Sole Distribution Entitlement when it is deemed necessary in the interests of the Group in terms of cash flow management and costs of repatriation of funds.

In view of the benefits of the deferral of the payment of withholding tax amount of RMB255 million (10% of Sole Distribution Entitlement) and the reduction of the possibility of any potential exchange losses that may be arisen on remittance of such funds back to the PRC for the Group's projects and investment if the Sole Distribution Entitlement would not be made on or before the SP Completion and/or Subscription Completion, the Directors consider, and we concur, that the adoption of a flexible strategy in the distribution of the Sole Distribution Entitlement allowing the Directors to determine the appropriate time of distribution when it considers necessary in terms of cash flow management and costs of repatriation of funds, is on normal commercial terms, fair and reasonable and is in the interests of the Group and the Independent Shareholders as a whole;

- (3) the Starhigh Shareholders shall agree to and procure the director(s) appointed by them to agree to CQZY, at the request of Marvel Leader, to lend such portion of all or any amount available for distribution by CQZY to Charm Best but not otherwise distributed, up to a cumulative amount which would have been sufficient for Starhigh to distribute the Sole Distribution Entitlement, had such amount been distributed by CQZY to Charm Best and by Cham Best to Starhigh, to any companies of the Group other than the Starhigh Group, on such terms and with or without security as Marvel Leader may determine from time to time;

LETTER FROM HALCYON CAPITAL

- (4) the Starthigh Board initially comprises 4 directors all being appointed by Marvel Leader, and if and as long as its shareholdings reach or exceed 25% of the then entire issued share capital of Starthigh, Mr. Tsang's Nominee shall have the right to appoint Mr. Tsang as a director to the Starthigh Board. Any further appointment or removal of directors of Starthigh shall be determined by the Starthigh Board, save and except, if at any time Mr. Tsang beneficially holds less than 25% of the then entire issued share capital of Starthigh, Mr. Tsang shall be removed as a director of Starthigh immediately;
- (5) the Starthigh Board shall be responsible for the overall management of Starthigh Group, and may delegate its power, including daily operation of the business or such other matters relating to CQZY Group and any member of Starthigh Group, to Mr. Tsang or other committee or advisers for such period as the Starthigh Board may determine;
- (6) for a period of 10 years commencing from the date of the Shareholders' Deed, Mr. Tsang's Nominee shall not, without the prior written consent of Marvel Leader or except as specifically permitted by the Shareholders' Deed, directly or indirectly sell, transfer, assign, dispose of, pledge, mortgage or charge or give the whole or any part of its legal or beneficial interest in or otherwise grant any interest of any kind or create any encumbrance in the legal or beneficial interest in any of the Starthigh Shares or the certificates representing any of the Starthigh Shares now or in the future held by it, other than pursuant to a transfer in accordance with the terms set out in the Shareholders' Deed. If Mr. Tsang's Nominee proposes to sell, transfer or otherwise dispose of all or any portion of its Starthigh Shares, Mr. Tsang's Nominee shall give a transfer notice to Marvel Leader and Starthigh regarding its proposal to transfer Starthigh Shares and Marvel Leader shall have the pre-emptive right on the Starthigh Shares proposed to be transferred by Mr. Tsang's Nominee, subject to the terms set out in the Shareholders' Deed. Marvel Leader shall have the right to appoint an independent firm of certified public accountants, professional valuation firm or other consultancy firm rendering valuation services in Hong Kong as an expert for determining the fair market value of the Starthigh Shares proposed to be sold, transferred or otherwise disposed of by Mr. Tsang's Nominee as at the date of the transfer notice. In determining the fair market value of the Starthigh Shares, the said expert shall, to the extent practicable, apply a basis of valuation which is in line with the basis of valuation of the Starthigh Shares when determining the consideration of the Sale Shares and Subscription Shares for the purposes of the Investment Agreement, and may take into account all such factors and circumstances as shall seem to them relevant, including but not limited to the rights and benefits attached to such Starthigh Shares.

The Directors considered and we concur that the basis in determining the consideration for the transfer of Starthigh Shares upon exercise of the above mentioned pre-emptive right, by apply a basis of valuation which is in line with the basis of valuation of the Starthigh Shares when determining the consideration of the Sale Shares and Subscription Shares for the purposes of the Investment Agreement, subject to the then compliance of the Listing Rules, is considered to be an acceptable basis in determining the consideration, should the Group is required to exercise of the above mentioned pre-emptive right.

- (7) Mr. Tsang shall undertake with Marvel Leader and Starthigh that during the term of the Shareholders' Deed:

LETTER FROM HALCYON CAPITAL

- (a) if so designated by the Starhigh Board, he shall be responsible for the management of the day-to-day business and operations of CQZY Group, including the preparation of business plans and budget of CQZY Group;
 - (b) if so designated by the Starhigh Board, he shall be engaged by CQZY in the current positions he is holding in CQZY, and by Yunnan Zhong Yu in the current positions he is holding in Yunnan Zhong Yu, and such other engagements and for such period as the Starhigh Board may determine from time to time; and
 - (c) for so long as Mr. Tsang's Nominee holds any Starhigh Shares, Mr. Tsang shall not, and shall not procure to, without the prior written consent of Marvel Leader, directly or indirectly transfer, assign or otherwise create any encumbrance in any of the shares of Mr. Tsang's Nominee or the holding company of Mr. Tsang's Nominee (where applicable) or the certificates representing any of the shares of Mr. Tsang's Nominee or the holding company of Mr. Tsang's Nominee (where applicable) now or in the future held by him;
- (8) Mr. Tsang absolutely, irrevocably and unconditionally guarantees to Marvel Leader and Starhigh as primary obligor the full, due and punctual performance, satisfaction, payment, discharge and observance of all obligations, covenants and undertakings to be performed and/or discharged by Mr. Tsang's Nominee and undertakes and agrees that he will forthwith perform, satisfy, pay, discharge and/or observe the obligations of Mr. Tsang's Nominee under the Shareholders' Deed (including but not limited to the provisions relating to the financing obligations of Starhigh Shareholders set out in sub-paragraph (10) below and the assignment and waiver of entitlement to dividend of Starhigh set out in sub-paragraph (2) above) and undertakes and agrees that he will forthwith perform, satisfy, pay, discharge and/or observe the obligations of Mr. Tsang's Nominee under the Shareholders' Deed on demand and will make good to and indemnify and keep indemnified Marvel Leader and Starhigh in respect of all losses, costs and expenses sustained by Marvel Leader and Starhigh by reason or in consequence of any default by Mr. Tsang's Nominee in respect of any such obligations of Mr. Tsang's Nominee under the Shareholders' Deed;
- (9) each of Mr. Tsang (for so long as he continues to be beneficially interested in any Starhigh Shares) and Mr. Tsang's Nominee (for so long as it continues to be legally and/or beneficially interested in any Starhigh Shares) undertakes and covenants to and for the benefit of the Marvel Leader and Starhigh, that he/it shall not directly or indirectly on his/its own account or on behalf of any other person and whether as principal, shareholder, partner, employee, agent or otherwise, and he/it will procure his/its associates, as applicable, not to, at any time during the term of the Shareholders' Deed and for a period of one year after the date of termination of the Shareholders' Deed or the date on which Mr. Tsang or Mr. Tsang's Nominee (as the case may be) ceases to be legally and/or beneficially interested in any Starhigh Shares, whichever is earlier, among others,
- (a) within all such territories in which CQZY Group conducts its business from time to time (including but not limited to Chongqing, the PRC), carry on or be concerned or interested or engaged in or acquire or hold any right or interest in (i) any business similar to or competing with the business carried on by Starhigh Group from time to time, (ii) the setting up, operation or management of any business similar to or competing with the business carried on by Starhigh Group from time to time; or (iii) provision of any services in relation to any business similar to or competing with the business carried on by Starhigh Group from time to time;

LETTER FROM HALCYON CAPITAL

- (b) canvass or solicit any business carried on by Starhigh Group from time to time from any person who was at any time in the twelve-month period ending on the date in question a client or customer of Starhigh Group; or
 - (c) do any business carried on by Starhigh Group from time to time with any person who was at any time in the twelve-month period ending on the date in question a client or customer of Starhigh Group;
- (10) the working capital needs of Starhigh shall firstly be provided by Starhigh's share capital and reserves and secondly from outside borrowings as the Starhigh Board shall determine from time to time. If further working capital cannot be satisfied from Starhigh's share capital, reserves, outside borrowings and the Starhigh Board decides that such further working capital requirement shall be satisfied by loans from the Starhigh Shareholders, then the Starhigh Shareholders shall advance to Starhigh in proportion to their respective shareholdings in Starhigh at such time such sums as shall be specified by the Starhigh Board and on terms as the Starhigh Shareholders shall agree. If the Starhigh Board decides that such further working capital shall be funded by the Starhigh Shareholders by way of subscription of additional Starhigh Shares, then the Starhigh Shareholders shall subscribe such additional Starhigh Shares in proportion to their respective shareholdings in Starhigh at such time and on such terms as the Starhigh Board shall decide; and
- (11) (a) the occurrence of the following events to or in relation to Mr. Tsang and/or Mr. Tsang's Nominee shall constitute an event of default under the Shareholders' Deed:
- (i) Mr. Tsang and/or Mr. Tsang's Nominee shall commit a material breach or shall commit persistent material breaches of the Shareholders' Deed, the Investment Agreement or the Articles, which, if capable of remedy, has/have not been remedied within thirty days of the Starhigh Shareholders (other than Mr. Tsang and/or Mr. Tsang's Nominee) serving notice on Mr. Tsang and/or Mr. Tsang's Nominee;
 - (ii) Mr. Tsang and/or Mr. Tsang's Nominee shall be the subject of an Insolvency Event;
 - (iii) Mr. Tsang and/or Mr. Tsang's Nominee is convicted of any criminal offence involving fraud, dishonesty, corruption under the laws of Hong Kong, the PRC or any other jurisdictions or any other serious offences which in the opinion of the Starhigh Board would or would likely prevent Mr. Tsang and/or Mr. Tsang's Nominee from properly discharging his/its obligations under the Shareholders' Deed; or
 - (iv) there is a Change of Control of Mr. Tsang and/or Mr. Tsang's Nominee;

LETTER FROM HALCYON CAPITAL

- (b) upon the occurrence of an event of default, without prejudice to any other rights or remedies available to Marvel Leader with respect of Mr. Tsang and/or Mr. Tsang's Nominee as the defaulting party(ies), Marvel Leader may serve a default notice requiring Mr. Tsang and/or Mr. Tsang's Nominee (as the case may be) not to exercise any of his/its right to attend and vote at general meetings of Starhigh; and Mr. Tsang/Mr. Tsang's Nominee would then be deemed to have served a transfer notice in respect of its Starhigh Shares, such that Marvel Leader shall have the pre-emptive right on the Starhigh Shares deemed to be transferred by Mr. Tsang/Mr. Tsang's Nominee, subject to the terms set out in the Shareholders' Deed. The purchase price for such Starhigh Shares shall first be determined by agreement between Mr. Tsang and/or Mr. Tsang's Nominee (on one part) and Marvel Leader (on the other part), failing which the purchase price for such Starhigh Shares shall be determined by an independent firm of certified public accountants, professional valuation firm or other consultancy firm rendering valuation services in Hong Kong. The purchase price for such Starhigh Shares shall be determined on the date when the default notice was served and in the same manner as the fair market value of the Starhigh Shares is determined pursuant to sub-paragraph (6) above with a discount of 10%;
- (c) upon completion of the said transfer of Starhigh Shares, the Shareholders' Deed shall be terminated as between the defaulting party and the non-defaulting party forthwith. Such termination of the Shareholders' Deed shall not affect or be construed or operate as a waiver of the right of Marvel Leader aggrieved by any breach of the Shareholders' Deed to be compensated for damages resulting therefrom which is incurred either before or after such termination. In addition, Marvel Leader may seek specific performance, interim or final injunctive relief or any other relief of similar nature or effect in any court of competent jurisdiction against Mr. Tsang and/or Mr. Tsang's Nominee as the defaulting party(ies).

The provision on delegation of the Starhigh Board's power pursuant to sub-paragraph (5) above is intended by the parties to the Investment Agreement to provide the Starhigh Board with the necessary flexibility, including to put in place a strong local management core in Chongqing with appropriate competence and track record, without inappropriately fettering the discretion of the Starhigh Board in the exercise of its powers in relation to its responsibility for the overall management of Starhigh Group. In addition to Mr. Tsang, the Starhigh Board may delegate its power to any committee as the Starhigh Board may designate consisting of one or more directors of Starhigh or any advisers whom the Starhigh Board may consider having such expertise and experience beneficial to the business of Starhigh Group or other matters of CQZY Group including any officers or agents the Starhigh Board may consider necessary or expedient to appoint from time to time. The powers which the Starhigh Board may delegate will mainly include the day-to-day business operation and management of CQZY Group, preparation of business plans and budgets, and such other duties and responsibilities as the Starhigh Board may consider appropriate to delegate from time to time. Given the challenges and important opportunities that face the Group in Chongqing and the long service, substantial expertise and experience of Mr. Tsang particularly in Chongqing as referred to in the paragraph headed "Reasons for and benefits of the Share Sale and Subscription" of the "Letter from the Board" in the Circular, it is the current intention of the Starhigh Board to continue to delegate Mr. Tsang with the primary responsibility of supervising the day-to-day business operation and management of CQZY Group including appointing him to those positions he has been holding within CQZY Group. The Starhigh Board has no current intention to delegate any of its powers to such other committee or advisers in relation to the management of Starhigh Group.

LETTER FROM HALCYON CAPITAL

Should Marvel Leader exercise such pre-emptive right on the Starhigh Shares proposed to be transferred by Mr. Tsang's Nominee pursuant to sub-paragraph (6) above or deemed to be transferred by Mr. Tsang/Mr. Tsang's Nominee pursuant to sub-paragraph (11)(b) above, the Company will re-comply with the Listing Rules as may be required.

Should an event of default set out under the Shareholders' Deed and as described under sub-paragraph (11)(a) above occur, Marvel Leader and/or Starhigh would strictly enforce all its/their rights under the Shareholders' Deed and available at law against Mr. Tsang and/or Mr. Tsang's Nominee to the fullest extent possible.

We understand from the Directors that should an event of default set out under the Shareholders' Deed occur, Marvel Leader and/or Starhigh would strictly enforce all its/their rights under the Shareholders' Deed and available at law against Mr. Tsang and/or Mr. Tsang's Nominee to the fullest extent possible.

In view of (i) the Group's interest and entitlement to the retained earnings of Starhigh Group prior to the SP Completion and the Subscription Completion having been safeguarded by the proposed terms of the Shareholders' Deed; (ii) the number of director to be appointed to the Starhigh Board by Mr. Tsang's Nominee should Mr. Tsang's or Mr. Tsang's Nominee's shareholding in Starhigh reach or exceed 25% of the then entire issued share capital of Starhigh, will not affect the Group's control on the Starhigh Board; (iii) the restriction on Mr. Tsang's disposal of his Starhigh Shares to any parties without prior consent of Marvel Leader and Marvel Leader having the pre-emptive right over Mr. Tsang's Starhigh Shares, should Mr. Tsang intend to proceed with the such disposal, in ensuring Mr. Tsang's long-term commitment to Starhigh Group's development; (iv) the future working capital requirement of Starhigh, if necessary, to be satisfied by way of financing by Starhigh Shareholders in proportion to their respective shareholdings in Starhigh at such time as the Starhigh Board may determine; (v) the interest of the Group having been protected should Mr. Tsang or Mr. Tsang's Nominee breach the Shareholders' Deed, the Investment Agreement or the Articles pursuant to sub-paragraph (11) above; and (vi) the proposed non-competition clause pursuant to the Shareholders' Deed reducing any possible competition between Mr. Tsang, Mr. Tsang's Nominee and the Group; and (vii) the above mentioned remedies regarding the event of default which the Directors considered it will be able to safeguard the Group's interest, the Directors are of the view, and we concur, that the entering into the Shareholders' Deed is on normal commercial terms and in the interest of the Group and Independent Shareholders as a whole.

Furthermore, the Directors considered, and we concur, that despite Mr. Tsang's role as the chairman and general manager of CQZY Group remain unchanged after the SP Completion and Subscription Completion, the entering into the Investment Agreement and the Shareholders' Deed, is able to secure Mr. Tsang's long term commitment with CQZY Group and in view of the upcoming business plan of the Group it is beneficial to retain Mr. Tsang to continue to take up the roles as CQZY Group's chairman and general manager, which is fair and reasonable and in the interests of the Group and Shareholders as a whole.

LETTER FROM HALCYON CAPITAL

iii) Conditions Precedent to the Share Sale and Subscription

The Share Sale and Subscription are conditional upon, among other things (i) the Company obtaining all necessary approval of its Independent Shareholders in the general meeting; (ii) obtaining all consents and approvals of, or waivers from any bank or financial institution which is a creditor of the Company or any member of Starhigh Group; (iii) obtaining all necessary consents and approvals of, notices to and filings or registrations with or waiver from any governmental or regulatory authority; and (iv) obtaining evidence to the satisfaction of each of Marvel Leader and Starhigh that sufficient financial resources are available to Mr. Tsang to settle the total consideration for the Sale Shares and for the Subscription Shares respectively.

Other than the Company obtaining all necessary approval of its Independent Shareholders as set out in the paragraph above, Marvel Leader may waive all or any of the Conditions Precedent in respect of the SP Completion, and Starhigh may waive all or any of the Conditions Precedent in respect of the Subscription Completion, at any time on such terms as Marvel Leader or Starhigh (as the case may be) may decide. None of the other Conditions Precedent had been waived as at the Latest Practicable Date.

In the event that any Condition Precedent has not been fulfilled (or has not been previously waived) by 5:30 p.m. on the Long Stop Date, Marvel Leader or Starhigh (as the case may be) may notify Mr. Tsang, at their respective option, without prejudice to their respective rights thereunder and under applicable law, amongst other things, to terminate the Investment Agreement, in which case, all rights and obligations of the parties shall cease immediately, and no party shall have any right or claim against or liabilities or obligations to the other party. The Long Stop Date not only serves to provide the flexibility for fulfilment of the Conditions Precedent but also sets a definitive end date of the entire transactions contemplated under the Investment Agreement should any of the Conditions Precedent be not fulfilled or waived by then.

As at the Latest Practicable Date, the Directors believe that it is not required to obtain any consents or approvals of, or waivers from any bank or financial institution which is a creditor of the Company or any member of Starhigh Group, or any consents or approvals of, notices to and filings or registrations with or waiver from any governmental or regulatory authority for the consummation of the transactions contemplated under the Investment Agreement and the Shareholders' Deed. As at the Latest Practicable Date, Mr. Tsang has already delivered to both Marvel Leader and Starhigh satisfactory evidence that financial resources are available to Mr. Tsang sufficient to settle the consideration for the Sale Shares and the Subscription Shares. Further, as at the Latest Practicable Date, Marvel Leader and Starhigh are not aware of, nor has any of them been informed by Mr. Tsang of, anything that will or may prevent Mr. Tsang from performing and complying with his agreements and obligations in the Investment Agreement and/or from maintaining the accuracy and correctness of the warranties given by him in the Investment Agreement.

Accordingly, save and except the Condition Precedent relating to the obtaining of necessary approval from Independent Shareholders, all of the Conditions Precedent have been fulfilled as at the Latest Practicable Date. The parties to the Investment Agreement therefore have no intention to extend the SP Completion Date and/or the Subscription Completion Date. It is expected that the SP Completion and the Subscription Completion will take place, and thus the entire proceeds from the Share Sale and the Subscription will be received, within 12 months from the fulfilment of the last Condition Precedent. In light of the above, the Directors are of the view, and we concur, that the timeframe for the SP Completion, the Subscription Completion and the Long Stop Date are on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

LETTER FROM HALCYON CAPITAL

Should the SP Completion Date, the Subscription Completion Date and/or the Long Stop Date be extended, the Company will re-comply with the Listing Rules as may be required. Please refer to the sub-section headed “2.6 Conditions Precedent” in the Letter from the Board for details of the Conditions Precedent.

iv) Consideration of the Sale Shares and the Subscription Shares

The consideration for the Sale Shares and Subscription Shares is at the rate of HK\$390,000 per Sale Share and Subscription Share. The total cash consideration for the Sale Shares and Subscription Shares is HK\$717,600,000 (the “Total Consideration”), of which HK\$93,600,000 (representing approximately 13.04%) is attributable to the Share Sale and HK\$624,000,000 (representing approximately 86.96%) attributable to the Subscription.

The Total Consideration shall be payable by Mr. Tsang in cash to Marvel Leader and Starhigh in cash on the SP Completion Date and on the Subscription Completion Date. We have reviewed the letter of confirmation issued by a finance company, which is a duly registered money lender in Hong Kong under the Money Lenders Ordinance (Cap. 163) and has been engaging in money lending business in good standing for more than 22 years. According to the confirmation, the financial institution confirmed that the credit facility committed to be provided by the finance company to Mr. Tsang is a 5-year term loan facility for settling his payment obligations under the Investment Agreement, including but not limited to the settlement of the consideration for the Sale Shares and the consideration for the Subscription Shares as and when they fall due and payable.

The respective consideration for the Sale Shares and for the Subscription Shares was determined following arm’s length negotiations on normal commercial terms between the parties to the Investment Agreement and represents 11% premium to the market value of Starhigh Shares as at 31 December 2013 as determined by an independent firm of professional valuer, Greater China Appraisal Limited (the “Professional Valuer”), after taking into account, among other factors, the arrangement regarding Marvel Leader’s sole entitlement to a distribution of RMB2.55 billion (equivalent to approximately HK\$3.24 billion) by Starhigh prior to any pro-rata distribution between Marvel Leader and Mr. Tsang pursuant to the proposed terms of the Shareholders’ Deed.

We do not consider forming our view based on the forward price-to-earnings ratio or the price-to-sales ratios of CQZY Group to be appropriate. Given the estimation on forward earning and forward sales involves many assumptions and estimations while not all of them can be easily quantified by the management of CQZY Group in particular, upcoming trend on the PRC property prices. Actual results are likely to be different from the estimated results because events and circumstances frequently do not occur as expected, and the differences may be material. We consider that, it is not appropriate to form our view based on the forward price-to-earnings ratio or the price-to-sales ratios of CQZY Group.

Valuation on the Starhigh Shares

The Professional Valuer has been appointed to perform valuation on the properties of CQZY Group and the market value of each Starhigh Share.

We understand from the Company and the Professional Valuer that the assessment of the market value of the Starhigh Share has taken into account (i) Marvel Leader’s Sole Distribution Entitlement pursuant to the Shareholders’ Deed; (ii) the unaudited net asset value of Starhigh Group as at 31 December 2013 prepared based on HKFRSs; (iii) the revaluation of the properties of CQZY Group; and (iv) the estimated deferred tax liabilities that maybe payable by the Group upon sale of the properties.

LETTER FROM HALCYON CAPITAL

We have reviewed and discussed with the Professional Valuer the methodology of, and bases and assumptions adopted for, the valuation of the market value of the Starhigh Shares and the properties of CQZY Group as contained in the reports of the Professional Valuer (the “Valuation Reports”).

Additionally, we have appointed an independent professional valuer, Roma Appraisals Limited (“Independent Valuer”), to provide its opinion on the fairness of the valuation reports of the Starhigh Shares (the “Valuation Report”). During the review process, the Independent Valuer discussed with the management of the Company regarding the company’s background, business nature and operations of Starhigh, and other relevant information related to Starhigh such as its financial and operational information. Then, the Independent Valuer reviewed the Valuation Report and investigated into the sources of information adopted in the Valuation Report. Lastly, the Independent Valuer presented their opinion to us regarding the basis of the valuation, valuation methodology, procedures and assumptions, and sources of information.

According to the Valuation Reports, the market value of the Starhigh Shares was derived as follows:

	<i>HK\$’000</i>
Unaudited net asset value of Starhigh Group as at 31 December 2013	7,133,529
(a) Adjustment on revaluation on the properties	4,797,342
(b) Adjustment on deferred tax liabilities	<u>(4,111,349)</u>
Adjusted unaudited net asset value of Starhigh Group as at 31 December 2013	7,819,522
Less: Minority interest of CQZY Group	<u>(153,586)</u>
Adjusted unaudited net asset value of Starhigh Group as at 31 December 2013 attributable to equity holders of Starhigh	7,665,936
(c) Adjustments on non-controlling interest and lack of marketability	<u>(3,373,012)</u>
Market value of Starhigh Group cum-dividend	4,292,924
Deduction on Marvel Leader’s sole entitlement to the distribution of RMB2.55 billion (equivalent to approximately HK\$3.24 billion) pursuant to the Shareholders’ Deed	<u>(3,243,326)</u>
Market value of Starhigh Group ex-dividend	<u><u>1,049,598</u></u>
Number of issued Starhigh Shares	3,000 Starhigh Shares
Market value of each Starhigh Share ex-dividend	<u><u>349.87</u></u>
Market value of 1,840 Starhigh Shares to be purchased and subscribed by Mr. Tsang (or Mr. Tsang’s Nominee)	<u><u>643,760.8</u></u>
Total Consideration	<u><u>717,600.0</u></u>
Premium of the Total Consideration over the market value of the Starhigh Shares	<u><u>11%</u></u>

LETTER FROM HALCYON CAPITAL

(a) Adjustment on revaluation on the properties

As set out in the Valuation Reports, the Professional Valuer has assessed the market value of the properties of CQZY Group as at 31 December 2013 and adjusted the unaudited net asset value of Starthigh Group by the revaluation surplus representing the difference between the market value and the carrying values of the properties of CQZY Group. We have reviewed the Valuation Reports and discussed with the Professional Valuer, we note that in performing the valuation of the properties of CQZY Group, the Professional Valuer has adopted the direct comparison approach by making reference to the comparable transactions in the relevant locality. The valuation on the properties of CQZY Group is mainly based on the sales, listings or offerings of similar properties for completed properties and the comparable sales evidences as available in the market for parcels of land pending for development. For the property interests subject to tenancy, the Professional Valuer has valued the property interest by using the income capitalisation method where the amount of rent payable during the lease term was capitalised for the residual period of the lease with due allowance for reversionary interest after expiry of the tenancy. Full market rent was adopted for capitalisation after expiry of the current lease. For property interests which are currently under construction, the Professional Valuer has also taken into account the development costs relevant to the stage of construction as at the valuation date and the remainder of the cost and fees to be expended to complete the development.

We have also been advised by the Professional Valuer that given the particulars of the properties of CQZY Group, the above valuation methodologies are commonly adopted in the industry. Based on the above, we believe that the valuation approach adopted by the Professional Valuer in performing the valuation of the property interests of CQZY Group is appropriate.

(b) Adjustment on deferred tax liabilities

The unaudited net asset value of Starthigh Group has been adjusted by the estimated deferred tax liabilities that representing various taxes that may be imposed by the PRC tax authorities on CQZY Group upon sales and delivery of the properties. We have discussed with management of the Company regarding the calculations in relation to the estimated deferred tax liabilities, and understand that the estimated deferred tax liabilities are calculated consistently with basis adopted in preparing the financial statements in prior years with reference to the prevailing tax rates, the projected sales proceeds based on the valuation performed by the Professional Valuer from the sale of the properties of CQZY Group, and the respective projected allowable cost deductions. Based on the above, we consider that the Company's bases and assumptions in calculating the estimated deferred tax liabilities are reasonable.

(c) Adjustments on non-controlling interest and lack of marketability

Discount for lack of control

As set out in the Valuation Report, the Professional Valuer has adjusted downward the unaudited net asset value of Starthigh Group by 20% for taking into account that the Share Sale and Subscription is of a non-controlling interest and the Company will continue to have control of the Starthigh Board.

LETTER FROM HALCYON CAPITAL

The Professional Valuer has determined a control premium of 25% and applied a discount for lack of control of 20% to the unaudited adjusted net asset value of Starhigh Group as Mr. Tsang will own a minority and non-controlling stake of 40% direct or indirect interest in Starhigh and the Company will continue to have control of the Starhigh Board upon the SP Completion and the Subscription Completion. Discount for lack of control is the inverse of control premium and is derived from control premium as follows:

$$\text{Discount for lack of control} = 1 - (1/(1+\text{control premium}))$$

According to the Professional Valuer, as there is currently no available empirical study on control premiums specifically conducted for companies in Hong Kong or the PRC, control premium is determined by the Professional Valuer by reference first to the "Control Premium Study 3rd Quarter 2013" (the "Control Premium Study") which is a commonly and widely used database of control premiums published by Factset Mergerstat, LLC ("Mergerstat") on a regular basis. The Professional Valuer has also conducted further research based on Bloomberg database in their determination and considered the relevant facts and circumstances of the Starhigh Group in order to determine an appropriate control premium, and thus deriving the discount for lack of control, for the present case. The methodology adopted is commonly recognized and standard method in valuation. Their research based on Bloomberg was conducted by reference to the following selection criteria which the Professional Valuer considers are comparable to the relevant particulars of the Starhigh Group:

1. Type of transaction: 50.01% or more of a company was acquired
2. Transaction status: completed
3. Target's sector: real estate
4. Target's sub-sector: property development
5. Business location: Asia Pacific
6. Net asset value: between HK\$4 billion to HK\$10 billion
7. Period: 1 January 2011 to 31 December 2013

Based on the Bloomberg database and given the selection criteria set out above, there are 4 comparable transactions as shown in the following table identified by the Professional Valuer on a best effort and unbiased basis and to the best of their knowledge, these sample transactions are full and exhaustive.

No.	Property Location	Acquisition Target	Completion Date	Control Premium	Market Capitalisation (HK\$'M)	NAV (HK\$'M)
1	Malaysia	Bandar Raya Development Bhd.	29 October 2012	20.43%	3,678.80	4,535.50
2	Malaysia	Sunway City Bhd.	23 August 2011	24.53%	2,589.39	7,514.70
3	Hong Kong	CSI Properties Limited.	23 February 2012	27.15%	2,181.77	5,516.70
4	China	SPG Land (Holdings) Limited	27 August 2013	28.25%	3,970.60	5,700.20
				Average	<u>25.09%</u>	

LETTER FROM HALCYON CAPITAL

According to the Professional Valuer, the control premium is derived by information obtained from Bloomberg by comparing the purchase price of the target company's common stock to the average 20-day stock price of the target company's common stock before the transaction announcement and is calculated as follows:

$$\text{Control premium} = (\text{Purchase price} - \text{Average 20-day stock price}) / \text{Average 20-day stock price}$$

According to the Professional Valuer, each of the 4 comparables identified above is a fair and representative sample in terms of their business activity of property development, net asset value within a reasonable range of from approximately HK\$4,536 million to HK\$7,515 million comparing to the unaudited adjusted net asset value of Starhigh Group of HK\$7,666 million). The Professional Valuer pointed out that only one of the 4 comparables has the same property location as the Starhigh Group with a control premium of approximately 28.3%. However, the Professional Valuer opined that the basis of determination of control premium would be too narrow if it was solely based on one single transaction which has the same property location as the Starhigh Group, without taking into account all other transactions which are also fair and representative samples compared to the Starhigh Group in terms of net asset value and business sector. In conclusion, the Professional Valuer opined that its determination of the control premium should be based on these 4 comparables and applied a control premium of 25% being the average control premium of these 4 comparable transactions. The DLOC is thus 20% as calculated below:

$$\text{DLOC} = 1 - (1 / (1 + \text{control premium})) = 1 - (1 / (1 + 25\%)) = 20\%$$

Having considered the basis of determination of the DLOC in the Share Valuation Report and taking into account the relevant facts and circumstances of the Starhigh Group and reviewed the basis of the analysis performed by the Professional Valuer, the Directors consider that and we concur, the Professional Valuer has provided reasonably sufficient information on the basis and assumptions of their determination of the DLOC, each of the sample transactions identified is a fair and representative sample compared with the Starhigh Group in terms of net asset value and business sector, the methodology adopted is commonly recognized and one of the standard methods in determining DLOC, the basis and assumptions adopted are fair and reasonable, and the determination based on all 4 comparable transactions is fair and reasonable. The Directors are therefore of the view that and we concur, the DLOC determined by the Professional Valuer is fair and reasonable.

We have also discussed with the Professional Valuer regarding the application of the discount for lack of control. According to the Professional Valuer, discount for lack of control shall apply upon absence of acquiring a controlling stake in the transaction. For valuation purposes, the control is defined as the ability to influence the decision of the board in the target company. Characteristics of control usually include: (i) appointment of management; (ii) determining management compensation and perquisites; (iii) setting policies and changing the course of business; (iv) acquiring or liquidating assets; (v) selecting people with whom to do business with and award contracts; (vi) making acquisitions; (vii) liquidating, dissolving, selling out or recapitalizing the company; (viii) declaring and paying dividends; and (viii) changing the articles of incorporation or bylaws.

The Directors and the Professional Valuer were of the view and we concur that, given, Mr. Tsang is only acquiring 40% interest of the Target Company, which is a minority, non-controlling interest and according to the Investment Agreement, Mr. Tsang subsequent to SP Completion and the Subscription Completion will not have control over the board of the Target Company. In view of Mr. Tsang will not have control over the Target Company and the control of the Target Company will still be with the Group, therefore discount of lack of control should be applied.

LETTER FROM HALCYON CAPITAL

We have also reviewed other transactions of acquiring minority, non-controlling interest in 2014 with information publicly available. We noted that the discount of lack of control had also been applied by another professional valuer on a transaction in February 2014 for a listed company acquiring a minority, non-controlling stake in a company that engaged in the development and operation of large-scale integrated logistics and trade centers (“February Transaction”). In the February Transaction, the listed company was acquiring a 35% minority stake in the target company, due to the acquisition was for a minority stake, the professional valuer applied a 30% discount to the adjusted net asset value of the target company as the discount of lack of control. The rationale in applying a 30% discount rate was mainly due to the target company was a privately held real estate company with regular cash flows. Similar to the February Transaction, given Mr. Tsang is also acquiring a minority stake in Starhigh Group, as such a certain percentage of the discount on lack of control should apply.

In addition to relying on the valuation report of the Professional Valuer, we have instructed the Independent Valuer to conduct independent research according to the above mentioned selection criteria for the comparable transactions, based on the research performed by the Independent Valuer on a best effort and unbiased basis and to the best of their knowledge, the 4 sample transactions quoted by the Professional Valuer are full and exhaustive.

Furthermore, according to the Independent Valuer, it is not uncommon (i) to obtain sample transactions from Bloomberg when calculating the discount on lack of control and (ii) to adopt such selection criteria in selecting appropriate samples, for calculating the discount of lack of control, taking into account the business nature of Starhigh Group. The Independent Valuer also concurs with the Professional Valuer that, despite only one of the 4 comparables has the same property location as the Starhigh Group with a control premium of approximately 28.3%, the basis of determination of control premium would be too narrow if the discount of lack of control was solely based on one single transaction which has the same property location as the Starhigh Group, without taking into account all other transactions in the nearby region which are also fair and representative samples compared to the Starhigh Group in terms of net asset value and business sector.

In addition, taking into account (i) the similar size of the companies of comparable transactions; (ii) the similar business nature; (iii) the proximate geographical region which the companies operated in; and (iv) the proximate timing of the transaction, the Independent Valuer considers that each sample is a fair and representative sample.

In respect of the adoption of the 20-day stock price, in estimating the control premium in past transactions, it is considered that the average stock price over a period is more preferred than the stock price on the day immediately before the transaction announcement when deducing the purchase price, since the stock price prior to the announcement might be affected by market rumors or company actions.

As per the Share Valuation Report, the basis of adopting a 20-day average market price as the base price for comparing with the purchase price is well established and recognized in other studies such as “Control Premium Study 2013” by RSM Bird Cameron. The Independent Valuer has made reference to this control premium study conducted by RSM Bird Cameron, which is one of the leading independent assurance, tax and advisory services firms. In the study, RSM Bird Cameron observed over four hundred transactions and concluded that the 20-day pre-bid data provided the most reliable observation of any control premium implicit in the transaction. As such, the Independent Valuer considered that it is one of the market practices to adopt average 20-working day stock price when estimating control premium.

LETTER FROM HALCYON CAPITAL

The Independent Valuer concurs with the Professional Valuer's and the Directors' view that given that characteristics of control as mentioned above was not enjoyed by Mr. Tsang as Mr. Tsang is only acquiring 40% interest of the Target Company, which is a minority, non-controlling interest and according to the Investment Agreement and Mr. Tsang subsequent to SP Completion and the Subscription Completion will not have control over the board of the Target Company, therefore discount of lack of control should be applied.

In view of the above and taking into account the view of the Independent Valuer, we considered that the application of discount on lack of control was fair and reasonable and in line with the market practices and the samples adopted by the Professional Valuer are fair and representative samples.

Discount for lack of marketability

With respect to discount for lack of marketability, the Professional Valuer has determined to apply a discount for lack of marketability of 30% to the unaudited adjusted net asset value of Starhigh Group in order to reflect the lack of marketability of Starhigh Shares. In selecting an appropriate discount for lack of marketability, the Professional Valuer has as a starting point referred to the studies on restricted stock transactions and pre-IPO transactions for a general range of discount for lack of marketability for this transaction, and used the put option methodology in valuation to estimate the appropriate discount for lack of marketability for the present case. According to the Professional Valuer, the methodology adopted is commonly recognized and standard method in determining discount for lack of marketability. As the transaction contemplated under the Investment Agreement is similar to a restricted stock transaction rather than a pre-IPO transaction, the Professional Valuer opined that the range of discount for lack of marketability for non-controlling ownership for this transaction should be in general about 30% to 40%, being the average discount for lack of marketability based on the restricted stock studies, and companies with a larger scale would normally be valued at a lower discount for lack of marketability.

Based on the put option methodology and the assumptions as stated in the Share Valuation Report, the Professional Valuer estimated that the discount for lack of marketability is around 34% for a maturity period of 5 years. Although there are restrictions on the transfer of and other dealings in Starhigh Shares by Mr. Tsang for a period of 10 years as set out in the sub-paragraph (6) of the paragraph headed "2.7 Proposed material terms of the Shareholders' Deed" of Letter from the Board, the Directors are of the view that it is fair and reasonable for the Professional Valuer to assume a 5-year restriction period for present purposes, being the mid-point of the 10 years' restriction period, in assessing the discount for lack of marketability under put option methodology for reasons as stated in the Share Valuation Report including the reason to secure Mr. Tsang's long-term commitment to CQZY Group and the Group for entering into the transaction.

LETTER FROM HALCYON CAPITAL

The Directors have been advised by the Professional Valuer and in addition, we have also been advised by Independent Valuer that it is a common and standard practice in valuation to refer to other comparable public companies' volatility in estimating the volatility of a share of a private company when using the put option methodology since closely held company's shares do not trade, and thus there will not be any data of the volatility of a share of a private company available for analysis. In using the put option method, the Directors and we also understand that the Professional Valuer is not suggesting and the Independent Valuer concurs that the terms of the Investment Agreement in respect of the Starhigh Shares does not resemble a put option with a fixed strike price in any way. Rather, as the Professional Valuer has explained and the Independent Valuer concurs that it, the put option model is used to measure the value of an hypothetical put option in a scenario where there are two identical securities with the only difference between them being that one is marketable with a freely traded price (instead of a fixed strike price) and the other is non-marketable but provided with a put option to sell it back also at its freely traded price (same as the marketable security) at the end of the expected restriction period in the future, such that the value of the put option will be equal to the discount for lack of marketability. As also explained by the Professional Valuer and as concurred by the Independent Valuer, this method is relevant to the present case as it does not only provide a general and common methodology in determining discount for lack of marketability, but also takes into account the length of the required holding period (or restrictions on transfer) and its effect on the magnitude of the discount for lack of marketability providing a more case-specific analysis. The Professional Valuer and as concurred by the Independent Valuer, has further taken into account all other relevant facts and circumstances including the nature and the size of the business of Starhigh Group in concluding the appropriate discount for lack of marketability for this transaction. As the Starhigh Group is engaging in property development, the majority of its assets are tangible in nature which makes it easier to be evaluated. Furthermore, as Starhigh is comparatively large in scale, a lower discount for lack of marketability should be adopted. Based on the analysis of the Professional Valuer and as concurred by the Independent Valuer, it was considered that the appropriate discount for lack of marketability would be 30%. The Directors are of the view that and we concur, having considered the basis of determination of the discount for lack of marketability in the Share Valuation Report and taking into account the relevant facts and circumstances of the Starhigh Group and reviewed the basis of the analysis performed by the Professional Valuer and the result of which was concurred by the Independent Valuer, the Professional Valuer and as concurred by the Independent Valuer has provided reasonably sufficient information on the basis and assumptions of their determination of the discount for lack of marketability, the methodology adopted is commonly recognized and is one of the standard methods in determining discount for lack of marketability and relevant to the present case and the basis and assumptions adopted for the put option methodology are fair and reasonable. The Directors and we concur that the view that the discount for lack of marketability determined by the Professional Valuer is therefore fair and reasonable.

LETTER FROM HALCYON CAPITAL

Based on the put option methodology, the discount for lack of marketability is around 34% for maturity period of 5 years. The maturity period represents the midpoint of 10 years' restriction period during which the transfer of underlying shares is subject to restrictions. Given, pursuant to the proposed terms of the Shareholders' Deed, Mr. Tsang will be subject to certain restrictions on transferring of the to-be-acquired shares for a 10-year period, and according to our discussion with the management of the Company, the management of the company considered that, as one of the main purpose of entering into the Investment Agreement was to secure the long-term commitment of Mr. Tsang, as such it is unlikely that they will grant a consent to Mr. Tsang to transfer his underlying shares in Starthigh Group in the coming 5-year period as such we concur that the maturity period of this specific case of 5 years is considered reasonable.

By applying a 5 years restriction period, the discount to lack of marketability will be around 34% which is higher than 30%, the concluded discount on lack of marketability. We considered that the adoption of a more prudent approach and the application of 30% for the discount of lack of marketability to be appropriate.

Additionally, according to the Independent Valuer, in assessing the reasonableness of the put option model used by the Professional Valuer, the Independent Valuer made reference to a research report "An Analysis of Discount For Lack of Marketability Models and Studies" prepared by Dennis Bingham (MCBA, BVAL) and KC Conrad (CBA, ASA, ABAR, CMEA) (the "DLOM Study"). Black-Scholes option pricing model is one of the prevalent methods to estimate a discount for lack of marketability, as the cost of purchasing a put option to protect against downward price changes is used as a proxy for the cost of marketability.

The Professional Valuer has stated in their report regarding the bases of determining the adopted assumptions for the Black-Scholes option pricing model, and the Independent Valuer has verified the adopted figures based on the DLOM Study and further market research in Bloomberg and publicly available information, and do not consider the assumptions to be unreasonable.

Set out below is the summary of assessment of the Independent Valuer regarding the key parameter(s) under the put option methodology adopted by the Professional Valuer:

Parameter(s)	Figure Adopted	Professional Valuer's Basis and Assumptions	Independent Valuer's Assessment
Stock Price and Strike Price	HK\$1	At-the-money put option was assumed	It is a general market practice to set the strike price to be equal to the market value of the underlying stock as of the valuation date.
Time to Maturity (Year)	5	Mid-point of the time to the expected date of a public offering or the end of lock-up periods, i.e. ten years	In normal market practice, the time to maturity represents the time the underlying stock is expected to remain non-marketable. The Independent Valuer did not consider it is unreasonable to assume the time to maturity to be half of the 10 years' restriction period.

LETTER FROM HALCYON CAPITAL

Parameter(s)	Figure Adopted	Professional Valuer's Basis and Assumptions	Independent Valuer's Assessment
Risk-Free Rate	1.4649%	5-year Hong Kong sovereign zero coupon yield as at the valuation date based on Bloomberg	Since the consideration and the valuation in Starhigh are in Hong Kong dollars, it is appropriate to adopt the Hong Kong sovereign zero coupon yield over the time to maturity adopted.
Dividend Yield	0%	Lack of certain dividend policy and no history of dividend payment by Starhigh	It is a general market practice to assume that 0% for the purpose of estimating discount of lack of marketability.
Expected Volatility	45.8904%	Estimated by the average of 5-year historical daily volatilities of the guideline public companies as at the valuation date based on Bloomberg	It is a general market practice to estimate the expected volatility with reference to the volatilities of guideline publicly traded stocks over the time to maturity adopted.

Furthermore, we have also reviewed other transactions of acquiring non-listed equity interest with information publicly available. We noted that the discount of lack of marketability had also been applied by another professional valuer on a transaction in December 2012 for a listed company acquiring the entire non-listed equity interest in a company that engaged in the real estate development (“December Transaction”). In the December Transaction, the listed company acquired the entire equity interest of a non-listed company, as the shares of the target company was not listed, a discount on lack of marketability was applied by the professional valuer. According to the professional valuer of the listed company in the December Transaction, the concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in a closely held corporation. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. In view of such, given the equity interest of Starhigh Group was not listed, we consider that similar to the December Transaction, a certain discount for lack of marketability be appropriate for the present case.

In view of the above, we considered that the application of discount on lack of marketability was fair and reasonable and in line with the market practices.

Furthermore, we have also obtained and reviewed materials provided by the Professional Valuer which was issued by CFA Institute, regarding factors and approaches to be considered in valuing private companies, both lack of discount and lack of marketability are factors and approaches to be considered when performing valuation.

LETTER FROM HALCYON CAPITAL

In respect of the view of the Independent Valuer on the combined application of both discounts for the lack of control and lack of marketability, according to the Independent Valuer, discount for lack of marketability represents downward adjustment to the fair value of a minority, non-controlling investment to reflect its reduced level of marketability. Compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. Due to the fact that Starthigh is a private company, it is fair and reasonable for the Professional Valuer to adjust the results by applying a discount on lack of marketability.

While a discount for lack of control represents a reduction from the pro rata share of the value of an entire business to reflect the absence of the power of control. Under the adjusted book value method, balance sheet adjustments should only be made when valuing the interest of one who has the ability to liquidate the assets. The value derived from the cost approach represents a majority interest, such that the discount for lack of control should be applied when valuing Starthigh. Therefore, it is fair and reasonable for the Professional Valuer to adjust the results by applying a discount for lack of control.

It is a general market practice to adopt discount for lack of control marketability when valuing a privately held company, and adopt discount for lack of control when valuing a minority interest. discount for lack of control marketability and discount for lack of control are adjustments on two different concepts and hence are conceptually independent with each other. Therefore, when valuing non-marketable minority interest similar to the ordinary share in Starthigh, it is deemed appropriate to adopt both of the discounts for lack of marketability and lack of control.

The Independent Valuer is also of the view that the both discounts for lack of control and lack of marketability are representing separate concept, hence do not consider the combined application of both discount for lack of control and lack of marketability to be unreasonable. The Independent Valuer also confirms the application is in line with normal market practice. Furthermore, the Independent Valuer has also identified two other valuations which were performed in August 2014 for companies listed on the Stock Exchange which applied both adjustments on control and marketability.

Based on the above, we consider that the Professional Valuer has a reasonable basis to support the adjustments to the adjusted unaudited net asset value of Starthigh Group for non-controlling interest and lack of marketability.

LETTER FROM HALCYON CAPITAL

Based on the above valuations prepared by the Professional Valuer, the Total Consideration represents 11% premium over the market value of the Starhigh Shares to be purchased and subscribed by Mr. Tsang or Mr. Tsang's Nominee. The Total Consideration also represents 69.06% discount on the ex-dividend unaudited net asset value of Starhigh Group attributable to Marvel Leader amounting to HK\$3,781.7 million after taking into account the minority interest of approximately HK\$108.5 million of Starhigh Group.

As the Group is only disposing of a minority stake of Starhigh Group and the Group will still continue to enjoy control over Starhigh Group and a pre-emptive right over the Starhigh Shares should Mr. Tsang decide to offer the Starhigh Shares for sale for a period of 10 years commencement from the date of the Shareholders' Deed, we consider that instead of assessing the consideration with reference to the market value per Starhigh Share as determined by the Professional Valuer which has taken into account and after adjusting for, among other things, market value of the properties of CQZY Group and the liquidity and non-controlling right of the Starhigh Shares would be more appropriate.

Having taken into account that (i) the valuation of the Starhigh Shares is supported by the Professional Valuer, a professional independent firm of third party valuer; (ii) our discussion with the Professional Valuer and the Independent Valuer and understanding that the income capitalisation method and the direct comparison approach, which, where appropriate, took into account the development costs relevant to the stage of construction of the properties, used to perform the valuation of properties of CQZY Group is a commonly adopted valuation methodology given the particulars of the properties of CQZY Group; (iii) the Company's bases and assumptions in calculating the estimated deferred tax liabilities are appropriate; and (iv) there is a reasonable basis to support the adjustments for non-controlling interest and lack of marketability, we consider and as advised by the Independent Valuer that, the approach adopted by the Professional Valuer and the related bases and assumptions, are acceptable and appropriate. Furthermore, as stated above, the Total Consideration represents a premium of 11% to the market value of the Starhigh Shares as at 31 December 2013, which is favourable to the Company. As such, we are of the view that the Total Consideration is fair and reasonable, on normal commercial terms and in the interests of the Group and the Independent Shareholders as a whole.

Furthermore, in view of (i) Mr. Tsang's long-term contribution and extensive experience in Starhigh Group as well as the property development industry in Chongqing, which the Directors do not consider other independent third party being able to possess such level of experience and expertise in Starhigh Group's business and development; and (ii) basis of consideration is determined based on an valuation prepared by independent third party valuer and the result of which has been concurred by the Independent Valuer, which according to the Directors, Professional Valuer and the Independent Valuer, is commonly adopted as basis of consideration in property related transactions, the Directors were of the view that and we concur, it is in the interest of the Company to have Mr. Tsang as the shareholder of Starhigh Group.

LETTER FROM HALCYON CAPITAL

6. *Use of proceeds*

It is expected that the gross proceeds from the Share Sale and Subscription amounted to HK\$717.6 million will be used for the general working capital of the Group, of which the Directors intend to apply the proceeds of HK\$93.6 million to be generated from the Share Sale as general working capital for the Group other than the Starhigh Group and HK\$624 million from the Subscription will be applied solely for the Starhigh Group.

The Directors are of the view that the additional working capital would also allow the Group to explore and capture other investment opportunities in Western China which will provide quicker and higher returns to the Group.

7. *Financial Effect of the Share Sale and Subscription*

(a) *Effect on earnings*

Upon SP Completion and Subscription Completion, the equity interest of the Company in Starhigh will be diluted from 100% to 60%, with Starhigh becoming a non-wholly owned subsidiary of the Company. The revenue and expenses of Starhigh will continue to be consolidated into the consolidated financial statements of the Company.

As discussed with the Company's auditors, the following two accounting standards may have financial impacts on the Share Sale and the Subscription and the Directors have to consider them upon completion of the Share Sale and the Subscription:

- (i) Paragraph 23 of Hong Kong Financial Reporting Standard 10 Consolidated Financial Statements "HKFRS 10" which states that "*changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions (i.e. transactions with owners in their capacity as owners).*" B96 of Appendix B of HKFRS 10 further states that "*when the proportion of the equity held by non-controlling interests changes, an entity shall adjust the carrying amounts of the controlling and non-controlling interest to reflect the changes in their relative interests in the subsidiary. The entity shall recognize directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent.*"

Accordingly, the Directors, and we concur with the view that given the dilution in the Company's interests in Starhigh will not result in the loss of control in Starhigh by the Company upon the SP Completion and the Subscription Completion, the Share Sale and Subscription will be accounted for as equity transactions in accordance with HKFRS 10 and the shortfall (the "Shortfall") between the carrying amount of the interests in Starhigh to be transferred to Mr. Tsang and the fair value of the Total Consideration to be received from Mr. Tsang will be recognised directly in the Group's equity attributable to the owners of the Company, instead of recognising the Shortfall in the Group's statement of profit or loss.

- (ii) Paragraph 2 of Hong Kong Financial Reporting Standard 2 Share-based Payment ("HKFRS 2") which states that "*an entity shall apply HKFRS 2 in accounting for all share-based payment transactions, whether or not the entity can identify specifically some or all of the goods or services received, including equity-settled share-based payment transactions*". Paragraph 8 of HKFRS 2 states that "*when the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they shall be recognised as expenses*". Paragraphs 10 and 11 of HKFRS 2 also states that for equity-settled share-based payment transactions with employees, "*the entity shall measure the fair value of the services received by*

LETTER FROM HALCYON CAPITAL

reference to the fair value of the equity instruments granted, because typically it is not possible to estimate reliably the fair value of the services received and the fair value of those equity instruments shall be measured at grant date”.

The Directors are of the view that and we concur, given Mr. Tsang is an employee of the Group, if the Total Consideration is lower than the fair value of the Sale Shares and Subscription Shares at the grant date, the date of fulfilling the last Condition Precedent to be fulfilled as referred to in the paragraph headed “2.6 Conditions Precedent”, (i.e. the date when the approval of the Investment Agreement and the transactions contemplated thereunder by Independent Shareholders is obtained), the exceeded amount shall be recognised as share-based payment expense in accordance with the above HKFRS 2 requirements. Given, the Total Consideration was greater than the fair value of the equity interest in Starhigh as at 31 December 2013, should Total Consideration continue to be at a premium to the fair value of the equity interest in Starhigh on the date when the approval of the Investment Agreement and the transactions contemplated thereunder by Independent Shareholders is obtained, no share-based payment expense shall be recognized by the Group in accordance with HKFRS 2.

According to the Professional Valuer, the fair value of the Sale Shares and the Subscription Shares will be determined based on the same valuation methodologies and approaches adopted in the Valuation Report as stipulated in this Circular if valuation of Starhigh Shares to be performed at the grant date. The determination of share-based payment expense under HKFRS 2 may only be carried out on or after the grant date (i.e. the date when the approval of the Investment Agreement and the transactions contemplated thereunder by Independent Shareholders is obtained) therefore it is unable at this stage to assess the impact of HKFRS 2, if any, on the consolidated financial statements of the Company.

For reference purpose which assuming that the approval of the Investment Agreement and the transactions contemplated thereunder by Independent Shareholders was obtained on 31 December 2013, no share-based payment expense would be recognized by the Group. While the Directors do not expect the market value of the Starhigh Shares would substantially deviate from its market value as at 31 December 2013 assuming the market conditions remained more or less unchanged, should the market value of the Sale Shares and the Subscription Shares at grant date turn out to be higher than the total consideration for the Sale Shares and the Subscription Shares, the Company would be required to record a share-based payment expense of an amount equal to the excess amount in the consolidated financial statements of the Company.

We would like to draw your attention that, final amount of share-based payment expense, if any, shall base on the fair value of the Sale Shares and the Subscription Shares on the grant date. If the fair value of the Sale Shares and the Subscription Shares on the grant date is significantly higher than the fair value as at 31 December 2013, the final amount of share-based payment expense to be recognized by the Group may be significant.

LETTER FROM HALCYON CAPITAL

(b) *Effect on owners' equity and working capital*

The assets and liabilities of Starthigh will continue to be consolidated into the consolidated financial statements of the Company.

According to the Directors, assuming the SP Completion and the Subscription Completion was completed on 31 December 2013, the dilution of the Company's interests in Starthigh will give rise to a reduction of an aggregate amount of approximately HK\$1,044.7 million in the Group's owners' equity (representing approximately 7.0% of the Group's owners' equity of HK\$14,185.2 million as at 31 December 2013), being the difference between the Total Consideration and amount of the Starthigh Group's net assets attributable to the Share Sale and Subscription (excluding the amount of Marvel Leader's sole entitlement to the distribution of RMB2.55 billion (equivalent to approximately HK\$3.24 billion)). The reduction of approximately HK\$1,044.7 million in the Group's owners' equity represents a reduction of HK\$0.4 per Share based on 2,588,223,112 Shares in issue as at the Latest Practicable Date.

It is also expected that the Share Sale and Subscription would generate a gross proceeds in the amount of HK\$717.6 million. The gross proceeds will increase the Group's cash and bank balances and would provide additional financial resources to the Group.

Furthermore with reference to the placing arrangements from 2 January 2014 up to the Latest Practicable Date (the "Relevant Period") in Hong Kong stock market as published on the Hong Kong Stock Exchange website, majority placing exercise which were announced during the Relevant Period recorded a discount on placing price towards their respective recent average closing price. The discount on the placing price to the average closing price of the last five trading days prior to the publication of their respective placing announcement ranged from 1.06% to 56.8%. By which should the Group consider to raise fund of HK\$717.6 million, taking into account the discount on recent placing price, the dilutive effect on net book value per Share to Shareholders would be even greater than the dilution arising from the Share Sale and Subscription. Please refer to the calculation below:

	By way of placing
Proceeds from the Share Sale and Subscription	HK\$717.6 million
Average price per Share for the last 5 trading days prior to the entering into the Investment Agreement on 7 April 2014	HK\$1.73 per Share
Discount of 1.06% for the placing price*	HK\$1.71 per Share
Number of Shares to be issued if the Group proceeds with placing of new Shares	419,649,122
Net asset value per Share as at 30 June 2014	HK\$5.67 per Share
Diluted net asset value per Share if the Group considered raising HK\$717.6 million by way of placing	HK\$5.12 per Share
Reduction of owners' equity per Share	HK\$0.55 per Share

* Assuming applying the lower end of the discount range for the discount of placing price towards average closing price of the last five trading days prior to the publication of their respective placing announcement for placing

LETTER FROM HALCYON CAPITAL

In view of the above, should the Group proceed with fund raising exercise in form of equity, the possible dilution on the Group's owners' equity would be more severe as compared to the Share Sale and Subscription. The level of dilution will be subject to the then discount on placing price. In the above calculation, we have assumed that the discount to the market price of the placing was at the lower end of the range of discount during the Relevant Period, should additional discount be required to launch the placing, the dilution effect would be greater than the above calculation. In referring to the calculation above, the reduction of owners' equity would be HK\$0.55 per Share should the Company elected to raise funds by way of placing while the Share Sale and Subscription will only result in a reduction of owners' equity of HK\$0.4 per Share. In view of such, as the Share Sale and Subscription will, not only provide additional funding to the Group which therefore will enhance the Group's liquidity as well as the possibility of reducing the Group's finance costs, but also allow the Group to lock-in the long term commitment from Mr. Tsang, whose experience is crucial to the Group's development in Chongqing. Therefore, we are of the view that the reduction of the Group's owners' equity is considered acceptable.

Having taking into account that (i) the Share Sale and Subscription would allow the Group to continue enjoy the return on the Yubei Projects while releasing part of the upcoming capital commitment; (ii) the Share Sale and Subscription would provide extra financial resources to the Group as an additional cushion to the Group's working capital requirement in the coming years which is in line with the Group's prudent and cautious investment strategy, (iii) the Investment Agreement has been entered into by the parties thereto after arm's length negotiation and its terms are on normal commercial terms; (iv) the Group's interest and entitlement to the undistributed retained earnings of Starhigh Group prior to the SP Completion and Subscription Completion are safeguarded by the proposed terms of the Shareholders' Deed; (v) the valuation of the Starhigh Shares is supported by the Professional Valuer and also further reviewed by the Independent Valuer, both are independent third party professional valuer; (vi) should Mr. Tsang and/or Mr. Tsang's Nominee commit a material breach of the Shareholders' Deed, the Investment Agreement or the Articles, Marvel Leader shall have the pre-emptive right over the Starhigh Shares to be held by Mr. Tsang or Mr. Tsang's Nominee, which will protect the Group's interest if Mr. Tsang and/or Mr. Tsang's Nominee fails to comply with the Shareholders' Deed, the Investment Agreement or the Articles; (vii) despite the management of the Group as at the Latest Practicable Date did not intent to declare and payoff the cumulative amount of dividend amounted to RMB2.55 billion prior to SP Completion and the Subscription Completion nor the management of the Group have concrete plans in obtaining shareholders' financing, the entering into the Investment Agreement will enable the Group to have buffer cash and additional financial resources when and as required by Starhigh Group; (viii) the entering into of the Investment Agreement will enable the Group to align the Group's interest in Starhigh Group with Mr. Tsang, and to ensure the continuous contribution of Mr. Tsang in Starhigh Group; and (ix) the Total Consideration represents a premium of 11% to the market value of the Starhigh Shares, we are of the view that the entering into of the Investment Agreement and the Shareholders' Deed and the transactions contemplated thereunder are in the interests of the Group and the Independent Shareholders as a whole.

LETTER FROM HALCYON CAPITAL

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the terms of the Investment Agreement and the transactions contemplated thereunder are on normal commercial terms and entered into in the ordinary and usual course of business of the Group. We also consider that the terms of the Investment Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the SGM for the purpose of approving the Investment Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
HALCYON CAPITAL LIMITED

Terry Chu
Managing Director

The following is the text of a report prepared for the purpose of incorporation in this circular received from Greater China Appraisal Limited, an independent valuer, in connection with its valuation as at 31 December 2013 of the fair value of an ordinary share in Starthigh International Limited

GREATER CHINA APPRAISAL LIMITED

漢華評值有限公司

Room 2703
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

13 November 2014

The Board of Directors
C C Land Holdings Limited
Rooms 3308-10, 33rd Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Dear Sir/Madam,

VALUATION OF AN ORDINARY SHARE IN STARHIGH INTERNATIONAL LIMITED

At your request, we were engaged to assist you in the valuation analysis pertaining to the fair value of an ordinary share (the “Equity Interest”) in Starthigh International Limited (“Starthigh”) as at 31 December 2013 (the “Valuation Date”).

It is our understanding that our analysis will be used by the management of C C Land Holdings Limited (the “Company”) in their determination of the value of an ordinary share in Starthigh solely for the transaction relating to the acquisition and subscription of partial equity interest in Starthigh by an investor and form part of the circular of the Company dated 13 November 2014. Our analysis was conducted for the above mentioned purpose only and this report should be used for no other purpose without our express written consent.

The approaches and methodologies used in our work did not comprise an examination in accordance with generally accepted accounting principles, the objective of which is an expression of an opinion regarding the fair presentation of financial statements or other financial information, whether historical or prospective, presented in accordance with generally accepted accounting principles.

We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by others. We assume that the financial and other information provided to us is accurate and complete, and we have relied upon this information in performing our valuation.

I. PURPOSE OF ENGAGEMENT

It is our understanding that our analysis will be used by the management of the Company for transaction reference purpose.

II. SCOPE OF SERVICES

We were engaged by the management of the Company to assist in their estimate of the fair value of an ordinary share in Starthigh as at the Valuation Date.

III. BASIS OF VALUATION

We have performed valuation of Starthigh on the basis of fair value. Fair value is defined as “*the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date*”.

Our valuation has been prepared in accordance with the International Valuation Standards (2013 Edition) published by the International Valuation Standards Council. This standard contains guideline on the basis and valuation approaches used in valuation.

IV. LEVEL OF VALUE

Although valuation is a range concept, current valuation theories suggest that there are three basic “levels” of value applicable to a business or business interest. The levels of value are respectively:

1. Controlling interest: the value of an enterprise as a whole, evaluating from the controlling perspective;
2. As if freely tradable minority interest: the value of a minority interest, lacking control, but enjoying the benefit of market liquidity; and
3. Non-marketable minority interest: the value of a minority interest, lacking both control and market liquidity.

The valuation of the Equity Interest as at the Valuation Date is prepared on non-marketable minority interest basis.

V. PREMISE OF VALUE

Premise of value relates to the concept of valuing a subject in the manner that would generate the greatest return to the owner of the property. It takes account of what is physically possible, financially feasible and legally permissible. Premise of value includes the following:

1. Going concern: appropriate when a business is expected to continue operating without the intention or threat of liquidation in the foreseeable future;
2. Orderly liquidation: appropriate for a business that is clearly going to cease operations in the near future and is allowed sufficient time to sell its assets in the open market;
3. Forced liquidation: appropriate when time or other constraints do not allow an orderly liquidation; and
4. Assembled group of assets: appropriate when all assets of a business are sold in the market piecemeal instead of selling the entire business.

This valuation is prepared on going concern basis.

VI. SOURCES OF INFORMATION

Our analysis and conclusion of opinion of value were based on our discussions with the management of the Company, as well as reviews of key transaction documents and records, including:

1. Investment Agreement dated 7 April 2014;
2. Announcement of the Company dated 7 April 2014;
3. Management account of Starthigh and its subsidiaries (the “Starthigh Group”) for the period ended 31 December 2013;
4. Revaluation summary of the Starthigh Group for the period ended 31 December 2013; and
5. Subsidiaries accounts as at 31 December 2013.

We also relied upon publicly available information from sources on capital markets, including industry reports, and various databases of publicly traded companies and news.

VII. COMPANY OVERVIEW

1. The Company

The core businesses of the Company are property development and investment in Western China, as well as treasury investments.

2. Starhigh

Starhigh is a private limited company incorporated in the British Virgin Island (“BVI”) which is directly wholly-owned by Marvel Leader Investments Limited. It is an investment holding company and the registered and beneficial owner of Charm Best Investment Limited (“Charm Best”). The sole business of Starhigh is the ownership of Charm Best.

Figure 7 – 1 – Organization Chart



VIII. ECONOMIC OVERVIEW

In conjunction with the preparation of this valuation, we have reviewed and analysed the current economic conditions of China where the profit of the Starhigh Group is derived, and how the valuation of Starhigh may be impacted.

1. Nominal GDP Growth in China

In the past, the Chinese economy increased at a rapid growth rate, which was about 10% per year. The recent growth of gross domestic product (“GDP”) in China was affected by the global economic downturn and the tightening of China’s monetary measures initiated by the Chinese government. Nonetheless, the global economy is currently on the way to recover from the global economic recession triggered by the United States financial tsunami and the European Union’s debt crisis.

Table 8 – 1 – Real GDP Annual Growth Rate and Inflation of China from 2009 to 2013

	2009	2010	2011	2012	2013
Real GDP Annual Growth Rate (%)	9.21	10.45	9.30	7.65	7.67
Inflation (%)	-0.68	3.33	5.42	2.65	2.63

Source: International Monetary Fund, World Economic Outlook Database, April 2014

Despite slowing down of the development of the economy, China still continues to be one of the fastest growing regions in the world. According to the International Monetary Fund (“IMF”), the country recorded an annual GDP of RMB56,885 billion in 2013, representing an annual growth rate of approximately equal to 7.3%.

According to the World Economic Outlook published by IMF as of April 2014, China has become the second largest economy in the world after the U.S. It is well believed that if China continues to grow quickly, it would soon surpass the U.S. to become the largest economy in the world by 2030.

Table 8 – 2 – Worldwide GDP

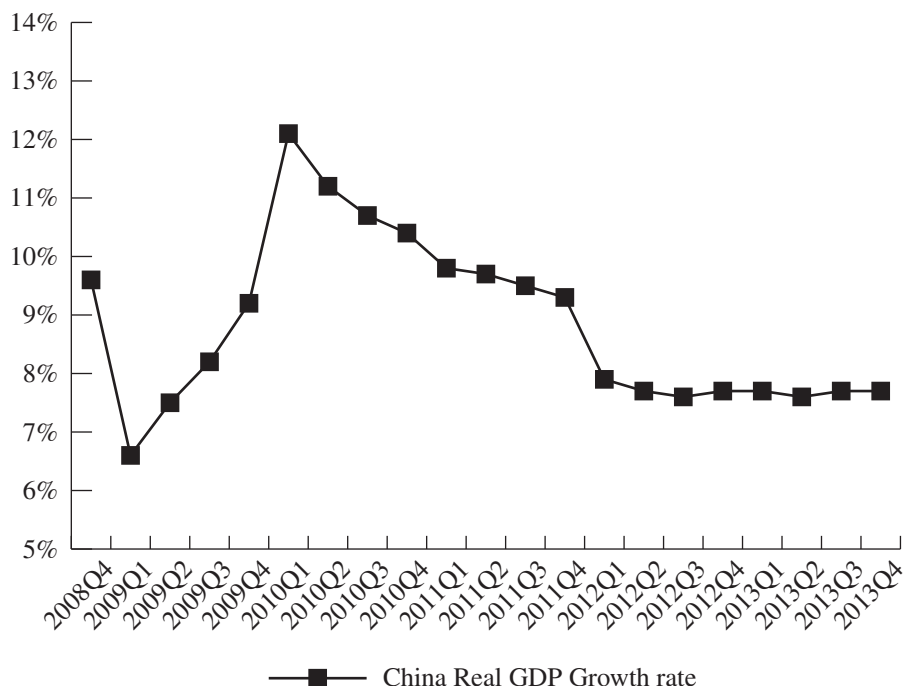
Country	GDP – Billions of the United States Dollar (“USD”)							
	2011A	2012A	2013A	2014F	2015F	2016F	2017F	2018F
1 China	7,322	8,221	9,181	10,028	10,940	11,879	12,908	13,997
2 United States	15,534	16,245	16,800	17,528	18,366	19,283	20,240	21,180
3 Japan	5,896	5,960	4,902	4,846	5,021	5,165	5,372	5,540
4 Germany	3,631	3,430	3,636	3,876	4,082	4,264	4,464	4,664
5 France	2,785	2,614	2,737	2,886	3,021	3,154	3,308	3,472
6 Brazil	2,475	2,253	2,243	2,216	2,341	2,470	2,611	2,765

Source: International Monetary Fund, World Economic Outlook Database, April 2014

Despite weak and uncertain global conditions, the China’s economy is expected to grow at around 7.5% in 2014, as forecasted by IMF. IMF commented that policy makers in China have refrained from further stimulating the growth, which is consistent with the objectives of safeguarding the financial stability and moving the economy to a more balanced and sustainable growth path.

The following diagram shows the quarter GDP annual growth rate from 2008 to 2013:

Figure 8 – 1 – GDP Annual Growth Rate in China



Source: National Bureau of Statistics of China

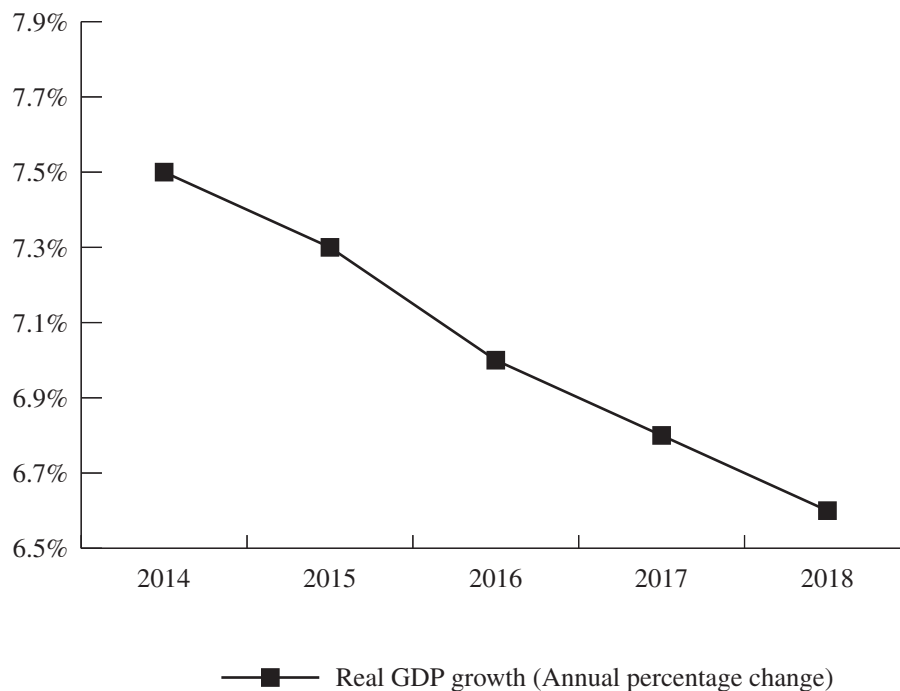
In the near-term outlook, the China's economy faces different challenges. Particularly, the rapid growth in credit financing also raises concerns about the quality of investment and the ability on repayment, especially when credit is flowing through less-well supervised parts of the financial system. China suffered from the first corporate bond default in March. It raised a red flag about the creditability and the stability of the bond market. In addition, economic growth in the past was too dependent on the continued expansion of infrastructure projects. Redundant and duplicate developments resulted in a mismatch and wastage of resources. The recoverability of these substantial investments which mainly financed by borrowing is questionable. In 2013, once the Chinese government tightened the funding channel, the capital market quake. Not only the GDP growth rate but also the stability of the entire capital market system in China may be impacted if the problem cannot be handled properly.

Furthermore, Chinese President Xi's campaign against corruption and extravagant spending, on one hand, will improve the public perception of the government, on the other hand, it also affecting the customer spending sector, especially, the luxury goods, fine dining and business travel business.

While the GDP growth of China's market stalls, the external market starts to recover. The World Bank also commented that the major obstacles to the recovery, including a Eurozone meltdown, are now in the past. IMF and The World Bank forecasted China GDP growth will be around 7.54% and 7.6% in 2014, respectively. Survey conducted by Bloomberg also suggested that the growth would possibly stay at 7.4% in 2014.

The following diagram shows the real GDP annual growth rate forecasts from 2011 to 2018:

Figure 8 – 2 – Real GDP Annual Growth Rate Forecasts of China



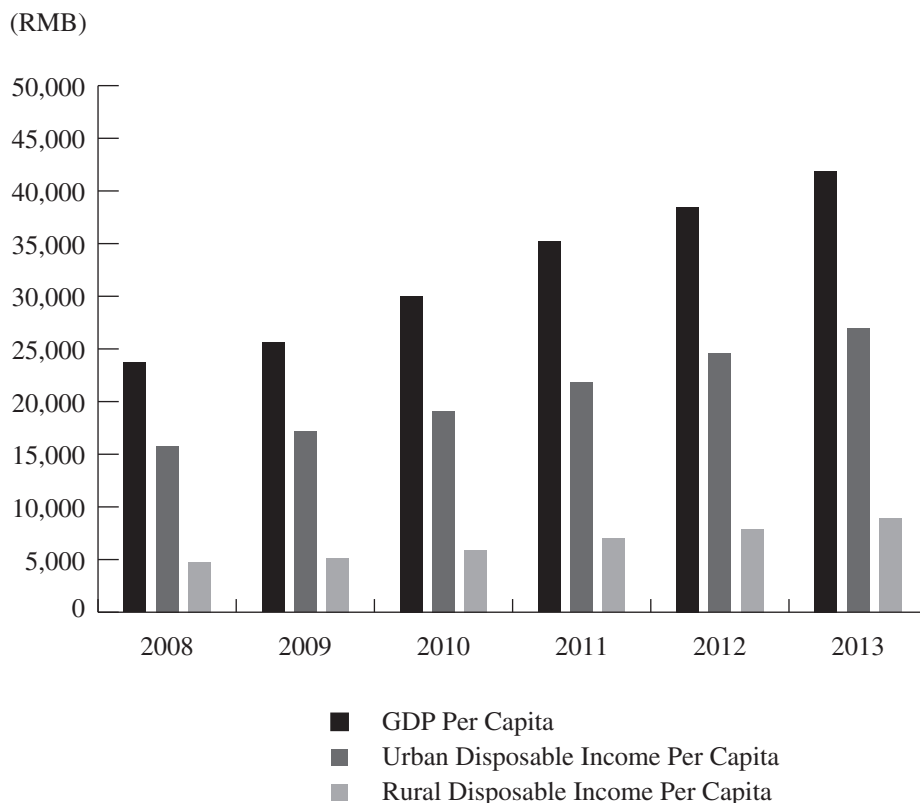
Source: International Monetary Fund, World Economic Outlook Database, April 2014

2. GDP per Capita in China

Along with the rapid economic growth, the disposable income level has grown significantly over the past few years. According to the National Bureau of Statistics of China, annual disposable income per capita of urban households in China has increased from RMB15,781 in 2008 to RMB26,955 in the 2013, representing a CAGR approximate to 11.30%; annual disposable income per capita of rural households has increased from RMB4,761 in 2008 to RMB8,896 in 2013, representing a CAGR approximate to 13.32%.

The following diagram shows the GDP per capita, annual urban and rural disposal income per capita from 2008 to 2013:

Figure 8 – 3 – GDP per Capita and Disposable Income per Capita from 2008 to 2013 of China



Source: National Bureau of Statistics of China

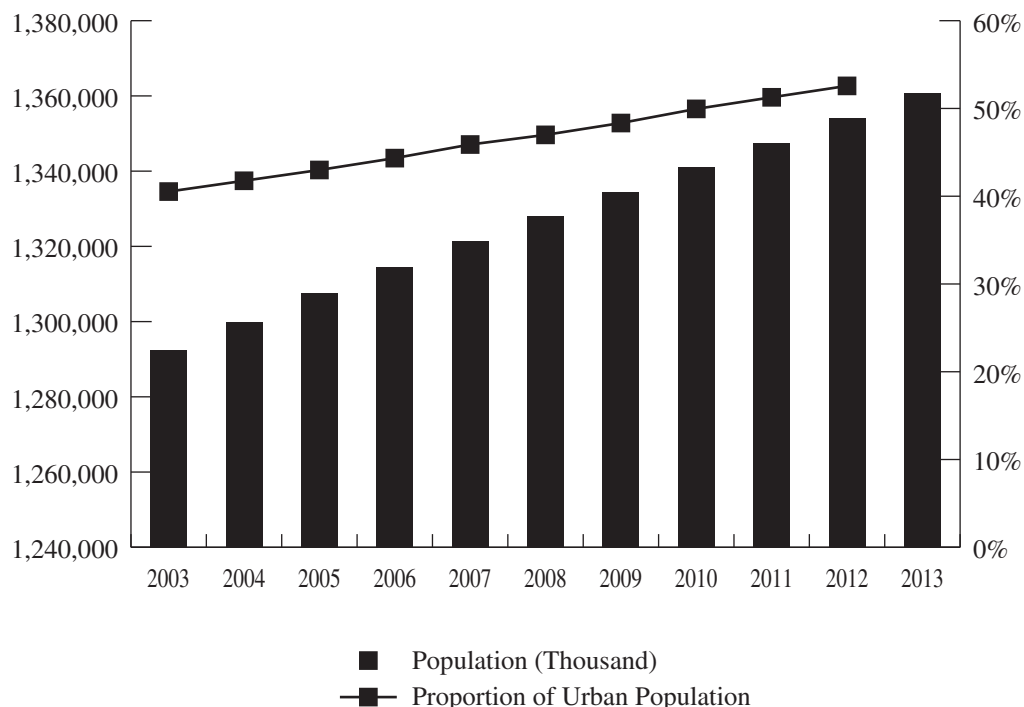
Population Growth

The population of China is almost one fifth of the world’s population. According to the National Bureau of Statistics of China, in the past decade, the population has grown from 1.29 billion in 2003 to 1.36 billion in 2013, representing a CAGR of approximately 0.52%.

The portion of urban population in China increased from 41% in 2003 to a record high of 53% in 2012, representing a CAGR of approximately 2.93%.

The following diagram shows the population growth and corresponding urban population growth in China from 2003 to 2013:

Figure 8 – 4 – Population and Portion of Urban Population in China



Source: National Bureau of Statistics of China; International Monetary Fund, World Economic Outlook Database, April 2014

Population growth is expected to be steady in this decade. According to the projection from IMF and CEIC, China’s population will grow from 1.37 billion in 2014 to 1.39 billion in 2018, representing a CAGR of approximately 0.50%. Besides, population growth along with increasing urbanization and expansion of the middle class are particularly important to the future growth of the domestic demand on affordable luxury goods, such as vehicles, luxury watches, etc. Steadily growth in population together with improving living standard continuously derives a strong demand on housing.

Table 8 – 3 – Population Forecast

Population (Million)	2014F	2015F	2016F	2017F	2018F
China	1,367.52	1,374.31	1,381.13	1,387.99	1,394.88

Source: International Monetary Fund, World Economic Outlook Database, April 2014; CEIC

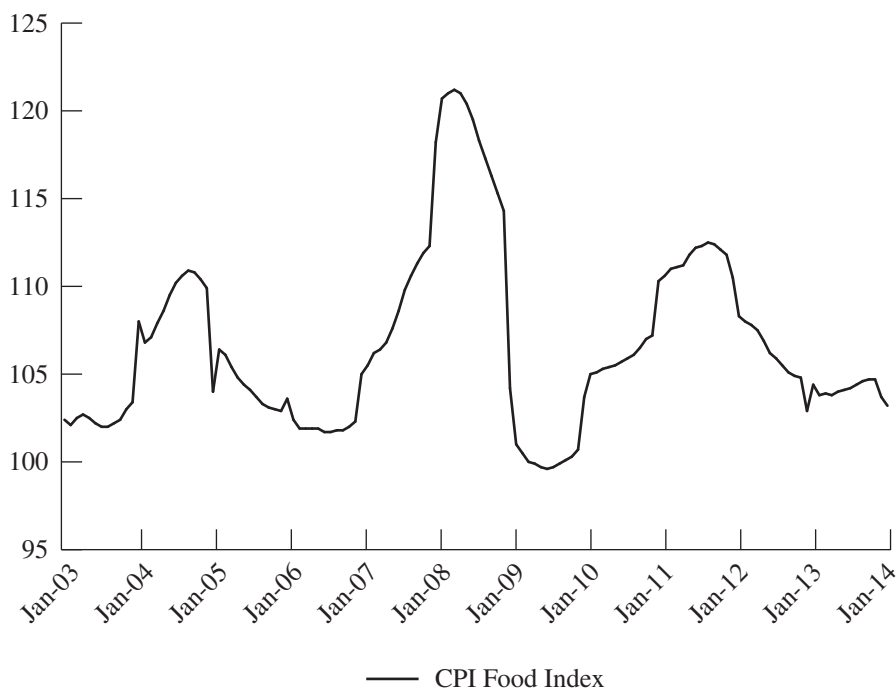
3. Inflation

Managing inflation risk has always been one of the key missions for the Chinese government since 2010. The latest economic data released by National Bureau of Statistics of China also indicated that the inflation rate was reported at 2.2% in February 2014 on year-over-year basis, as compared with that of 2.6% in February 2013. After the Monetary Policy Committee Meeting for the fourth quarter 2013, Chinese central bank governor, Zhou Xiaochuan said inflation was stable throughout the year. China will continue a prudent monetary policy, keep money supply and total social financing growing at a reasonable pace, and optimize financing and credit structures in the future.

A factor determining future monetary policy could possibly be property prices. In 2013, property prices in major cities continued to rise fast. Shenzhen and Guangzhou posted increases of 21% from a year earlier, while prices climbed 18% in Shanghai and 16% in Beijing, data from the National Bureau of Statistics showed in 18 December 2013. However, another important factor determining monetary policy, food prices, remained stable at an acceptable level of 3.2% in February 2014. According to the China Economic Outlook published by IMF in April 2014, the average inflation in China is expected to remain at about 3.0% in 2014 and onwards.

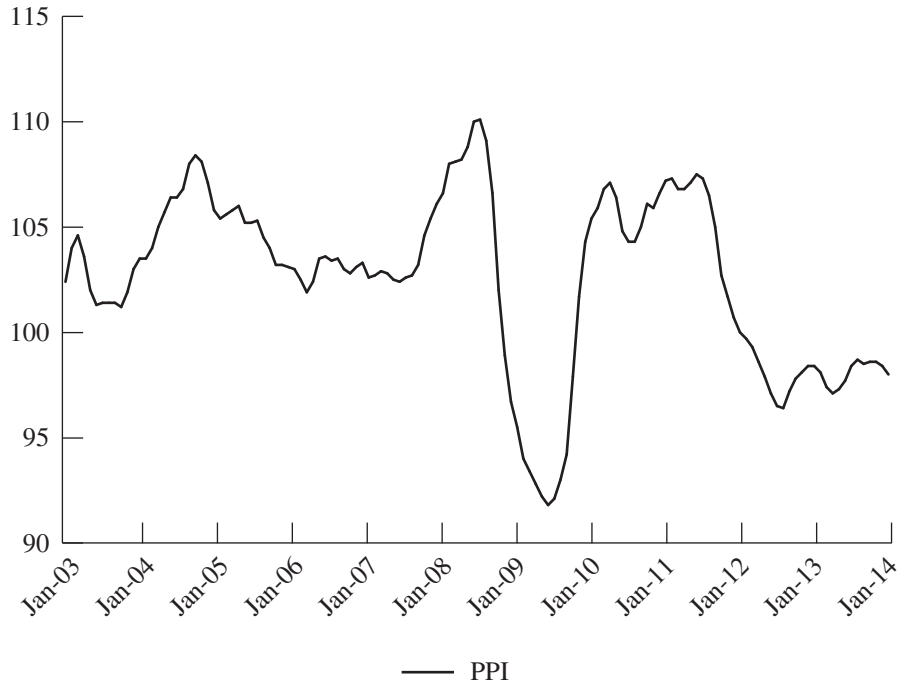
The chart below shows the historical trends of Food Price Index, Producer Price Index and Property Price in China:

Figure 8 – 5 – CPI-Food Trend in China (Index Value, Previous Year=100)



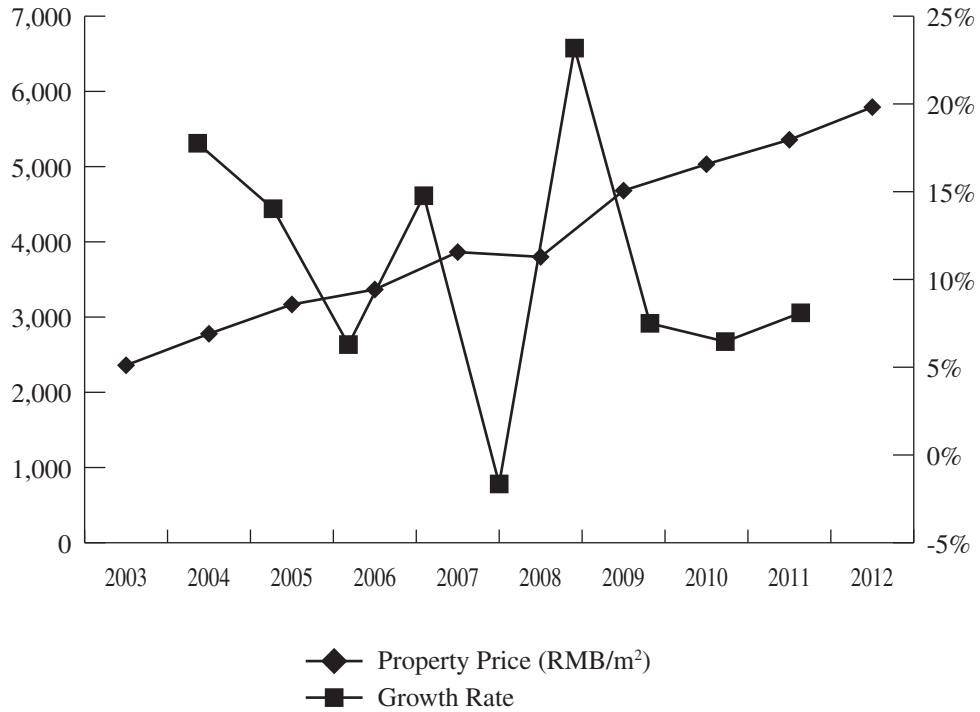
Source: National Bureau of Statistics of China

Figure 8 – 6 – PPI Trend in China (Index Value, Previous Year=100)



Source: National Bureau of Statistics of China

Figure 8 – 7 – Property Price Trend in China



Source: National Bureau of Statistics of China

Table 8 – 4 – Annual Inflation Forecasts

	Inflation, Average Consumer Prices (%)						
	2012A	2013A	2014F	2015F	2016F	2017F	2018F
World	3.94	3.56	3.49	3.44	3.65	3.45	3.41
Emerging and developing economies	5.99	5.76	5.48	5.19	5.40	4.85	4.71
China	2.65	2.63	3.00	3.00	3.00	3.00	3.00

Source: International Monetary Fund, World Economic Outlook Database, April 2014

4. Government Policy

China will maintain a proactive fiscal policy and a prudent monetary policy in the future, as well as expanding the economy by 7.5%, former Premier Wen Jiabao said while delivering his last government work report at the parliament's annual session earlier last year.

To implement the proactive fiscal policy in 2014, the government will increase the deficit and government debt in combination with tax reform and structural tax cuts, as well as optimizing government spending and improving management over local government borrowing.

To maintain a prudent monetary policy, the government will improve its policy framework to implement its macroeconomic controls and use monetary policy as a counter-cyclical tool.

In the Central Economic Work Conference held in Beijing at the end of the last year, the top leaders of the new Communist Party of China also emphasised the main tasks in 2014 would be as follows:

1. Ensure food safety;
2. Industrial restructuring;
3. Controlling debt risks;
4. Promoting newly-emerging industries;
5. Improving people's livelihood; and
6. Deepening reform and opening-up.

Overall speaking, China is still one of the fastest growing countries in the world. Data released earlier this year has been generally less than robust, but there have been a few bright spots. Inflation was mild, leaving policy makers plenty of room if they believe the economy needs a quick dose of monetary assistance.

IX. INDUSTRY OVERVIEW

In 2013, housing prices and sales in major Chinese cities have increased significantly as homebuyers returned to the market after concluding that the central government was unlikely to impose further property restrictions. Total property sales rose to 26.3% to RMB8.14 trillion in 2013.

Property market of China is highly influenced by the government policy and the China's economic condition. The main objectives of the government's policies in relation to the property market are (a) to stabilize prices, (b) to reduce speculation, and (c) to increase the supply of affordable housing.

Investment in property development in China in 2013 rose 19.8%, compared with 2012's rise of 16.2%. Construction started in 2013 rose 13.5%, which was quite significant compared to a 7.3% decline recorded in 2012. Generally speaking, the property market in China in 2013 showed a stable growth evidenced by a steady rise in property prices due to modest regulatory measures implemented by the government in 2013.

The prosperity of property market in China is driven by the growth of the disposable income among the large population and urbanization. Property market reform is also another contributory factor to the fast development of the property market.

1.3 billion population means a huge housing needs. As mentioned in the Economic Overview, China has the largest population in the world. Intrinsicly, the housing needs would increase when the population increases, however, in China, the increase in housing needs is faster than the population growth.

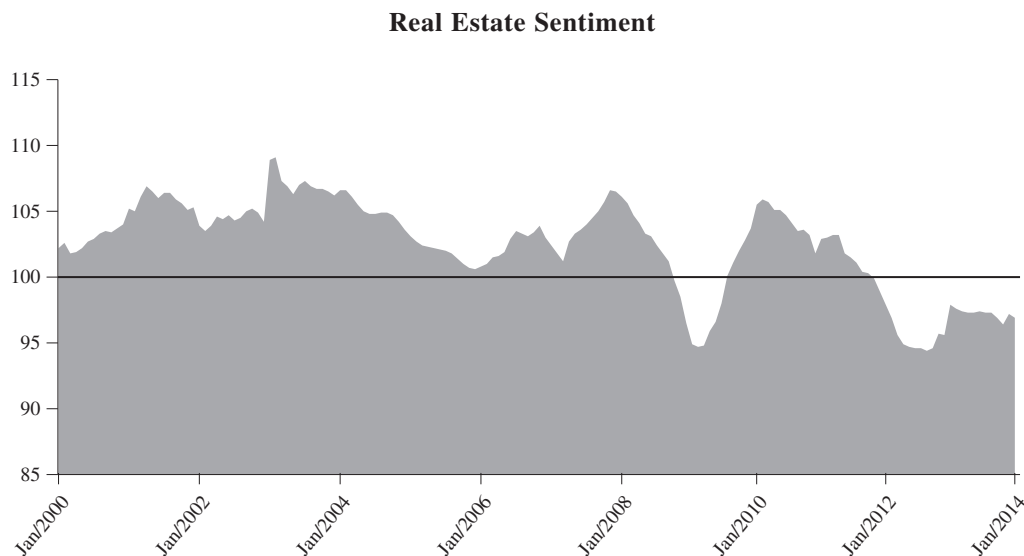
Urbanization rate in the past few years was remarkable in China. Urbanization will increase the demand for housing, as in general, the size of family is smaller in the city and thus, increase the number of household when a district starts urbanization. It creates substantial needs for housing, especially in lower tier cities. Urbanization rate increases from 45.9% in 2007 to over 50% in 2012. Based on United Nations' estimate, the urbanization rate might reach 61% in 2020 and 77% by 2050.

Improvement in earning capability of individual is another key driving force for the prosperity of the property market as people wish to have a better quality of life. As mentioned in the section of Economic Overview, it is expected that the GDP growth would possibly stay at 7.5% in 2014 and remains at approximately 7% until 2018, which implies a constant increase in household disposable income. Furthermore, urbanization also increases the disposable income. As stated in the Figure 8 – 3, the urban disposable income rose to RMB24,565 in 2012 which was three folds to the rural area. With rising household disposable income, the number of households that are able to afford private housing will increase.

The rapid growth in disposable income also creates needs for investment. Meanwhile, there are not too many investment choices in China. Therefore, it particularly benefits the property market, as traditionally, Chinese like to invest in physical property. It is also widely believed that men need to have a flat or a house before getting married. It creates a huge demand for housing.

The property market in China has been flourished for a long period of time. Recently, due to the government measure on cooling down the overheat property market, the overall market sentiment was weak in the last two years.

Figure 9 – 1 – Real Estate Sentiment in China



Source: National Bureau of Statistics of China

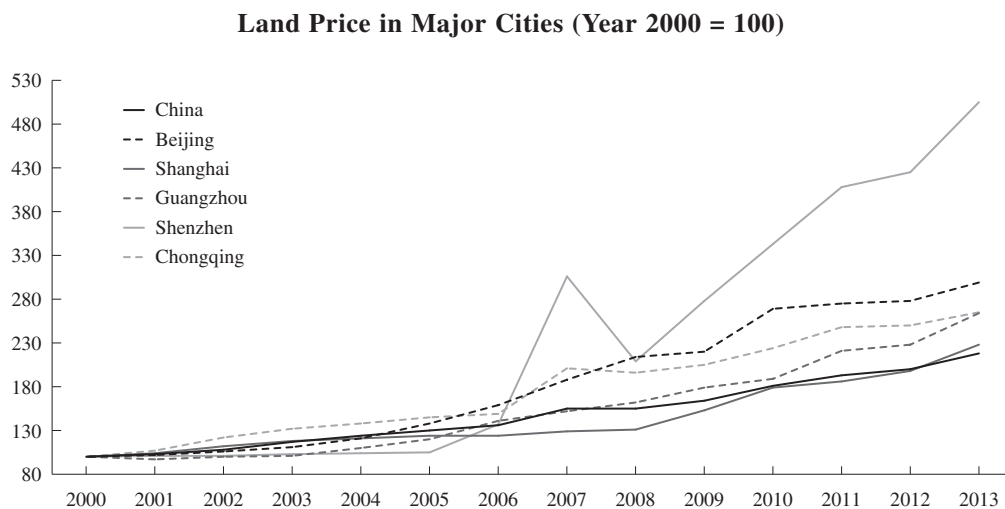
Starting from 2000, the land prices in major cities have been doubled. Based on the statistics from China Urban Land Price Dynamic Monitor, the overall land price in China increased with CAGR 7.1% in the last five years and Shenzhen took the lead with CAGR 19.3%.

Table 9 – 1 – Growth on Land Price in Major Cities

Year	China	Beijing	Shanghai	Guangzhou	Shenzhen	Chongqing
CAGR 2003 – 2013	6.4%	10.4%	6.8%	10.1%	17.2%	7.2%
CAGR 2008 – 2013	<u>7.1%</u>	<u>6.9%</u>	<u>11.7%</u>	<u>10.3%</u>	<u>19.3%</u>	<u>6.2%</u>

Sources: China Urban Land Price Dynamic Monitor, GCA

Figure 9 – 2 – Land Price in Major Cities



Sources: China Urban Land Price Dynamic Monitor, GCA

Further property tightening curbs is only expected to impose in major cities with strong gains in housing prices, and that the focus in 2014 is to ramp up housing supply in cities with strong demand. The property market in China would be focusing on healthy transaction volume so that it would continue to generate construction activity and jobs.

The projects of the Starhigh Group are mainly in Chongqing.

Chongqing Property Market

Real estate investment in Chongqing increased from RMB85 billion in 2007 to around RMB250 billion in 2012, representing a CAGR of 24.2%.

The table below sets out selected data relating to real estate investment in Chongqing for the years indicated.

Table 9 – 2 – Property market of Chongqing

	2007	2008	2009	2010	2011	2012	2007-2012 CAGR
Real estate investment (RMB billions)	85	99	125	162	202	151	24.2%
Residential investment (RMB billions)	52	62	79	109	144	171	26.7%
Total GFA of commodity properties completed (million sq.m.)	22.5	23.7	29.1	26.3	34.2	40.0	12.1%
Total GFA of commodity properties sold (million sq.m.)	35.5	28.7	40.0	43.1	45.3	45.2	4.9%
Average price of commodity properties (RMB per sq.m.)	2,723	2,785	3,442	4,281	4,734	5,080	13.3%
Average price of residential properties (RMB per sq.m.)	2,588	2,640	3,266	4,040	4,492	4,805	13.2%
Sale revenue of commodity properties (RMB billions)	97	89	138	185	215	230	18.9%
Sale revenue of residential properties (RMB billions)	86	70	123	161	183	197	18.1%

Source: National Bureau of Statistics of China

Figure 9 – 3 – Property Index – Chongqing

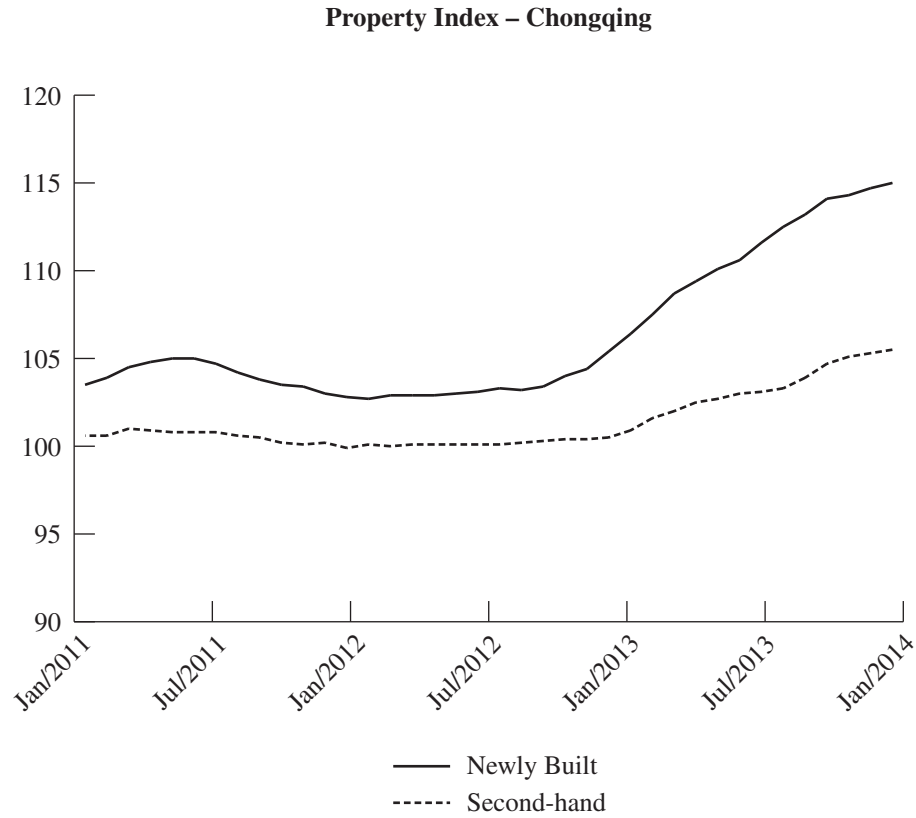
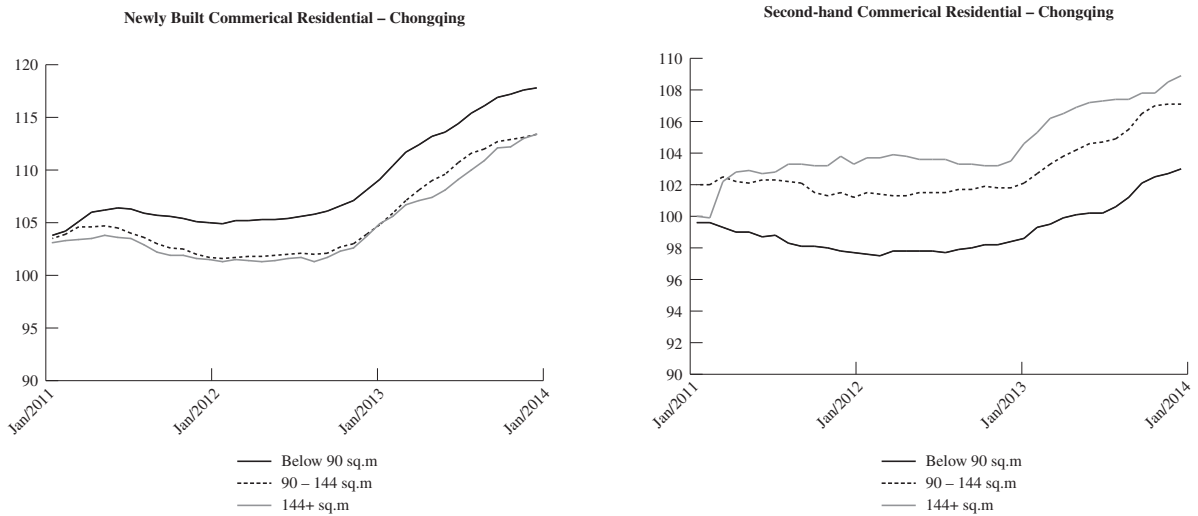
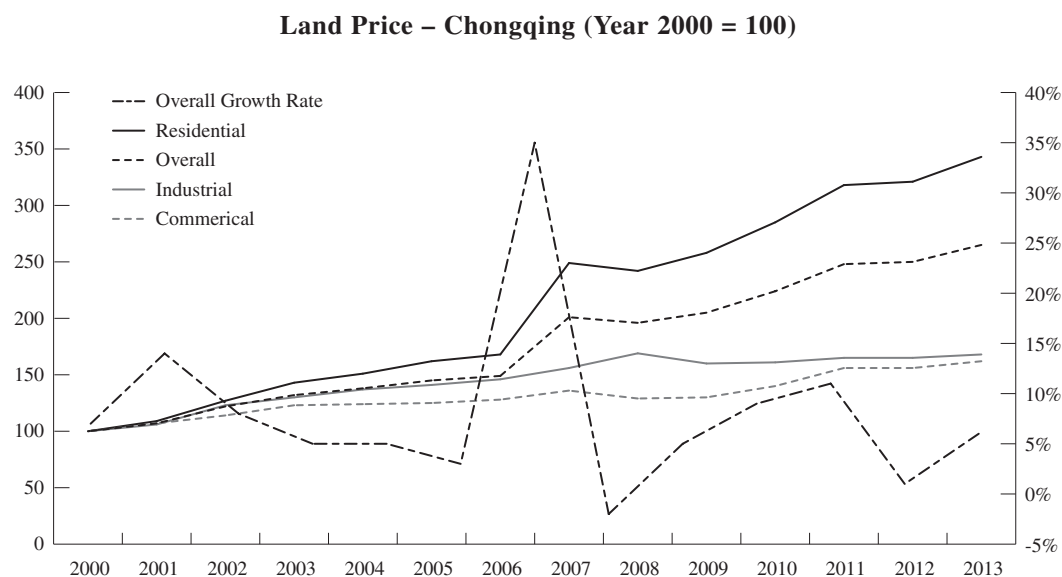


Figure 9 – 4 – Commercial Residential Index – Chongqing



Land cost is definitely the major burden of the property developers. Based on China Urban Price Dynamic Monitor, the land price of Chongqing is in general in line with the national growth. The price of land for residential use is growing with a much faster rate when compared with the prices of the land for commercial or industrial uses. The commercial and industrial land prices were relatively stable in the last five years with a CAGR less than 3%.

Figure 9 – 5 – Land Price in Chongqing



Sources: China Urban Land Price Dynamic Monitor, GCA

There are full of opportunities in the property market in China. Urbanization and rising incomes result in a continuous growth in housing prices as well as sales. With continuous urbanization process, there remains a long-term need for growth in the supply of housing.

To conclude, it is expected that the property market will be full of challenges and opportunities due to rising incomes, yet with unpredictable business environment arising from regulatory measures.

X. VALUATION METHODOLOGY

The valuation of any asset can be broadly classified into one of the three approaches, namely the cost approach, the market approach and the income approach. In any valuation analysis, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the fair value analysis of that asset.

1. Cost Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods based on the value of the assets net of liabilities.

Value is established based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable.

We have applied the cost approach for the valuation for Starhigh due to the following reason:

- The major assets of the Starhigh Group are real estate properties. The fair values of these real estate properties could be determined based on recent market transactions of similar properties; and
- The sum of these assets and liabilities can form a solid base of the value of Starhigh.

2. Market Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.

Value is established based on the principle of competition. This simply means that if one thing is similar to another and could be used for the other, then they must be equal. Furthermore, the price of two alike and similar items should approximate one another.

We have considered and accepted the market approach for the valuation for Starhigh due to the following reason:

- It provides additional information to the sellers on how the others would price the similar asset.

3. Income Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that convert anticipated benefits into a present value amount.

In the income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset's most likely future benefit stream. This selected benefit stream is then discounted to present value with an appropriate risk-adjusted discount rate. Discount rate factors often include general market rates of return at the Valuation Date, business risks associated with the industry in which the company operates, and other risks specific to the asset being valued.

We have considered and rejected the income approach to the valuation of Starhigh due to the following reasons:

- The income approach involves many assumptions and estimations while not all of them can be easily quantified and obtained from the management of the Company; and
- No accurate financial projection can be prepared for the application of this approach in view of the volatile property price in the property market of China.

XI. GENERAL VALUATION ASSUMPTIONS

A number of general assumptions have to be established in order to sufficiently support our analysis of fair value of the Equity Interest. The general assumptions adopted in this valuation include:

1. There will be no material changes in the existing political, legal, fiscal, foreign trade and economic conditions in the PRC;
2. There will be no significant deviation in the industry trends and market conditions from the current market expectation;

3. There will be no material change in interest rates or foreign currency exchange rates from those currently prevailing;
4. There will be no major change in the current taxation law in Hong Kong, the PRC and countries of origin of our comparable companies;
5. All relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, in good standing and that no additional costs or fees are needed to procure such during the application; and
6. Starthigh will retain competent management, key personnel, and technical staff to support the ongoing business operations.

XII. COST APPROACH

The cost approach is based on the economic principle of substitution; it essentially measures what the net asset value is as at the Valuation Date and how much it would cost to replace those assets. Either one of the replacement value, liquidation value and adjusted net asset value method is used to estimate the current fair value of the business or its assets.

Details of the balance sheet of the Starthigh Group as at the Valuation Date are as follows:

Table 12 – 1 – Adjusted Net Asset Value

	Net Book Value <i>HKD'000</i>	Fair Value Adjustment <i>HKD'000</i>	Fair Value <i>HKD'000</i>
Investment Properties	411,330	–	411,330
Land and Developing Properties <Note 1>	9,868,987	2,610,567	12,479,554
Completed Properties <Note 1>	2,015,626	2,135,997	4,151,623
Property, plant and equipment <Note 2>	120,682	50,778	171,460
Available-for-sale Investments	212,373	–	212,373
Prepayments, Deposits and Other Receivables	233,707	–	233,707
Bank and Cash Balances	2,777,041	–	2,777,041
TOTAL ASSETS	15,639,746	4,797,342	20,437,088
Trade and Other Payables	1,114,757	–	1,114,757
Proceeds Received on Pre-sale of Properties	1,766,361	–	1,766,361
Loan from Non-Controlling Shareholders	11,470	–	11,470
Bank Loan	1,915,025	–	1,915,025
Amounts due to a fellow subsidiary	229,372	–	229,372
Payable to Shareholders	941,781	–	941,781
Tax Payables	1,286,848	–	1,286,848
Deferred Tax Liabilities <Note 3>	1,240,603	4,111,349	5,351,952
TOTAL LIABILITIES	8,506,217	4,111,349	12,617,566
NET ASSET VALUE	7,133,529	685,993	7,819,522
Non-Controlling Interest <Note 4>	(108,480)	(45,106)	(153,586)
SHAREHOLDERS' EQUITY	7,025,049	640,887	7,665,936

<Note 1> The fair values of land and developing properties and completed properties are with reference to the separate valuation report as at 31 December 2013 prepared by Greater China Appraisal Limited.

<Note 2> It is related to the fair value adjustment of certain properties held for own use by the Starhigh Group

<Note 3> The estimated various tax liabilities that may be payable by the Starhigh Group upon the sale of properties according to the relevant PRC tax rules and regulations. There were three kinds of tax liabilities included in the adjustment namely business tax ("BT"), land appreciation tax ("LAT") and corporate income tax ("CIT"). The respective taxes were estimated as follows:

- (i) BT – charged at the rate of 5.6% of the selling prices of the properties.
- (ii) LAT – levied at progressive rates ranging from 30% to 60% on the appreciation of the value of the properties.
- (iii) CIT – charged at statutory income tax rate of 25%.

<Note 4> The share of net revaluation surplus, being the difference of revaluation surplus and the respective deferred tax liabilities adjustment, by the non-controlling shareholders.

XIII. MARKET APPROACH

Guideline Public Company Method

The logic behind the Guideline Public Company Method is that prices of publicly traded stocks in the same or a similar industry provide objective evidence on the values at which investors are willing to buy and sell interest of companies in that industry.

In applying the Guideline Public Company Method, we compute a pricing multiple for various benefit streams for each guideline public company (the "Guideline Public Companies"). The appropriate valuation multiple is determined and adjusted for the unique aspects of the subject company being valued. This multiple is then applied to the subject company being valued to arrive at an estimate of value for the appropriate ownership interest. In this valuation, selected pricing multiple is based on book value.

A pricing multiple represents a ratio that uses a comparative company's market value at the Valuation Date as the numerator and a measure of the company's operating results (or financial position) as the denominator. In this valuation, Price-to-Book Value ("P/BV") is adopted. P/BV is an appropriate pricing multiple which indicate the premium or discount that the investors are willing to pay for the assembled assets and liabilities. The net asset value ("NAV") refers to the sum of all of a company's assets minus its liabilities and minority interest. The greater the NAV for a company, the larger the earning could be generated. In addition, the less volatile of P/BV multiple in the market provides a more reliable valuation.

Once we have selected a number of Guideline Public Companies and made the necessary adjustments to their financial information, the next step is to determine and compute the appropriate valuation multiple, and the calculation method is the same for all the selected Guideline Public Companies.

The application of this method depends on the selection of the Guideline Public Companies that with sufficient similarity to the underlying business of the subject company so as to provide a meaningful comparison. We exercised due care in the selection of the Guideline Public Companies by using reasonable criteria in deciding whether or not a particular Guideline Public Company is relevant. When difference is so large such that meaningful comparison cannot be made, we would then question the use of this method.

Selection of Guideline Public Companies

In selecting the Guideline Public Companies, we have considered the lines of business, products, market location of business and other criteria of the Starhigh Group. Based on our available resources and given the selection criteria set out above, on a best effort and unbiased basis and to the best of our knowledge, these samples are full and exhaustive.

The following is a list of the Guideline Public Companies that we have reviewed in connection with the valuation of the Starthigh Group:

Table 13 – 1 – Guideline Public Company

Guideline Public Company	Ticker	Price to Book value	Business Activities
Powerlong Real Estate Holdings Ltd	1238 HK	0.32x	The company develops commercial properties in the PRC.
Tomson Group Ltd	258 HK	0.32x	The company through its subsidiaries, develops and invests in properties and operates hospitality and leisure businesses. The Company also manufactures PVC pipes and construction materials, and trades securities.
Beijing Capital Land Ltd	2868 HK	0.54x	The company develops quality/high-end office buildings and commercial properties, and medium to high-end residential properties in Beijing, China.
Fantasia Holdings Group Co Ltd	1777 HK	0.83x	The company is a property developer and provider of real estate agency and property management services in the PRC. The Company develops urban commercial complexes and residential properties in Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region and the Beijing-Tianjin metropolitan region.
Yuzhou Properties Co Ltd	1628 HK	0.83x	The company develops residential properties in southern China.
Minmetals Land Ltd	230 HK	0.48x	The company is a real estate development company, principally engages in the business of real estate development, specialized construction, property investments and project management. The company's real estate development business covers the Pearl River delta, Yangtze River Delta and Pan Bohai Rim region of the PRC.
China Aoyuan Property Group Ltd	3883 HK	0.49x	The company is a property development company which develops retail shops and integrated residential projects.

Source: Bloomberg

The criteria of selection of the Guideline Public Companies are listed below:

- More than 75% revenue contribution from real estate related business;
- Mainly operates in the PRC;
- Listed in Hong Kong; and
- Comparable market capitalization compared to the Starthigh Group.

For Hong Kong listed companies, it is common to apply the strategy of business diversification. Therefore, in order to select Guideline Public Companies, we focus on the listed companies with more than 75% revenue contribution from real estate related business. With the above selection criteria and with reference to the business nature, primary operation location and market capitalization of the Starhigh Group, we considered the selected Guideline Public Companies are fair and representative samples.

The information is obtained from Bloomberg and the Internet.

The derivation of the median Price-to-Book Value is based on the closing price of the last 20 trading days before the valuation date. The median Price-to-Book Value is 0.49x.

XIV. DISCOUNT FOR LACK OF CONTROL (“DLOC”)

As the Equity Interest in the present case involves a minority, non-controlling interest, the applicability of discounts that affect such interest must be considered in the final determination of fair value.

DLOC is one of the valuation adjustments with a significant monetary impact on the final determination of fair value. It is a downward adjustment to the fair value of a minority, non-controlling investment to reflect its reduced level of control.

DLOC is derived from control premium as follows:

$$\text{DLOC} = 1 - \frac{1}{1 + \text{Control Premium}}$$

Control premium is defined as the amount of premium (reflected in the purchase price) that a buyer is willing to pay over the current market price of a company for a controlling interest in that company. The higher the control premium, the greater the DLOC will be.

Control is defined as the ability to influence the decision of the board of directors in the company. The characteristics of control usually include:

- Appoint management;
- Determine management compensation and perquisites;
- Set policy and change the course of business;
- Acquire or liquidate assets;
- Select people with whom to do business and award contracts;
- Make acquisitions;
- Liquidate, dissolve, sell out, or recapitalize the company;
- Declare and pay dividends; and
- Change the articles of incorporation or bylaws.

Regarding this case, the responsibility of supervising the day-to-day management and operation is not regarded as one of the characteristics of control. Additionally, the owner of the to-be-acquired and subscribed shares in Starhigh will not have control over the board of directors of Starhigh Group after the

acquisition and subscription. Therefore, the management role to be taken by the owner after completion of the acquisition and subscription will not be taken into account in our determination of DLOC for the present case.

Currently there is no available empirical study on control premiums specifically conducted for companies in Hong Kong or the PRC. In selecting an appropriate DLOC for the present case, we have therefore as a starting point considered the “Control Premium Study 3rd Quarter 2013” (the “Control Premium Study”) which is a commonly and widely used database of control premiums published by Factset Mergerstat, LLC (“Mergerstat”) on a regular basis. We have also conducted further research based on Bloomberg database in our determination. We have also considered the relevant facts and circumstances of the Starhigh Group in order to determine an appropriate control premium, and thus the DLOC, for the present case.

Control Premium Study based on Mergerstat

The 3rd Quarter 2013 edition of Control Premium Study was compiled by Mergerstat, LLC by examining transactions whereby 50.01% or more of the equity interest of a company was acquired during the period between 1 October 2012 and 30 September 2013. In order to obtain unbiased and accurate pricing information, Mergerstat has narrowed the scope of the Control Premium Study to completed transactions where the shares of the target company was publicly traded. Control premium of each transaction is calculated as the percentage difference between the purchase price and the Mergerstat Unaffected Price of the target company which is the target company’s common stock price per share unaffected by the acquisition announcement as selected by Mergerstat after analyzing each transaction as follows:

$$\text{Control Premium} = \frac{\text{Purchase Price} - \text{Mergerstat Unaffected Price}}{\text{Mergerstat Unaffected Price}}$$

According to the Control Premium Study, the average control premium of transactions in the real estate sector as estimated by Mergerstat is 26.4%. As Mergerstat has only published limited information regarding the determination of the Mergerstat Unaffected Price on the transactions examined in the Control Premium Study, further analysis of the case-specific factors of the transactions is difficult. Due to the absence of relevant information provided by Mergerstat and in order to refine our basis for determining an appropriate control premium for the present case, we have chosen additional transactions for analysis from Bloomberg database.

Control Premium Research based on Bloomberg Database

There are a total of 4 transactions from Bloomberg database meeting the following selection criteria which we consider are comparable to the relevant particulars of the Starhigh Group:

Selection Criteria:

- 1) Type of transaction: 50.01% or more of the equity interest of a company was acquired
- 2) Transaction status: Completed
- 3) Target's sector: Real estate
- 4) Target's sub-sector: property development
- 5) Principal business location: Asia Pacific
- 6) Net asset value: between HKD4 billion to HKD10 billion
- 7) Period: 1 January 2011 to 31 December 2013

Table 14 – 1 – Control Premium Research based on Bloomberg

	Property Location	Completion Date	Acquirer Name	Target Name	Control Premium	Market Capitalisation (HKD'M)	NAV (HKD'M)
1	Malaysia	29/10/2012	Ambang Sehati Sdn.	Bandar Raya Developments Bhd.	20.43%	3,718.88	4,874.04
2	Malaysia	23/8/2011	Sunway Bhd.	Sunway City Bhd.	24.53%	2,589.39	7,514.70
3	HK	23/2/2012	Earnest Equity Limited	CSI Properties Ltd	27.15%	2,181.77	5,516.74
4	China	27/8/2013	Gluon Xima International Limited	SPG Land (Holdings) Limited	28.25%	3,970.60	5,700.21
				Average	25.09%		

Source: Bloomberg

Table 14.1 above shows the details of the 4 transactions identified from Bloomberg database, with further details shown in Appendix A. Based on the Bloomberg database and given the selection criteria set out above, on a best effort and unbiased basis and to the best of our knowledge, these sample transactions are full and exhaustive. We understand that control premium is derived by Bloomberg by comparing the purchase price of the target company's common stock to the average 20-day stock price of the target company's common stock before the transaction announcement. The control premium of each transaction is then calculated as the percentage difference between the purchase price and the average 20-day stock price of the target company before the transaction announcement as follows:

$$\text{Control Premium} = \frac{\text{Purchase Price} - \text{Average 20-day stock price}}{\text{Average 20-day stock price}}$$

Based on the above selection criteria, we consider that each of these 4 transactions is a fair and representative sample comparable to the Starthigh Group in terms of net asset value and target's sector. The control premiums of these 4 transactions as estimated by Bloomberg range from 20.43% to 28.25%, with an average control premium of approximately 25%. Among these 4 transactions, one of them has the same property location as the Starthigh Group, with a control premium of approximately 28.3%.

In our opinion, having considered the relevant facts and circumstances of the present case as mentioned, we consider that our basis would be too narrow if our determination of the control premium for the present case was solely based on the one transaction which has the same property location as the Starthigh Group, without also taking into account all the other transactions which are comparable to the Starthigh Group in terms of other features including net asset value and target's sector. The average control premium of these 4 transactions is also similar to the average control premium of the real estate sector obtained from the Control Premium Study. Accordingly, having considered the relevant facts and circumstances of the present case, we conclude that a reasonable and appropriate control premium for the present case should be 25%, being the average control premium based on all the 4 transactions identified from Bloomberg database. The corresponding DLOC is approximately 20% as calculated below:

$$\text{DLOC} = 1 - \frac{1}{1+25\%} = 20\%$$

XV. DISCOUNT FOR LACK OF MARKETABILITY (“DLOM”)

The DLOM is another applicable valuation adjustment with a significant monetary impact on the final determination of fair value. Marketability is defined as the ability to convert an investment into cash quickly at a known price and with minimal transaction costs. The DLOM is a downward adjustment to the fair value of a minority, non-controlling investment to reflect its reduced level of marketability. As the Equity Interest of the present case is not publicly listed and there will be certain restrictions on its disposal under the Shareholders’ Deed, the DLOM is also a relevant consideration in our valuation of the Equity Interest.

As there is no specific disclosure requirement for transactions involving non-listed companies in China, no information of such kind is readily available from public filing or announcements and thus no direct analysis on the DLOM can be performed. This limitation on data regarding the non-listed company transactions is similar in other countries. Thus for the analysis of the DLOM, empirical studies and theoretical models are the two common methodologies widely relied on for determining the DLOM. Of the empirical studies, most of the DLOM studies focus on restricted stock transactions and pre-IPO transactions. Of the theoretical models, put option methodology is a commonly recognized method in determining the DLOM.

In order to select an appropriate DLOM for the Equity Interest, we have first referred to the following commonly recognized methodologies which are in line with normal market practice in order to provide a more reliable determination of the DLOM:

1. Empirical studies on restricted stock transactions and pre-IPO transactions as general estimation of DLOM for non-marketable minority share; and
2. Put option methodology as a more case-specific analysis.

Empirical Studies on Restricted Stock Transactions and Pre-IPO Transactions

The DLOM is a common issue in valuation in relation to the equity of private companies. Currently there is no available empirical study on the DLOM specifically conducted for companies in Hong Kong or the PRC.

Many of the studies¹ on the DLOM focus on restricted stock transactions and pre-IPO transactions. The studies on restricted stock transactions compared the difference between the price of restricted shares and unrestricted shares. The studies on pre-IPO transactions compared the difference between the price of pre-IPO shares and shares after listing. These studies provided a foundation of how the investors would assess the value of marketability. These studies are commonly referred to for the valuation of equity of private companies. It is because all restricted stocks, pre-IPO shares and the equity of private companies are all subject to similar limitation on the marketability. Based on these studies, several common findings about DLOM may be noted as follows:

1. The larger the company, the lower the DLOM tends to be;
2. The average DLOM indicated by restricted stock transaction studies ranges from 13% to 45%, while most of them are between 30% and 40%;
3. As the marketability of closely held company shares tends to be lower than restricted public company shares, the DLOM for closely held companies is generally considered to be greater than the DLOM indicated by the restricted stock transaction studies; and
4. The average DLOM indicated by pre-IPO transaction studies is around 40% – 60%.

¹ These studies include: (i) SEC Institutional Investor, (ii) Milton Gelman, (iii) Robert E. Moroney, (iv) J. Michael Maher, (v) Robert Trout, (vi) Standard Research Consultants, (vii) Willamette Management Associate, (viii) William L. Siber, (ix) FMV Opinions, Inc. (x) Columbia Financial Advisors, (xi) LiquiStat and (xii) Emory.

In general as a starting point and based on the above common findings, we considered that the DLOM for non-marketable minority share of the present case being similar to a restricted stock transaction would be between 30% – 40%, being the average DLOM indicated by the restricted stock studies above.

Put Option Methodology

Another commonly used methodology in valuation to estimate the DLOM is the put option methodology. This method is relevant to the present case as it does not only provide a general and common methodology in determining DLOM, but also takes into account the length of the required holding period (or restrictions on transfer) and its effect on the magnitude of the DLOM providing a more case-specific analysis.

In 1993, David B. H. Chaffe, III, the President of Chaffe & Associates, Inc., New Orleans, Louisiana and a member of the Association for Investment Management and Research and of the Institute of Business Appraisers, introduced the concept of using an option pricing model to estimate the DLOM, where it was stated that “if one holds restricted or non-marketable stock and purchases an option to sell those shares at the free market price, the holder has, in effect, purchased marketability for those shares. The price of that put is the discount for lack of marketability”. The Chaffe put option model is one of the frequently referenced option-pricing models in valuation.

In other words, the model suggests that, assuming that there are two identical securities and the only difference between them is that one is marketable with a freely traded price and the other is non-marketable, if the holder of the non-marketable security is also provided with an option to sell it back at its freely traded price at the end of the expected restriction period (i.e. a put option), the non-marketable security is said to be equivalent to the fully marketable security, and the value of the put option is equal to the DLOM.

The value of a European put option can be found analytically with the following formula:

$$Put(S_0, t) = Ke^{-rt} N(-d2) - S_0 e^{-(div)t} N(-d1)$$

$$\text{where } d1 = \frac{\ln(S_0 / K) + (r - div + \sigma^2 / 2) t}{\sigma \sqrt{t}}, d2 = d1 - \sigma \sqrt{t}$$

The basic inputs for the put option model using the Black-Scholes formula are: (1) stock price, (2) strike price, (3) risk-free interest rate, (4) time to expiration and (5) expected volatility. As the put option model is used to estimate the DLOM, it is assumed that the put option is at the money such that the stock price equals the strike price; the risk-free interest rate is the cost of capital; the time to expiration equals the time the stock is expected to remain non-marketable or the maturity period; and volatility refers to the rate at which a stock’s price moves up and down. Since a closely held company’s stock does not trade and thus no data of volatility is available for analysis, it is necessary to estimate the subject stock’s volatility by using comparable Guideline Public Companies, which is a common market practice in valuation.

The maturity period represents the lock-up period during which the transfer of the underlying shares is subject to restrictions. Pursuant to the proposed terms of the Shareholders’ Deed, transfer of the Equity Interest will be subject to restrictions for a maximum period of 10 years. The longer the period of restrictions, the greater the DLOM will be.

In summary, the following assumptions were made in this valuation which we consider are reasonable and necessary having regard to the facts and circumstances relating to the Equity Interest:

Stock price (S_0) and Strike price (K): At-the-money put option is assumed, that is the stock price equals the strike price which is its freely traded price which can be any price but both are assumed to be 1 (being equal to each other) for present purposes. As mentioned above, the put option model is to measure the value of the put option in a scenario where the only difference between two identical securities is that one is marketable with a freely traded price (instead of a fixed strike price) and the other is non-marketable but provided with an option to sell it back also at its freely traded price at the end of the expected restriction period (i.e. the put option), such that the DLOM will be derived by comparing the value of the put option to the stock price;

Time to maturity (t): 5 years is assumed. Under the Shareholders' Deed, the owner of the to-be-acquired and subscribed shares in Starhigh cannot freely transfer the shares without the prior approval of the other shareholder for a period of 10 years. The restriction is therefore imposed by such requirement to obtain the prior approval from the other shareholder for any intended transfer. There is no information on whether or when the owner of the to-be-acquired and subscribed shares in Starhigh may seek to transfer those shares during the 10 years' restriction period, nor is there any information on whether approval for transfer will or will not be given during the restriction period. However, given that one of the reasons for entering into the transactions contemplated under the Investment Agreement is to secure the long-term commitment of the owner of the to-be-acquired and subscribed shares in Starhigh, it is unlikely that any approval for transfer would be given soon after completion of the acquisition and subscription. Accordingly, bearing in mind in particular that the longer the period of restrictions the greater the DLOM will be, we consider it reasonable and appropriate for the present analysis to take the mid-point of the 10 years' restriction period as the time to maturity instead of the full 10 years' period which would otherwise provide a larger DLOM;

Risk-free rate (r): 1.4649% being the 5-year Hong Kong Sovereign Zero Coupon Yield as at the Valuation Date based on Bloomberg;

Dividend yield (div): 0% was adopted; and

Volatility (σ): 45.8904% being the average of the 5-year historical daily volatilities of the selected Guideline Public Companies as at the Valuation Date based on Bloomberg. It is a common practice in valuation to refer to other comparable public companies' volatility in estimating the volatility of a share of a private company. For the basis of selection of the Guideline Public Companies, please refer to the above discussion of market approach and Table 13 – 1.

By using the put option methodology and based on the above assumptions, the estimated DLOM is around 34%. This finding also falls within the general range of 30%–40% as discussed above based on the empirical studies.

In order to select an appropriate DLOM for the present case, we have also taken into account all relevant facts and circumstances including the nature, the size of the business by reference to the adjusted NAV of the Starhigh Group and it being a private company, and used two commonly-used models in valuation to estimate the DLOM in accordance with normal market practice. The Starhigh Group is engaging in property development and investment and the majority of its assets are property related.

Comparing with those companies with most of their assets being intangible, the assets of the Starhigh Group are relatively easier to be evaluated as most of the assets involved are tangible. This characteristic would suggest a shorter time and a lower cost required in the evaluation of the assets and resulted in a lower DLOM compared with those companies having a lot of intangible assets.

Finally, as discussed above, the larger the company the lower the DLOM will be. Considering the size of the adjusted net asset value of the Starhigh Group which is relatively large, we consider that a lower DLOM should be adopted.

Based on the above analysis and considering the relevant facts and circumstances of Starhigh, we are of the opinion that the DLOM for the present case should be within the general range between 30% and 40% as noted above. Considering the above factors of the Starhigh Group in aggregate, we conclude in our assessment that the appropriate DLOM would be at the lower end of the range and apply 30% DLOM for this case.

XVI. DETERMINATION OF FAIR VALUE

Based on the investigation and analysis stated above and on the valuation method employed, it is our opinion that fair value of the Equity Interest as at the Valuation Date is as follows:

Table 16 – 1 – Per Share Value under the Cost Approach

		<i>HKD'000</i>
Adjusted Net Asset Value		7,665,936
<i>Less: 20% Discount for Lack of Control (DLOC)</i>	20%	(1,533,187)
Implied Equity Value after DLOC		6,132,749
<i>Less: 30% Discount for Lack of Marketability (DLOM)</i>	30%	(1,839,825)
Implied Equity Value after DLOC and DLOM		4,292,924
Un-entitled Dividend <Note 1>		(3,243,326)
100% Equity value		1,049,598
Per Share Value (Total 3,000 Shares)		349.87

Table 16 – 2 – Equity Value under the Market Approach

		<i>HKD'000</i>
Net Book Value		7,025,049
Price to Book Value	0.4947x	
Result based on P/BV		3,475,292
<i>Less: 30% Discount for Lack of Marketability (DLOM)</i>	30%	(1,042,588)
Implied Value after DLOM		2,432,704
Un-entitled Dividend <Note 1>		(3,243,326)
100% Equity value		(810,622)
Per Share Value (Total 3,000 Shares)		Nil

<Note 1> Based on the decision of the management of the Company, the amount of RMB2,550million of cash dividend will not be entitled to the new investor.

*Applied exchange rate: RMB/HKD = 0.78623

From the results above, the Equity Interest of Starhigh is negative when market approach is adopted. Furthermore, as the cost approach provides a supportable baseline of the value of the Equity Interest, we apply the result of the cost approach and reject the market approach.

XVII. SYNTHESIS AND RECONCILIATION

The following comparative data summarizes the various methods that we have accepted or considered and rejected, along with their respective final values. Each method is rated relative to the applicability of the method relative to the facts and circumstances of Starhigh, and strengths/weaknesses are discussed.

Cost Approach

Adjusted Net Asset Value Approach. HKD349,870 Per Share
Application Accepted

Market Approach

Guideline Public Company Method Nil
Application Rejected

Income Approach

Application Rejected

In summary, we concluded that the fair value of the Equity Interest would be HKD349,870 per share based on the cost approach.

XVIII. LIMITING CONDITIONS

We have made no investigation of and assumed no responsibility for the title to or any liabilities against the Company and the Starhigh Group.

The opinions expressed in this report have been based on the information supplied to us by the Company and their staff, as well as from various institutes and government bureaus without verification. All information and advice related to this valuation are provided by the management of the Company. Readers of this report may perform due diligence themselves. We have exercised all due care in reviewing the supplied information. Although we have compared key supplied data with expected values, the accuracy of the results and conclusions from the review are reliant on the accuracy of the supplied data. We have relied on this information and have no reason to believe that any material facts have been withheld, or that a more detailed analysis may reveal additional information. We do not accept responsibility for any errors or omissions in the supplied information and do not accept any consequential liability arising from commercial decision or actions resulting from them.

This valuation reflects facts and conditions existing at the Valuation Date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.

XIX. CONCLUSION OF VALUES

In conclusion, based on the analysis stated above and on the valuation method employed, it is our opinion that the fair value of an ordinary share in Starhigh International Limited as at 31 December 2013 is as follows:

	Fair Value
An ordinary share in Starhigh International Limited	HKD349,870

The opinion of values were based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the subject under valuation. Moreover, we have neither personal interests nor bias with respect to the parties involved.

This valuation report is issued subject to our general service conditions.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED

Ferry S.F. Choy, CFA, ICVS
Director

INVOLVED STAFF BIOGRAPHY

Ferry S.F. Choy, CFA, ICVS
Director

Mr. Choy is experienced in performing valuation for financial reporting and IPO purposes. Most of his clients are listed companies or large private companies looking for going public. His experience covers a wide range of industries including food and beverage, manufacturing and information technology.

APPENDIX A: TRANSACTION DETAILS FROM BLOOMBERG DATABASE

No.	Acquirer and its Business Nature	Target and its Business Nature	Completion Date	Revenue from Property Business in the Last 3 Years	Purchase Price per Share	Average 20-day Stock Price	Control Premium	Interests		Approx. Market Capitalisation (HKD 'M)	Approx. Net Asset Value (HKD 'M)	Main Location of Property
								Originally Owned	Additional Acquired			
1	Ambang Sehati Sdn. An investment holding company incorporated in 1999 and is based in Malaysia. Source: Bloomberg	Bandar Raya Development Bhd. An investment holding company which operates in property development and investment. The company, through its subsidiaries, develops, invests, constructs, and manages in properties, manufactures and markets chipboards, as well as provides credit leasing, factoring, and shares financing.	29-Oct-2012	59.5%	2.90	2.41	20.43%	32.76%	67.24%	3,719	4,874	Malaysia
2	Sunway Bhd. A property development and construction company. The company's other business divisions include quarrying and building materials trading and manufacturing, hospitality, leisure, and healthcare. Source: Bloomberg	Sunway City Sdn Bhd. Sunway City Sdn. Bhd. operates as an investment holding company which operates in property development and investment. The company, through its subsidiaries, operates hotels and theme park, and renders recreational club facilities. Sunway City also has operation in travel and tour business, and medical center. Source: Bloomberg	23-Aug-2011	50.4%	5.10	4.10	24.53%	0.00%	100.00%	2,589	7,515	Malaysia

No.	Acquirer and its Business Nature	Target and its Business Nature	Completion Date	Revenue from Property Development Business in the Last 3 Years	Purchase Price per Share	Average 20-day Stock Price	Control Premium	Interests		Approx. Market Capitalisation (HKD M)	Approx. Net Asset Value (HKD M)	Main Location of Property
								Originally Owned	Additional Acquired			
3	Earnest Equity Limited An investment holding company incorporated in the BVI with limited liability and is a wholly-owned subsidiary of Digisino Assets Limited. Source: Bloomberg	CSI Properties Ltd. A property investment and development company in Greater China. The company is focused mainly on active repositioning and value enhancement of commercial projects in prime locations and premium lifestyle residential property development in Hong Kong and Shanghai.	23-Feb-2012	100.0%	0.255	0.201	27.15%	34.45%	16.70%	2,182	5,517	Hong Kong
4	Gluon Xima International Limited The company is incorporated in Hong Kong and is an indirect wholly-owned subsidiary of Greenland Holding Group and independently operated. Gluon Xima International Limited is an investment holding company whose main business is the development of, and investment in, real estate businesses and assets. Greenland Holding Group is a Global Fortune 500 company headquartered in Shanghai and is a comprehensive enterprise group whose main business includes real estate development, energy, finance and other business sectors. As a leading developer in the PRC real estate market, Greenland Holding Group operates real estate projects in over 70 cities across 25 provinces in the PRC. Source: Announcement/Circular	SFG Land (Holdings) Limited The company is principally engaged in the development of large-scale, high-end residential communities, city centre integrated projects and travel & leisure projects that target the middle-to-high-end customer segment. As at 31 December 2012, the Company held a land bank of approximately 4.7 million sqm across Shanghai, Kunming, Huangshan, Suzhou, Changshu, Wuxi, Haikou, Ningbo and Taiyuan. Source: Announcement/Circular	27-Aug-2013	89.4%	3.18	2.48	28.25%	0.00%	60.00%	3,971	5,700	China

The following is the text of a letter, a summary of values and valuation certificates prepared for the purpose of incorporation in this circular received from Greater China Appraisal Limited, an independent valuer, in connection with their valuation as at 31 August 2014 of the real property interests held by Chongqing Zhong Yu Property Development Co. Ltd. and its subsidiaries.

GREATER CHINA APPRAISAL LIMITED

漢華評值有限公司

Room 2703
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

13 November 2014

The Board of Directors
C C Land Holdings Limited
Rooms 3308-3310, 33rd Floor
China Resources Building
No. 26 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

Re: Valuation of various real property interests held by Chongqing Zhong Yu Property Development Co. Ltd. (“CQZY”) and its subsidiaries (together referred as “CQZY Group”) in the People’s Republic of China (the “PRC”)

In accordance with the instructions from C C Land Holdings Limited (the “Company”) for us to value the real property interests held by CQZY Group, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the real property interests as at 31 August 2014 (referred to as the “valuation date”).

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, title investigation of the real properties and the limiting conditions.

I. BASIS OF VALUATION

The valuation of the real property interests is our opinion of the market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion.”

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

II. VALUATION METHODOLOGY

Except otherwise stated, we have valued the real property interests in Groups I, II, III and V by using the direct comparison approach assuming sale of the real property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sale transactions as available in the relevant market. For the real property interests that subject to tenancy, we have valued the real property interests by using the income capitalisation method where the amount of rent payable during the lease term was capitalised for the residual period of the lease with due allowance for the reversionary interest after expiry of the tenancy. Full market rent was adopted for capitalisation after the current lease expired.

In valuing the real property interests in Group IV which are currently under construction, we have assumed that it will be developed and completed in accordance with the latest development proposals provided to us by CQZY Group. In arriving at our opinion of the market value, we have taken into account the development costs relevant to the stage of construction as at the valuation date and the remainder of the costs and fees to be expended to complete the development.

III. ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the real property interests in their existing states without the benefit of any deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to increase or reduce the value of the real property interests.

For the real properties that are held under long-term land use rights, we have assumed that the owner of the real property interests have free and uninterrupted rights to use or transfer the real property interests for the whole of the unexpired term of the respective land use rights. In our valuation, we have assumed that the real property interests can be freely disposed of and transferred to third parties on the open market without any additional payment to the relevant government authorities.

We have valued the real property interests in Group IV, which are currently under construction, on the assumption that it will be developed in accordance with development proposals provided to us. We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been granted or would be granted without onerous conditions or delays and that all land premium in respect of the real properties and the proposed development schemes thereof (if applicable) have been fully paid and settled.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation report. Moreover, it is assumed that the utilization of the land and improvements is within the boundaries of the site held by the owner or permitted to be occupied by the owner. In addition, we assumed that no encroachment or trespass exists, unless noted in the report.

No environmental impact study has been ordered or made. Full compliance with applicable local, provincial and national environmental regulations and laws is assumed. In addition, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organization either have been or can be obtained or renewed for any use which the report covers.

Other specific assumptions of the valuation, if any, have been stated out in the footnotes of the valuation certificates.

IV. TITLESHP INVESTIGATION

We have been provided with copies of legal documents regarding the title of the real properties. However, due to the current registration system of the PRC, we are unable to conduct any search or investigation regarding the legal title or any liabilities attached to the real properties.

In the course of our valuation, we have relied upon the legal opinion given by the Company's PRC legal advisor – K & H Law Firm (重慶坤源衡泰律師事務所) in relation to the legal title to the real properties. All legal documents disclosed in this report are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the real properties set out in this report.

V. LIMITING CONDITIONS

We have inspected the exterior and, where possible, the interior of the real properties. However, no structural survey has been made and we are therefore unable to report as to whether the real properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have not carried out detailed site measurements to verify the correctness of the areas in respect of the real properties but have assumed that the areas shown on the documents provided to us are correct. Based on our experience of valuation of similar properties in the PRC, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

No soil investigations have been carried out to determine the suitability of the ground conditions and services etc. for any property development. 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.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided by CQZY Group and have accepted advice given to us by it on such matters as planning approvals, statutory notices, easements, tenures, occupations, development schemes, construction costs, rentals, lettings, site and floor areas and in the identification of the real properties. We have had no reason to doubt the truth and accuracy of the information provided to us by CQZY Group. We were also advised by CQZY Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the real property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the real property interests are free of encumbrances, restrictions and outgoing of an onerous nature which could affect their values.

Since the real properties are located in a relatively developing market, the PRC, those assumptions are often based on imperfect market evidence. A range of values may be attributable to the real property interests depending upon the assumptions made. While we have exercised our professional judgment in arriving at the value, report readers are urged to consider carefully the nature of such assumptions which are disclosed in the valuation report and should exercise caution in interpreting the valuation report.

VI. OPINION OF VALUE

Our opinion of the market value of the real property interests is shown in the attached summary of values and valuation certificates.

VII. REMARKS

Our valuation has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

In valuing the real property interests, we have complied with the requirements contained in the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Site inspection of the real properties was conducted on various dates between 9 January 2013 and 1 August 2014 by Mr. Daniel W. H. Tang and Mr. Daniel X. Y. Xing who are Chartered Surveyors and Mr. Jonathan Ho (AsSc). The completed real properties were maintained in a reasonable condition commensurate with its ages and uses and equipped with normal building services.

Unless otherwise stated, all monetary amounts herein are denominated in the currency of Renminbi (referred to as “RMB”).

We enclose herewith the summary of values and valuation certificates.

This valuation report is issued subject to our General Service Conditions.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED

Mr. Gary Man
Registered Professional Surveyor (G.P.)
FHKIoD, FRICS, MHKIS, MCIREA
Director

Note: Mr. Gary Man is a Chartered Surveyor who has more than 26 years of valuation experience in countries such as the PRC, Hong Kong, Singapore, Vietnam, Philippines and the Asia Pacific region.

SUMMARY OF VALUES

Group I – Real properties held for owner occupation by CQZY Group in the PRC

No.	Real Property	Market Value in existing state as at 31 August 2014 (RMB)
1.	A school situated at Jiazhou Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	11,300,000
2.	Block No.7, Jiazhou City Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	61,400,000
3.	Commercial Block 3, No.8 Xingai Avenue, Longxi Town, Yubei District, Chongqing, the PRC 401147	40,400,000
4.	3 units known as “1-1”, “1-2” and “1-3”, Level 1, 9 Central Midtown located at No. 6 Xingai Avenue, Longxi Town, Yubei District, Chongqing, the PRC 401147	13,030,000
Sub-total:		126,130,000

Group II – Real properties held for investment by CQZY Group in the PRC

No.	Real Property	Market Value in existing state as at 31 August 2014 (RMB)
5.	Levels 1 to 3, Unit 3 on Level 17 and Unit 7 on Level 26, Block A2, Jiazhou Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	17,050,000
6.	Portion of Levels 1 to 3, Unit 1 on Level 6 and Unit 4 on Levels 32/33, Block A3, Jiazhou Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	28,350,000
7.	Units 3 to 6 on Level 1 and Units 5 and 6 on Level 2, Block A9, Jiazhou Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	3,270,000
8.	Levels 1 to 4, Block B2, Jiazhou Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	21,800,000
9.	Levels 1 to 3, Block B4, Jiazhou Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	51,800,000
10.	Levels 1 to 2, Block C2, Jiazhou Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	13,500,000
11.	Levels 1 to 2, and 6 residential units on Block C3, Jiazhou Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	5,650,000

No.	Real Property	Market Value in existing state as at 31 August 2014 (RMB)
12.	An agricultural market located at Jiazhou Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	7,700,000
13.	A two-level basement car park of Blocks A and B of Jiazhou Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	33,100,000
14.	The car park of connective level between Blocks 4 and 5, Jiazhou City Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	1,370,000
15.	Portion of Level 1 and the car park of connective level between Blocks 8 and 9, Jiazhou City Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	14,320,000
16.	The car park of connective level between Blocks 9 and 10, Jiazhou City Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	1,920,000
17.	The basement car park and Levels 1 to 3, Block 13, Jiazhou City Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	31,400,000
18.	Carports A and B located at Jiazhou City Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	24,400,000
19.	Basement Levels 1 to 2, Zhongyu Kechuang Building, No. 8 Jinshan Road, Longxi Town, Yubei District, Chongqing, the PRC 401147	8,470,000
20.	Jiazhou City Garden Kindergarten, Jiazhou City Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	4,190,000
21.	Basement Level 1 of Block 4 and Basement Level 2 of Block 3 of Phase 1 and Basement Level 1 of Blocks 18, 19 and Commercial Building and Basement Level 2 of Block 18 of Phase 2, Huijing Terrace, No. 3 Jinshan Road, Yubei District, Chongqing, the PRC 401147	41,080,000
22.	Basement Levels 1 to 3, Chongqing International Technology Convention and Exhibition Centre, Chongqing International Finance and Trade Development Area, No. 2 Xingai Avenue, Longxi Town, Yubei District, Chongqing, the PRC 401147	18,800,000
23.	A unit known as "1-4", Level 1, 9 Central Midtown located at No. 6 Xingai Avenue, Longxi Town, Yubei District, Chongqing, the PRC 401147	4,370,000
Sub-total:		332,540,000

Group III – Real properties held for sale by CQZY Group in the PRC

No.	Real Property	Market Value in existing state as at 31 August 2014 (RMB)
24.	Portion of No. 1 Peak Road located at No. 2 Jinding Road, Longxi Town, Yubei District, Chongqing, the PRC 401147	33,400,000
25.	Portion of No. 8 Peak Road located at No. 11 Jinshan Road, Longxi Town, Yubei District, Chongqing, the PRC 401147	36,200,000
26.	Portion of L' Ambassadeur (Phases I, II, III and IV) located at No. 18 Xingai Avenue and No. 15 Jinshan Road, Longxi Town, Yubei District, Chongqing, the PRC 401147	779,840,000
27.	Portion of Mansions on the Peak located at Junction of Jinshan Road and Jinding Road, Yubei District, Chongqing, the PRC 401147	1,046,000,000
28.	Portion of i-City (Phases I, II and III) located at Nos. 301, 303, 305, 307, 309 and 333 Donghunan Road, Yubei District, Chongqing, the PRC 401147	451,400,000
29.	Portion of Zhongyu One Central Midtown (Phase I A) and Portion of 9 Central Midtown (Phase I B) located at No. 18 Jinshan Road and No. 6 Xingai Avenue, Longxi Town, Yubei District, Chongqing, the PRC 401147	166,600,000
30.	Portion of Academic Heights (Phase I) located at No. 17 Sixian Road, Shapingba District, Chongqing, the PRC 401147	265,500,000
31.	Portion of Silver Lining located at Lot Nos. R1-1-7, R1-1-7A and R1-1-10, Hi-tech Development District, Kunming City, Yunnan Province, the PRC 650102	332,200,000
32.	Portion of Office Tower T6 and Tower T8 of Zhongyu Plaza of Land Lot No. 10, Hongjin Avenue, Longxi Town, Yubei District, Chongqing, the PRC 401147	744,000,000
Sub-total:		<u>3,855,140,000</u>

Group IV – Real properties held under development by CQZY Group in the PRC

No.	Real Property	Market Value in existing state as at 31 August 2014 (RMB)
33.	Car park portion of 9 Central Midtown (Phase I B) and Zhongyu Plaza (Phases II (Portion) and III (Portion)) of Land Lot No. 10, Hongjin Avenue, Longxi Town, Yubei District, Chongqing, the PRC 401147	2,189,800,000
34.	Land Lot No. 19, Residence Serene, North of Xingai Road, Yubei District, Chongqing, the PRC 401147	1,370,000,000
35.	Portion of Phase I, Phases II and III of Academic Heights Nos. 15 and 21 Sixian Road, Shapingba District, Chongqing, the PRC 401147	1,033,500,000
Sub-total:		<u>4,593,300,000</u>

Group V – Real properties held for future development by CQZY Group in the PRC

No.	Real Property	Market Value in existing state as at 31 August 2014 (RMB)
36.	A parcel of land, known as No. C56-5/03, located at District C of Guanyinqiao Group, Yubei District Chongqing, the PRC 401147	No commercial value
37.	Land Lot No. 3-1, Jiazhou Garden, Xinpaifang, Longxi Town, Yubei District, Chongqing, the PRC 401147	817,000,000
38.	Land Lot No. 17-1, Jiazhou Garden, Xinpaifang, Longxi Town, Yubei District, Chongqing, the PRC 401147	456,000,000
39.	Land Lot No. 4, Jiazhou Garden, Xinpaifang, Longxi Town, Yubei District, Chongqing, the PRC 401147	1,710,000,000
40.	Land Lot No. 9, Jiazhou Garden, Xinpaifang, Longxi Town, Yubei District, Chongqing, the PRC 401147	1,530,000,000
41.	Land Lot Nos. 11-1 and 20, Jiazhou Garden, Xinpaifang, Longxi Town, Yubei District, Chongqing, the PRC 401147	174,000,000
42.	Land Lot No. 22, Longxi Town, Yubei District, Chongqing, the PRC 401147	37,400,000
43.	Land Lot No. 7-1, Jiazhou Garden, Xinpaifang, Longxi Town, Yubei District, Chongqing, the PRC 401147	32,000,000
	Sub-total:	<u>4,756,400,000</u>
		Total: <u>13,663,510,000</u>

VALUATION CERTIFICATE

Group I – Real properties held for owner occupation by CQZY Group in the PRC

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
1.	A school situated at Jiazhou Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises a school with a block of 7-storey (plus a basement level) teaching building and a block of 7-storey composite building completed by phases and in between 1995 and 2001.</p> <p>According to the information provided by CQZY, the total gross floor area of the real property is approximately 11,277.49 square metres.</p> <p>The land use rights of the real property have been granted for a term expiring on 29 June 2062 for school uses.</p>	As per our on-site inspection, the real property is occupied as a school.	<p>RMB11,300,000</p> <p>(Renminbi Eleven Million and Three Hundred Thousand)</p>

Notes:

- (i) According to 2 sets of State-owned Land Use Rights Certificate, known as Yu Wai Guo Yong (2003) Zi Di Nos. 021 and 022, issued by the People's Government of Chongqing, the land use rights of the real property with a total site area of approximately 2,495.81 square metres have been granted to CQZY for a term expiring on 29 June 2062 for school uses.
- (ii) According to 2 sets of Building Ownership Certificate, known as Chongqing Shi Fang Quan Zheng 201 Zi Di Nos. 078392 and 078393, issued by Land Resources and Housing Administration Bureau of Chongqing Yubei District, the building ownership of the real property with a total gross floor area of approximately 11,277.49 square metres is held by CQZY.
- (iii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the building ownership and the corresponding land use rights of the real property;
 - b. As at the Latest Practicable Date, the real property is not subject to any mortgage or judicial seizure; and
 - c. CQZY is legally entitled to occupy, use, gain earnings and dispose of the real property, and has the rights to transfer, lease or mortgage the real property.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
2.	Block No. 7, Jiazhou City Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises a 5-storey office building completed in about 2004.</p> <p>According to the information provided by CQZY, the total gross floor area of the real property is approximately 9,127.73 square metres.</p> <p>The land use rights of the real property have been granted for a term expiring on 25 May 2062 for office uses.</p>	<p>According to the information provided by CQZY, portions of the real property are currently subject to various tenancies with the latest term expiring on 19 March 2016 with a total monthly rental of approximately RMB86,664.</p> <p>The remaining portion is currently occupied by CQZY for office uses.</p>	<p>RMB61,400,000</p> <p>(Renminbi Sixty One Million and Four Hundred Thousand)</p>

Notes:

- (i) According to a State-owned Land Use Rights Certificate, known as Yu Guo Yong (2004) Di No. 1551, issued by the People's Government of Chongqing, the land use rights of the real property with a site area of approximately 3,113.6 square metres have been granted to CQZY for a term expiring on 25 May 2062 for office uses.
- (ii) According to a Building Ownership Certificate, known as Chongqing Shi Fang Quan Zheng 201 Zi Di No. 0169231, issued by the Land Resources and Housing Administration Bureau of Chongqing, the building ownership of the real property with a total gross floor area of approximately 9,127.73 square metres is held by CQZY.
- (iii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the building ownership and the corresponding land use rights of the real property;
 - b. The real property is subject to a mortgage;
 - c. As at the Latest Practicable Date, the real property is not subject to any judicial seizure;
 - d. CQZY is legally entitled to occupy, use, gain earnings and dispose of the real property, and has the rights to transfer, lease or mortgage the real property. However, as the real property is subject to mortgage, within the mortgage period, CQZY has to obtain the consent from the mortgagee before transferring the real property; and
 - e. The real property is subject to various tenancy agreements. The content of the tenancy agreements does not violate the laws and regulations, and is legal and effective. In accordance with relevant regulations, the tenancy agreements have to be registered in the real estate management department. Although CQZY has not applied for the registration in respect of the tenancy agreements, according to the PRC Contract Law, the tenancy agreements, which are entered into legally, are effective since they have been entered into. Therefore, the tenancy agreements are still legal and effective.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
3.	Commercial Block 3, No. 8 Xingai Avenue, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises a 3-storey commercial building completed in about 2012.</p> <p>According to the information provided by CQZY, the total gross floor area of the real property is approximately 1,937.51 square metres.</p> <p>The land use rights of the real property have been granted for a term expiring on 25 May 2063 for other commercial services uses.</p>	As per our on-site inspection, the real property is occupied as a sales office.	RMB40,400,000 (Renminbi Forty Million and Four Hundred Thousand)

Notes:

- (i) According to a Real Estate Title Certificate, known as 201 Fang Di Zheng 2013 Zi Di No. 021792 issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of the real property with a common site area of approximately 967.5 square metres have been granted to CQZY for a term expiring on 25 May 2063 for other commercial services uses and the building ownership of the real property with a gross floor area of approximately 1,937.51 square metres is held by CQZY.
- (ii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the building ownership and the corresponding land use rights of the real property;
 - b. The real property is subject to a mortgage;
 - c. As at the Latest Practicable Date, the real property is not subject to any judicial seizure; and
 - d. CQZY is legally entitled to occupy, use, gain earnings and dispose of the real property, and has the rights to transfer, lease or mortgage the real property. However, as the real property is subject to mortgage, within the mortgage period, CQZY has to obtain the consent from the mortgagee before transferring the real property.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
4.	3 units known as "1-1", "1-2" and "1-3", Level 1, 9 Central Midtown located at No. 6 Xingai Avenue, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises 3 commercial units on Level 1 of a 28-storey commercial building plus a 3-level basement. The building was completed in about 2011.</p> <p>According to the information provided by CQZY, the total gross floor area of the real property is approximately 428.94 square metres.</p> <p>The land use rights of the real property have been granted for a term expiring on 25 May 2063 for other commercial services uses.</p>	<p>According to the information provided by CQZY, Units "1-2" and "1-3" of the real property are currently under renovation while Unit "1-1" of the real property is currently vacant.</p>	<p>RMB13,030,000</p> <p>(Renminbi Thirteen Million and Thirty Thousand)</p>

Notes:

- (i) According to 3 sets of Real Estate Title Certificate, known as 201 Fang Di Zheng 2014 Zi Di Nos. 022772, 022792 and 022795, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of the real property with a common site area of approximately 1,233.5 square metres have been granted to CQZY for a term expiring on 25 May 2063 for other commercial services uses and the building ownership of the real property with a total gross floor area of approximately 428.94 square metres is held by CQZY.
- (ii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the building ownership and the corresponding land use rights of the real property;
 - b. As at the Latest Practicable Date, the real property is not subject to any mortgage or judicial seizure; and
 - c. CQZY has the rights to occupy, use, gain earnings and dispose of the real property, and has the rights to transfer, lease or mortgage of the real property.

Group II – Real properties held for investment by CQZY Group in the PRC

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
5.	Levels 1 to 3, Unit 3 on Level 17 and Unit 7 on Level 26, Block A2, Jiazhou Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises Levels 1 to 3 of a commercial podium and 2 residential units of a 27-storey residential tower erected upon a 3-level commercial podium completed in about 1997.</p> <p>According to the information provided by CQZY, the total gross floor area of the commercial portion and residential portion are approximately 1,822.78 square metres and 311.78 square metres respectively.</p> <p>The land use rights of the real property have been granted for a term of 70 years expiring on 29 June 2062 for residential and commercial uses.</p>	<p>According to the information provided by CQZY, portions of Levels 1 and 2 of the real property with a total gross floor area of approximately 158.79 square metres are currently subject to two tenancies with the latest term expiring on 31 December 2014 at a total monthly rental of approximately RMB2,688.</p> <p>The remaining portion of the real property is currently vacant.</p>	<p>RMB17,050,000</p> <p>(Renminbi Seventeen Million and Fifty Thousand)</p>

Notes:

- (i) According to a State-owned Land Use Rights Certificate, known as Yu Guo Yong (1997) Zi Di No. 041, issued by the People's Government of Chongqing, the land use rights of Blocks A1 and A2 of Jiazhou Garden, with a site area of approximately 4,312.6 square metres have been granted to CQZY for a term of 70 years expiring on 29 June 2062 for residential and commercial uses.
- (ii) According to 2 sets of Building Ownership Certificate, known as Chongqing Fang Quan Zheng 201 Zi Di No. 0162364 and Yu Bei Qu Zi Di No. 29899, issued by the Land Resources and Housing Administration Bureau of Chongqing and Housing Administration Bureau of Chongqing Yubei District, the building ownership of Block A2 of Jiazhou Garden with a total gross floor area of approximately 37,238.88 square metres is held by CQZY.
- (iii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the building ownership and the corresponding land use rights of the real property;
 - b. As at the Latest Practicable Date, the real property is not subject to any mortgage or judicial seizure;
 - c. CQZY is legally entitled to occupy, use, gain earnings and dispose of the real property, and has the rights to transfer, lease or mortgage the real property; and
 - d. The real property is subject to various tenancy agreements. The content of the tenancy agreements does not violate the laws and regulations, and is legal and effective. In accordance with relevant regulations, the tenancy agreements have to be registered in the real estate management department. Although CQZY has not applied for the registration in respect of the tenancy agreements, according to the PRC Contract Law, the tenancy agreements, which are entered into legally, are effective since they have been entered into. Therefore, the tenancy agreements are still legal and effective.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
6.	Portion of Levels 1 to 3, Unit 1 on Level 6 and Unit 4 on Levels 32/33, Block A3, Jiazhou Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises portion of Levels 1 to 3 of a commercial podium and 2 residential units of a 30-storey residential tower erected upon a 3-level (plus a basement) commercial podium completed in about 1997.</p> <p>According to the information provided by CQZY, the total gross floor area of the commercial portion and residential portion are approximately 4,736.79 square metres and 411.79 square metres respectively.</p> <p>The land use rights of the real property have been granted for a term of 70 years expiring on 25 May 2062 for residential uses.</p>	<p>According to the information provided by CQZY, Level 1 and portion of Level 2 of the real property with a total floor area of approximately 841.52 square metre are currently subject to various tenancies with the latest term expiring on 5 December 2015 at a total monthly rental of approximately RMB11,386.</p> <p>The remaining portion of the real property is currently vacant.</p>	<p>RMB28,350,000</p> <p>(Renminbi Twenty Eight Million Three Hundred and Fifty Thousand)</p>

Notes:

- (i) According to a State-owned Land Use Rights Certificate, known as Yu Guo Yong (1997) Zi Di No. 075 issued by the People's Government of Chongqing, the land use rights of Block A3 of Jiazhou Garden with a site area of approximately 4,126.5 square metres have been granted to CQZY for a term of 70 years expiring on 25 May 2062 for residential use.
- (ii) According to 2 sets of Building Ownership Certificate, known as Chongqing Fang Quan Zheng 201 Zi Di Nos. 073125 and 073126, issued by the Land Resources and Housing Administration Bureau of Chongqing, the building ownership of Block A3 of Jiazhou Garden with a total gross floor area of approximately 12,143.38 square metres is held by CQZY.
- (iii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the building ownership and the corresponding land use rights of the real property;
 - b. The real property is subject to a mortgage;
 - c. As at the Latest Practicable Date, the real property is not subject to any judicial seizure;
 - d. CQZY is legally entitled to occupy, use, gain earnings and dispose of the real property, and has the rights to transfer, lease or mortgage the real property. However, as portion of the real property is subject to mortgage, within the mortgage period, CQZY has to obtain the consent from the mortgagee before transferring such portion of the real property;
 - e. The real property is subject to various tenancy agreements. The content of the tenancy agreements does not violate the laws and regulations, and is legal and effective. In accordance with relevant regulations, the tenancy agreements have to be registered in the real estate management department. Although CQZY has not applied for the registration in respect of the tenancy agreements, according to the PRC Contract Law, the tenancy agreements, which are entered into legally, are effective since they have been entered into. Therefore, the tenancy agreements are still legal and effective; and
 - f. According to the State-owned Land Use Rights Certificate in Note (i), the land use rights of the real property have been granted for residential uses while the usage of portion of the real property is stated for non-residential uses in the Building Ownership Certificate (Chongqing Fang Quan Zheng 201 Zi Di No. 073125). Since such Building Ownership Certificate is issued later than the State-owned Land Use Rights Certificate, the usage of such portion is non-residential.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
7.	Units 3 to 6 on Level 1 and Units 5 and 6 on Level 2, Block A9, Jiazhou Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises six residential units of a 30-storey residential building completed in about 1997.</p> <p>According to the information provided by CQZY, the total gross floor area of the real property is approximately 848.64 square metres.</p> <p>The land use rights of the real property have been granted for a term of 70 years expiring on 25 May 2062 for residential uses.</p>	According to the information provided by CQZY, the real property is currently vacant.	<p>RMB3,270,000</p> <p>(Renminbi Three Million Two Hundred and Seventy Thousand)</p>

Notes:

- (i) According to a State-owned Land Use Rights Certificate, known as Yu Guo Yong (1997) Zi Di No. 081 issued by the People's Government of Chongqing, the land use rights of Block A9 of Jiazhou Garden with a site area of approximately 1,520.2 square metres have been granted to CQZY for a term of 70 years expiring on 25 May 2062 for residential use.
- (ii) According to a Building Ownership Certificate, known as Chongqing Fang Quan Zheng 201 Zi Di No. 034924, issued by the Land Resources and Housing Administration Bureau of Chongqing, the building ownership of Block A9 of Jiazhou Garden with a total gross floor area of approximately 33,883.02 square metres is held by CQZY.
- (iii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the building ownership and the corresponding land use rights of the real property;
 - b. As at the Latest Practicable Date, the real property is not subject to any mortgage or judicial seizure; and
 - c. CQZY is legally entitled to occupy, use, gain earnings and dispose of the real property, and has the rights to transfer, lease or mortgage the real property.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
8.	Levels 1 to 4, Block B2, Jiazhou Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	The real property comprises Levels 1 to 4 of a commercial podium of a 21-storey residential tower erected upon a 4-level commercial podium completed in about 1997. According to the information provided by CQZY, the total gross floor area of the real property is approximately 3,813.66 square metres. The land use rights of the real property have been granted for a term of 70 years expiring on 29 June 2062 for residential and commercial uses.	According to the information provided by CQZY, Level 4 and portions of Levels 1 and 3 with a total gross floor area of approximately 1,060.63 square metres are currently subject to various tenancies with the latest term expiring on 31 December 2015 at a total monthly rental of approximately RMB22,921. Portions of the real property with a total gross floor area of approximately 1,061.04 square metres are currently occupied by CQZY. The remaining portion of the real property is currently vacant.	RMB21,800,000 (Renminbi Twenty One Million and Eight Hundred Thousand)

Notes:

- (i) According to a State-owned Land Use Rights Certificate, known as Yu Guo Yong (1997) Zi Di No. 043, issued by the People's Government of Chongqing, the land use rights of Blocks B1, B2, B3 and B4 of Jiazhou Garden, with a site area of approximately 7,458.2 square metres have been granted to CQZY for a term of 70 years expiring on 29 June 2062 for residential and commercial uses.
- (ii) According to a Building Ownership Certificate, known as Chongqing Fang Quan Zheng 201 Zi Di No. 0162097, issued by the Land Resources and Housing Administration Bureau of Chongqing, the building ownership of the real property with a total gross floor area of approximately 3,813.66 square metres is held by CQZY.
- (iii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the building ownership and the corresponding land use rights of the real property;
 - b. As at the Latest Practicable Date, the real property is not subject to any mortgage or judicial seizure;
 - c. CQZY is legally entitled to occupy, use, gain earnings and dispose of the real property, and has the rights to transfer, lease or mortgage the real property; and
 - d. The real property is subject to various tenancy agreements. The content of the tenancy agreements does not violate the laws and regulations, and is legal and effective. In accordance with relevant regulations, the tenancy agreements have to be registered in the real estate management department. Although CQZY has not applied for the registration in respect of the tenancy agreements, according to the PRC Contract Law, the tenancy agreements, which are entered into legally, are effective since they have been entered into. Therefore, the tenancy agreements are still legal and effective.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
9.	Levels 1 to 3, Block B4, Jiazhou Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises Levels 1 to 3 of a commercial podium of a 22-storey residential tower erected upon a 3-level commercial podium completed in about 1997.</p> <p>According to the information provided by CQZY, the total gross floor area of the real property is approximately 6,994.17 square metres.</p> <p>The land use rights of the real property have been granted for a term of 70 years expiring on 29 June 2062 for residential and commercial uses.</p>	<p>According to the information provided by CQZY, portions of the real property with a total gross floor area of approximately 6,548.35 square metres are currently subject to various tenancies with the latest term expiring on 25 February 2017 at a total monthly rental of approximately RMB236,509.</p> <p>The remaining portion of the real property is currently vacant.</p>	<p>RMB51,800,000</p> <p>(Renminbi Fifty One Million and Eight Hundred Thousand)</p>

Notes:

- (i) According to a State-owned Land Use Rights Certificate, known as Yu Guo Yong (1997) Zi Di No. 043, issued by the People's Government of Chongqing, the land use rights of Blocks B1, B2, B3 and B4 of Jiazhou Garden, with a site area of approximately 7,458.2 square metres have been granted to CQZY for a term of 70 years expiring on 29 June 2062 for residential and commercial uses.
- (ii) According to a Building Ownership Certificate, known as Chongqing Fang Quan Zheng 201 Zi Di No. 0104644, issued by the Land Resources and Housing Administration Bureau of Chongqing, the building ownership of the real property with a total gross floor area of approximately 6,994.17 square metres is held by CQZY.
- (iii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the building ownership and the corresponding land use rights of the real property;
 - b. The real property is subject to a mortgage;
 - c. As at the Latest Practicable Date, the real property is not subject to any judicial seizure;
 - d. CQZY is legally entitled to occupy, use, gain earnings and dispose of the real property, and has the rights to transfer, lease or mortgage the real property. However, as the real property is subject to mortgage, within the mortgage period, CQZY has to obtain the consent from the mortgagee before transferring the real property; and
 - e. The real property is subject to various tenancy agreements. The content of the tenancy agreements does not violate the laws and regulations, and is legal and effective. In accordance with relevant regulations, the tenancy agreements have to be registered in the real estate management department. Although CQZY has not applied for the registration in respect of the tenancy agreements, according to the PRC Contract Law, the tenancy agreements, which are entered into legally, are effective since they have been entered into. Therefore, the tenancy agreements are still legal and effective.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
10.	Levels 1 to 2, Block C2, Jiazhou Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises Levels 1 to 2 of a 16-storey residential tower erected upon a 2-level commercial podium completed in about 1997.</p> <p>According to the information provided by CQZY, the total gross floor area of the real property is approximately 1,626.83 square metres.</p> <p>The land use rights of the real property have been granted for a term of 70 years expiring on 29 June 2062 for residential and commercial uses.</p>	<p>According to the information provided by CQZY, portions of the real property with a total gross floor area of approximately 1,421.72 square metres are currently subject to various tenancies with the latest term expiring on 31 August 2018 at a total monthly rental of approximately RMB53,066.</p> <p>The remaining portion of the real property is currently vacant.</p>	<p>RMB13,500,000</p> <p>(Renminbi Thirteen Million and Five Hundred Thousand)</p>

Notes:

- (i) According to a State-owned Land Use Rights Certificate, known as Yu Guo Yong (1997) Zi Di No. 042, issued by the People's Government of Chongqing, the land use rights of Blocks C2, C3 and C4 of Jiazhou Garden, with a site area of approximately 9,721.9 square metres have been granted to CQZY for a term of 70 years expiring on 29 June 2062 for residential and commercial uses.
- (ii) According to 2 sets of Building Ownership Certificate, known as Chongqing Fang Quan Zheng 201 Zi Di Nos. 0146890 and 0162095, issued by the Land Resources and Housing Administration Bureau of Chongqing, the real property with a total gross floor area of approximately 1,626.83 square metres is held by CQZY.
- (iii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the building ownership and the corresponding land use rights of the real property;
 - b. As at the Latest Practicable Date, the real property is not subject to any mortgage or judicial seizure;
 - c. CQZY is legally entitled to occupy, use, gain earnings and dispose of the real property, and has the rights to transfer, lease or mortgage the real property; and
 - d. The real property is subject to various tenancy agreements. The content of the tenancy agreements does not violate the laws and regulations, and is legal and effective. In accordance with relevant regulations, the tenancy agreements have to be registered in the real estate management department. Although CQZY has not applied for the registration in respect of the tenancy agreements, according to the PRC Contract Law, the tenancy agreements, which are entered into legally, are effective since they have been entered into. Therefore, the tenancy agreements are still legal and effective.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
11.	Levels 1 to 2, and 6 residential units on Block C3, Jiazhou Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises Levels 1 to 2 of a commercial podium and 6 residential units of a 16-storey residential tower erected upon a 2-level commercial podium completed in about 1997.</p> <p>According to the information provided by CQZY, the total gross floor area of the commercial and residential portion is approximately 271.43 square metres and 751 square metres respectively.</p> <p>The land use rights of the real property have been granted for a term of 70 years expiring on 29 June 2062 for residential and commercial uses.</p>	<p>According to the information provided by CQZY, the commercial portion of the real property with a total gross floor area of approximately 271.43 square metres is currently subject to two tenancies both expiring on 31 August 2018 at a total monthly rental of approximately RMB8,143.</p> <p>The remaining portion of the real property is currently vacant.</p>	<p>RMB5,650,000</p> <p>(Renminbi Five Million Six Hundred and Fifty Thousand)</p>

Notes:

- (i) According to a State-owned Land Use Rights Certificate, known as Yu Guo Yong (1997) Zi Di No. 042, issued by the People's Government of Chongqing, the land use rights of Blocks C2, C3 and C4 of Jiazhou Garden, with a site area of approximately 9,721.9 square metres have been granted to CQZY for a term of 70 years expiring on 29 June 2062 for residential and commercial uses.
- (ii) According to 3 sets of Building Ownership Certificate, known as Chongqing Fang Quan Zheng 201 Zi Di Nos. 0146887 and 0146888 and Yue Bei Qu Zi Di No. 29897, issued by the Land Resources and Housing Administration Bureau of Chongqing and Housing Administration Bureau of Chongqing Yubei District, Block C3 of Jiazhou Garden with a total gross floor area of approximately 17,629.61 square metres is held by CQZY.
- (iii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the building ownership and the corresponding land use rights of the real property;
 - b. As at the Latest Practicable Date, the real property is not subject to any mortgage or judicial seizure;
 - c. CQZY is legally entitled to occupy, use, gain earnings and dispose of the real property, and has the rights to transfer, lease or mortgage the real property; and
 - d. The real property is subject to various tenancy agreements. The content of the tenancy agreements does not violate the laws and regulations, and is legal and effective. In accordance with relevant regulations, the tenancy agreements have to be registered in the real estate management department. Although CQZY has not applied for the registration in respect of the tenancy agreements, according to the PRC Contract Law, the tenancy agreements, which are entered into legally, are effective since they have been entered into. Therefore, the tenancy agreements are still legal and effective.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
12.	An agricultural market located at Jiazhou Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises a block of single storey agriculture trading market. The building was completed in about 2004.</p> <p>According to the information provided by CQZY, the gross floor area of the real property is approximately 2,794.38 square metres.</p> <p>The land use rights of the real property have been granted for a term expiring on 25 May 2063 for composite uses.</p>	According to the information provided by CQZY, the real property is currently subject to various tenancies with the latest term expiring on 30 December 2015 at a total monthly rent of approximately RMB40,295.	RMB7,700,000 (Renminbi Seven Million and Seven Hundred Thousand)

Notes:

- (i) According to a State-owned Land Use Rights Certificate, known as Yu Wai Guo Yong (2004) Zi Di No. 009, issued by the People's Government of Chongqing, the land use rights of the real property with a site area of approximately 8,216.03 square metres have been granted to CQZY with a term expiring on 25 May 2063 for composite uses.
- (ii) According to a Building Ownership Certificate, known as Chongqing Shi Fang Quan Zheng 201 Zi Di No. 0135755, issued by the Land Resources and Housing Administration Bureau of Chongqing, the building ownership of the real property with a gross floor area of approximately 2,794.38 square metres is held by CQZY.
- (iii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the building ownership and the corresponding land use rights of the real property;
 - b. As at the Latest Practicable Date, the real property is not subject to any mortgage or judicial seizure;
 - c. CQZY is legally entitled to occupy, use, gain earnings and dispose of the real property, and has the rights to transfer, lease or mortgage the real property; and
 - d. The real property is subject to various tenancy agreements. The content of the tenancy agreements does not violate the laws and regulations, and is legal and effective. In accordance with relevant regulations, the tenancy agreements have to be registered in the real estate management department. Although CQZY has not applied for the registration in respect of the tenancy agreements, according to the PRC Contract Law, the tenancy agreements, which are entered into legally, are effective since they have been entered into. Therefore, the tenancy agreements are still legal and effective.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
13.	A two-level basement car park of Blocks A and B of Jiazhou Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises 362 car parking spaces of a two-level basement car parks completed in about 1997.</p> <p>According to the information provided by CQZY, the total gross floor area of the real property is approximately 15,645.73 square metres.</p> <p>The land use rights of the real property have been granted for a term expiring on 25 May 2062 for composite uses (basement car park).</p>	According to the information provided by CQZY, the real property is currently subject to a licence at a monthly licence fee of approximately RMB104,150.	RMB33,100,000 (Renminbi Thirty Three Million and One Hundred Thousand)

Notes:

- (i) According to a State-owned Land Use Rights Certificate, known as Yu Wai Guo Yong (2001) Zi Di No. 009, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of the basement car park of Jiazhou Garden with a site area of approximately 9,780.87 square metres have been granted to CQZY for a term expiring on 25 May 2062 for composite uses (basement car park).
- (ii) According to a Building Ownership Certificate, known as Chongqing Fang Quan Zheng 100 Zi Di No. 0100002, issued by the Land Resources and Housing Administration Bureau of Chongqing, the building ownership of the real property with a total gross floor area of approximately 15,645.73 square metres is held by CQZY.
- (iii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the building ownership and the corresponding land use rights of the real property;
 - b. The real property is subject to a mortgage;
 - c. As at the Latest Practicable Date, the real property is not subject any judicial seizure;
 - d. CQZY is legally entitled to occupy, use, gain earnings and dispose of the real property, and has the rights to transfer, lease or mortgage the real property. However, as the real property is subject to mortgage, within the mortgage period, CQZY has to obtain the consent from the mortgagee before transferring the real property; and
 - e. The real property is subject to a tenancy agreement. The content of the tenancy agreement does not violate the laws and regulations, and is legal and effective. In accordance with relevant regulations, the tenancy agreement has to be registered in the real estate management department. Although CQZY has not applied for the registration in respect of the tenancy agreement, according to the PRC Contract Law, the tenancy agreement, which is entered into legally, is effective since it has been entered into. Therefore, the tenancy agreement is still legal and effective.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
14.	The car park of connective level between Blocks 4 and 5, Jiazhou City Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises 15 car parking spaces of the connective floor between blocks 4 and 5 completed in about 2004.</p> <p>According to the information provided by CQZY, the total gross floor area of the real property is approximately 415.08 square metres.</p> <p>The land use rights of the real property have been granted for a term expiring on 25 May 2062 for commercial uses.</p>	According to the information provided by CQZY, the real property is currently subject to a licence agreement at a total monthly license fee of approximately RMB4,529.	RMB1,370,000 (Renminbi One Million Three Hundred and Seventy Thousand)

Notes:

- (i) According to a Real Estate Title Certificate, known as 201 Fang Di Zheng 2005 Zi Di No. 22311, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of the real property with a site area of approximately 172.67 square metres have been granted to CQZY for a term expiring on 25 May 2062 for commercial uses and the building ownership of the real property with a gross floor area of approximately 415.08 square metres is held by CQZY.
- (ii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the building ownership and the corresponding land use rights of the real property;
 - b. As at the Latest Practicable Date, the real property is not subject to any mortgage or judicial seizure;
 - c. CQZY is legally entitled to occupy, use, gain earnings and dispose of the real property, and has the rights to transfer, lease or mortgage the real property; and
 - d. The real property is subject to a tenancy agreement. The content of the tenancy agreement does not violate the laws and regulations, and is legal and effective. In accordance with relevant regulations, the tenancy agreement has to be registered in the real estate management department. Although CQZY has not applied for the registration in respect of the tenancy agreements, according to the PRC Contract Law, the tenancy agreement, which is entered into legally, are effective since it has been entered into. Therefore, and the tenancy agreement is still legal and effective.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
15.	Portion of Level 1 and the car park of connective level between Blocks 8 and 9, Jiazhou City Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises a commercial unit on Level 1 and 83 car parking spaces of the connective floor between Blocks 8 and 9 completed in about 2004.</p> <p>According to the information provided by CQZY, the total gross floor area of the commercial portion and car park portion is approximately 598.15 square metres and 2,116.70 square metres respectively.</p> <p>The land use rights of the real property have been granted for a term expiring on 25 May 2062 for commercial services uses.</p>	<p>According to the information provided by CQZY, portion of the real property with a gross floor area of approximately 1,957.4 square metres is currently subject to a licence agreement at a monthly license fee of approximately RMB21,360 and portions of the real property with a gross floor area of approximately 159.3 square metres is currently subject to a tenancy with a term expiring on 14 October 2015 at a monthly rental of approximately RMB1,604.</p> <p>The remaining portion of the real property is currently vacant.</p>	<p>RMB14,320,000</p> <p>(Renminbi Fourteen Million Three Hundred and Twenty Thousand)</p>

Notes:

- (i) According to 2 sets of Real Estate Title Certificate, known as 201 Fang Di Zheng 2006 Zi Di Nos. 57096 and 57097, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of the real property with a total site area of approximately 170.49 square metres have been granted to CQZY for a term expiring on 25 May 2062 for commercial services uses and the building ownership of the real property with a total gross floor area of approximately 2,714.85 square metres is held by CQZY.
- (ii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the building ownership and the corresponding land use rights of the real property;
 - b. As at the Latest Practicable Date, the real property is not subject to any mortgage or any judicial seizure;
 - c. CQZY is legally entitled to occupy, use, gain earnings and dispose of the real property, and has the rights to transfer, lease or mortgage the real property; and
 - d. The real property is subject to various tenancy agreements. The contents of the tenancy agreements do not violate the laws and regulations, and are legal and effective. In accordance with relevant regulations, the tenancy agreements have to be registered in the real estate management department. Although CQZY has not applied for the registration in respect of the tenancy agreements, according to the PRC Contract Law, the tenancy agreements, which are entered into legally, are effective since they have been entered into. Therefore, the tenancy agreements are still legal and effective.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
16.	The car park of connective level between Blocks 9 and 10, Jiazhou City Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises 21 car parking spaces of the connective floor between Blocks 9 and 10 completed in about 2004.</p> <p>According to the information provided by CQZY, the total gross floor area of the real property is approximately 527.84 square metres.</p> <p>The land use rights of the real property have been granted for a term expiring on 25 May 2062 for commercial uses.</p>	According to the information provided by CQZY, the real property is currently subject to a licence at a monthly license fee of approximately RMB5,760.	RMB1,920,000 (Renminbi One Million Nine Hundred and Twenty Thousand)

Notes:

- (i) According to a Real Estate Title Certificate, known as 201 Fang Di Zheng 2005 Zi Di No. 22310, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of the real property with a site area of approximately 191.66 square metres have been granted to CQZY for a term expiring on 25 May 2062 for commercial uses and the building ownership of the real property with a gross floor area of approximately 527.84 square metres is held by CQZY.
- (ii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the building ownership and the corresponding land use rights of the real property;
 - b. As at the Latest Practicable Date, the real property is not subject to any mortgage or judicial seizure;
 - c. CQZY is legally entitled to occupy, use, gain earnings and dispose of the real property, and has the rights to transfer, lease or mortgage the real property; and
 - d. The real property is subject to a tenancy agreement. The content of the tenancy agreement does not violate the laws and regulations, and is legal and effective. In accordance with relevant regulations, the tenancy agreement has to be registered in the real estate management department. Although CQZY has not applied for the registration in respect of the tenancy agreement, according to the PRC Contract Law, the tenancy agreement, which is entered into legally, is effective since it has been entered into. Therefore, and the tenancy agreement is still legal and effective.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
17.	The basement car park and Levels 1 to 3, Block 13, Jiazhou City Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	The real property comprises Levels 1 to 3 of the commercial podium and 35 car parking spaces at Basement 1 of a 23-storey residential tower erected upon a 3-level (plus a basement) commercial podium completed in about 2004. According to the information provided by CQZY, the total gross floor area of the commercial portion and car park portion is approximately 4,086.80 square metres and 1,061.87 square metres respectively. The land use rights of the real property have been granted for a term expiring on 25 May 2062 for commercial uses.	According to the information provided by CQZY, the car park is currently subject to a licence at a monthly license fee of approximately RMB11,587. Portions of the Levels 1 to 3 of the real property with a total gross floor area of approximately 3,516.15 square metre are currently subject to various tenancies with the latest term expiring on 30 June 2016 at a total monthly rental of approximately RMB117,775. Portion of the real property with a gross floor area of approximately 40.21 square metres is currently occupied by CQZY. The remaining portion of the real property is currently vacant.	RMB31,400,000 (Renminbi Thirty One Million and Four Hundred Thousand)

Notes:

- (i) According to a State-owned Land Use Rights Certificate, known as Yu Bei Guo Yong (2004) Di No.16638, issued by the People's Government of Chongqing Yu Bei District, the land use rights of Block 13 of Jiazhou City Garden with a site area of approximately 297.59 square metres have been granted to CQZY for a term expiring on 25 May 2062 for commercial uses.
- (ii) According to a Building Ownership Certificate, known as Chongqing Fang Quan Zheng 201 Zi Di No. 0143472, issued by the Land Resources and Housing Administration Bureau of Chongqing, the building ownership of the real property with a total gross floor area of approximately 5,148.67 square metres is held by CQZY.
- (iii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the building ownership and the corresponding land use rights of the real property;
 - b. As at the Latest Practicable Date, the real property is not subject to any mortgage or judicial seizure;
 - c. CQZY is legally entitled to occupy, use, gain earnings and dispose of the real property, and has the rights to transfer, lease or mortgage the real property; and
 - d. The real property is subject to various tenancy agreements. The content of the tenancy agreements does not violate the laws and regulations, and is legal and effective. In accordance with relevant regulations, the tenancy agreements have to be registered in the real estate management department. Although CQZY has not applied for the registration in respect of the tenancy agreements, according to the PRC Contract Law, the tenancy agreements, which are entered into legally, are effective since they have been entered into. Therefore, the tenancy agreements are still legal and effective.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
18.	Carports A and B located at Jiazhou City Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises 267 car parking spaces constructed on two single storey car ports completed in about 2004.</p> <p>According to the information provided by CQZY, the total gross floor area of the real property is approximately 7,972.11 square metres.</p> <p>The land use rights of the real property have been granted for a term expiring on 25 May 2062 for carport uses.</p>	<p>According to the information provided by CQZY, the car park is currently subject to two licences at a total monthly license fee of approximately RMB86,994.</p>	<p>RMB24,400,000</p> <p>(Renminbi Twenty Four Million and Four Hundred Thousand)</p>

Notes:

- (i) According to 2 sets of State-owned Land Use Rights Certificate, known as Yu Wai Guo Yong (2003) Zi Di Nos. 057 and 058, issued by the People's Government of Chongqing, the land use rights of the real property with a site area of approximately 7,729.5 square metres have been granted to CQZY for a term expiring on 25 May 2062 for carport uses.
- (ii) According to 2 sets of Building Ownership Certificate, known as Chongqing Fang Quan Zheng 201 Zi Di Nos. 0121104 and 0121105, issued by the Land Resources and Housing Administration Bureau of Chongqing, the building ownership of the real property with a total gross floor area of approximately 7,972.11 square metres is held by CQZY.
- (iii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the building ownership and the corresponding land use rights of the real property;
 - b. The real property is subject to a mortgage;
 - c. As at the Latest Practicable Date, the real property is not subject to any judicial seizure;
 - d. CQZY is legally entitled to occupy, use, gain earnings and dispose of the real property, and has the rights to transfer, lease or mortgage the real property. However, as the real property is subject to mortgage, within the mortgage period, CQZY has to obtain the consent from the mortgagee before transferring the real property; and
 - e. The real property is subject to various tenancy agreements. The content of the tenancy agreements does not violate the laws and regulations, and is legal and effective. In accordance with relevant regulations, the tenancy agreements have to be registered in the real estate management department. Although CQZY has not applied for the registration in respect of the tenancy agreements, according to the PRC Contract Law, the tenancy agreements, which are entered into legally, are effective since they have been entered into. Therefore, the tenancy agreements are still legal and effective.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
19.	Basement Levels 1 to 2, Zhongyu Kechuang Building, No. 8 Jinshan Road, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises 92 car parking spaces of a 2-level basement car park completed in about 2004.</p> <p>According to the information provided by CQZY, the total gross floor area of the real property is approximately 2,823.05 square metres.</p> <p>The land use rights of the real property have been granted for a term expiring on 29 May 2063 for commercial services uses.</p>	<p>According to the information provided by CQZY, the car park is currently subject to a licence at a monthly license fee of approximately RMB23,400.</p>	<p>RMB8,470,000</p> <p>(Renminbi Eight Million Four Hundred and Seventy Thousand)</p>

Notes:

- (i) According to 2 sets of Real Estate Title Certificate, known as 201 Fang Di Zheng 2008 Zi Di Nos. 11745 and 18757, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of the real property with a total site area of approximately 313.67 square metres have been granted to CQZY for a term expiring on 29 May 2063 for commercial services uses and the building ownership of the real property with a total gross floor area of approximately 2,823.05 square metres is held by CQZY.
- (ii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the building ownership and the corresponding land use rights of the real property;
 - b. The real property is subject to a mortgage;
 - c. As at the Latest Practicable Date, the real property is not subject to any judicial seizure;
 - d. CQZY is legally entitled to occupy, use, gain earnings and dispose of the real property, and has the rights to transfer, lease or mortgage the real property. However, as the real property is subject to mortgage, within the mortgage period, CQZY has to obtain the consent from the mortgagee before transferring the real property; and
 - e. The real property is subject to a tenancy agreement. The content of the tenancy agreement does not violate the laws and regulations, and is legal and effective. In accordance with relevant regulations, the tenancy agreement has to be registered in the real estate management department. Although CQZY has not applied for the registration in respect of the tenancy agreement, according to the PRC Contract Law, the tenancy agreement, which is entered into legally, is effective since it has been entered into. Therefore, the tenancy agreement is still legal and effective.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
20.	Jiazhou City Garden Kindergarten, Jiazhou City Garden, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises a block of two-storey kindergarten completed in about 2004.</p> <p>According to the information provided by CQZY, the total gross floor area of the real property is approximately 2,564.74 square metres.</p> <p>The land use rights of the real property have been granted for a term expiring on 25 May 2062 for commercial services uses.</p>	<p>According to the information provided by CQZY, the real property is currently subject to a tenancy for a term expiring in August 2018 at a monthly rent of approximately RMB12,052.</p>	<p>RMB4,190,000</p> <p>(Renminbi Four Million One Hundred and Ninety Thousand)</p>

Notes:

- (i) According to a State-owned Land Use Rights Certificate, known as Yu Guo Yong (2004) Di No. 1550, issued by the People's Government of Chongqing, the land use rights of the real property with a site area of approximately 1,617.5 square meters have been granted to Zhongyu Property Development Company Limited, which is the former name of CQZY, with a term expiring on 25 May 2062 for commercial services uses.
- (ii) According to a Building Ownership Certificate, known as Chongqing Shi Fang Quan Zheng 201 Zi Di No. 0168822, issued by Land Resources and Housing Administration Bureau of Chongqing, the building ownership of the real property with a total gross floor area of approximately 2,564.74 square metres is held by CQZY.
- (iii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the building ownership and the corresponding land use rights of the real property;
 - b. As at the Latest Practicable Date, the real property is not subject to any mortgage or judicial seizure;
 - c. CQZY is legally entitled to occupy, use, gain earnings and dispose of the real property, and has the rights to transfer, lease or mortgage the real property; and
 - d. The real property is subject to a tenancy agreement and relevant supplementary agreements. The content of the tenancy agreement and supplementary agreements do not violate the laws and regulations, and is legal and effective. In accordance with relevant regulations, the tenancy agreements have to be registered in the real estate management department. Although CQZY has not applied for the registration in respect of the tenancy agreements, according to the PRC Contract Law, the tenancy agreements, which are entered into legally, are effective since they have been entered into. Therefore, the tenancy agreements are still legal and effective.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
21.	Basement Level 1 of Block 4 and Basement Level 2 of Block 3 of Phase 1 and Basement Level 1 of Blocks 18, 19 and Commercial Building and Basement Level 2 of Block 18 of Phase 2, Huijing Terrace, No.3 Jinshan Road, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises various commercial spaces at Basement Levels 1 and 2 and 315 car parking spaces of a composite (residential/commercial) development completed in about 2003.</p> <p>According to the information provided by CQZY, the total gross floor area of the commercial portion and the car parking spaces is approximately 1,541.33 square metres and 10,950.79 square metres respectively.</p> <p>The land use rights of the real property have been granted for terms expiring on 12 December 2064 for Phase 1 and expiring on 29 May 2063 for Phase 2 for commercial and carport uses.</p>	<p>According to the information provided by CQZY, the car park portion is currently subject to various licenses at a total monthly license fee of approximately RMB72,400.</p> <p>Portion of the Basement Level 2 with a gross floor area of approximately 100.33 square metres is currently subject to a tenancy with a term expiring on 31 December 2014 at a monthly rental of approximately RMB1,200.</p> <p>The remaining portion of the real property is currently vacant.</p>	<p>RMB41,080,000</p> <p>(Renminbi Forty One Million and Eighty Thousand)</p>

Notes:

- (i) According to 2 sets of State-owned Land Use Rights Certificate, known as Yu Bei Guo Yong (2004) Di Nos. 20462 and 20463, issued by the People's Government of Chongqing Yu Bei District, the land use rights of the Phase 1 of the real property with a total site area of approximately 2,266.96 square metres have been granted to CQZY for a term expiring on 12 December 2064 for commercial and carport uses.
- (ii) According to 2 sets of Building Ownership Certificate, known as Chongqing Fang Quan Zheng 201 Zi Di Nos. 0104132 and 0104133, issued by the Land Resources and Housing Administration Bureau of Chongqing, the building ownership of the Phase 1 of the real property with a total gross floor area of approximately 3,673.86 square metres is held by CQZY.
- (iii) According to 3 sets of Real Estate Title Certificate, known as 201 Fang Di Zheng 2005 Zi Di Nos. 00086, 00088 and 00132, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of the Phase 2 of the real property with a total site area of approximately 2,327.24 square metres have been granted to CQZY for a term expiring on 29 May 2063 for commercial and carport uses and the building ownership of the Phase 2 of the real property with a total gross floor area of approximately 8,818.27 square metres is held by CQZY.
- (iv) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the building ownership and the corresponding land use rights of the real property;
 - b. As at the Latest Practicable Date, the real property is not subject to any mortgage or judicial seizure;
 - c. CQZY is legally entitled to occupy, use, gain earnings and dispose of the real property, and has the rights to transfer, lease or mortgage the real property; and
 - d. The real property is subject to various tenancy agreements. The content of the tenancy agreements does not violate the laws and regulations, and is legal and effective. In accordance with relevant regulations, the tenancy agreements have to be registered in the real estate management department. Although CQZY has not applied for the registration in respect of the tenancy agreements, according to the PRC Contract Law, the tenancy agreements, which are entered into legally, are effective since they have been entered into. Therefore, the tenancy agreements are still legal and effective.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
22.	Basement Levels 1 to 3, Chongqing International Technology Convention and Exhibition Centre, Chongqing International Finance and Trade Development Area, No. 2 Xingai Avenue, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises a 3-storey underground car park of a commercial building completed in about 2007.</p> <p>According to the information provided by CQZY, the total gross floor area of the real property is approximately 8,235.74 square metres.</p> <p>The land use rights of the real property have been granted for a term expiring on 29 May 2063 for commercial services uses.</p>	According to the information provided by CQZY, the real property is currently vacant.	RMB18,800,000 (Renminbi Eighteen Million and Eight Hundred Thousand)

Notes:

- (i) According to a Real Estate Title Certificate, known as 201 Fang Di Zheng 2007 Zi Di No. 09161, the land use rights of the real property with a site area of approximately 3,199.7 square metres have been granted to CQZY for a term expiring on 29 May 2063 for commercial services uses and the building ownership of the real property with a total gross floor area of approximately 8,235.74 square metres is held by CQZY.
- (ii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the building ownership and the corresponding land use rights of the real property;
 - b. The real property is subject to a mortgage;
 - c. As at the Latest Practicable Date, the real property is not subject to any judicial seizure; and
 - d. CQZY is legally entitled to occupy, use, gain earnings and dispose of the real property, and has the rights to transfer, lease or mortgage the real property. However, as the real property is subject to mortgage, within the mortgage period, CQZY has to obtain the consent from the mortgagee before transferring the real property.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
23.	A unit known as "1-4", Level 1, 9 Central Midtown located at No. 6 Xingai Avenue, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises a commercial unit on Level 1 of a 28-storey commercial building plus a 3-level basement. The building was completed in about 2011.</p> <p>The gross floor area of the real property is approximately 184.08 square metres.</p> <p>The land use rights of the real property have been granted for a term expiring on 25 May 2063 for other commercial services uses.</p>	<p>According to the information provided by CQZY, the real property is subject to a tenancy expiring on 31 December 2018 at a monthly rental of approximately RMB14,476 for office uses.</p>	<p>RMB4,370,000</p> <p>(Renminbi Four Million Three Hundred and Seventy Thousand)</p>

Notes:

- (i) According to a Real Estate Title Certificate, known as 201 Fang Di Zheng 2014 Zi Di No. 022671 issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of the real property have been granted to CQZY for a term expiring on 25 May 2063 for other commercial services uses and the building ownership of the real property is held by CQZY.
- (ii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the building ownership and the corresponding land use rights of the real property;
 - b. As at the Latest Practicable Date, the real property is not subject to any mortgage or judicial seizure;
 - c. CQZY has the rights to occupy, use, gain earnings and dispose of the real property, and has the rights to transfer, lease or mortgage of the real property; and
 - d. The real property is subject to a tenancy agreement. The content of the tenancy agreement does not violate the laws and regulations, and is legal and effective. In accordance with relevant regulations, the tenancy agreement has to be registered in the real estate management department. Although CQZY has not applied for the registration in respect of the tenancy agreement, according to the PRC Contract Law, the tenancy agreement, which is entered into legally, is effective since it has been entered into. Therefore, tenancy agreement is still legal and effective.

Group III – Real properties held for sale by CQZY Group in the PRC

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014										
24.	Portion of No. 1 Peak Road located at No. 2 Jinding Road, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises a residential unit, 2 retail units and 311 car parking spaces in a composite (residential/commercial) development, located at the eastern side of Jinzi Mountain, close to the Tower of Standing Committee of Chongqing People's Congress and Chongqing Higher People's Court. The real property was completed in about 2008.</p> <p>As advised by CQZY, the total gross floor area of the real property is approximately 13,966 square metres, details of which are as follow:</p> <table border="1"> <thead> <tr> <th>Usage</th> <th>Gross Floor Area (square metres)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>75.02</td> </tr> <tr> <td>Retail</td> <td>575.66</td> </tr> <tr> <td>Car park</td> <td>13,315.73</td> </tr> <tr> <td>Total:</td> <td><u>13,966.41</u></td> </tr> </tbody> </table> <p>The land use rights of the real property have been granted for a term expiring on 29 May 2063 for residential and commercial services uses.</p>	Usage	Gross Floor Area (square metres)	Residential	75.02	Retail	575.66	Car park	13,315.73	Total:	<u>13,966.41</u>	As advised by CQZY, the real property is currently vacant.	RMB33,400,000 (Renminbi Thirty Three Million and Four Hundred Thousand)
Usage	Gross Floor Area (square metres)													
Residential	75.02													
Retail	575.66													
Car park	13,315.73													
Total:	<u>13,966.41</u>													

Notes:

- (i) According to 2 sets of Real Estate Title Certificate, known as 201 Fang Di Zheng 2008 Zi Di Nos. 52173 and 55980, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of portion of No.1 Peak Road with a total site area of approximately 8,321 square metres have been granted to CQZY for a term expiring on 29 May 2063 for commercial services uses and the building ownership of such portion with a total gross floor area of approximately 22,151.97 square metres is held by CQZY.
- (ii) According to a Real Estate Title Certificate, known as 201 Fang Di Zheng 2008 Zi Di No. 52177, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of portion of No.1 Peak Road with a site area of approximately 953.3 square metres have been granted to CQZY for a term expiring on 29 May 2063 for residential and commercial services uses and the building ownership of such portion with a gross floor area of approximately 17,308.72 square metres is held by CQZY.
- (iii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the building ownership and the corresponding land use rights of the unsold portion of the subject development;
 - b. As at the Latest Practicable Date, the unsold portion of the subject development is not subject to any mortgage or judicial seizure; and
 - c. CQZY is legally entitled to occupy, use, gain earnings and dispose of the unsold portion of the subject development, and has the rights to transfer, lease or mortgage of such portion.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014										
25.	Portion of No. 8 Peak Road located at No. 11 Jinshan Road, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises 5 residential units, 8 retail units and 20 car parking spaces in a composite (residential/commercial) development, located next to the No. 1 Peak, Road, close to the Tower of Standing Committee of Chongqing People's Congress and Chongqing Higher People's Court. The real property was completed in about 2011.</p> <p>As advised by CQZY, the total gross floor area of the real property is approximately 3,138 square metres, details of which are as follow:</p> <table border="1"> <thead> <tr> <th>Usage</th> <th>Gross Floor Area (square metres)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>1,561.93</td> </tr> <tr> <td>Retail</td> <td>563.66</td> </tr> <tr> <td>Car park</td> <td>1,012.00</td> </tr> <tr> <td>Total:</td> <td><u>3,137.59</u></td> </tr> </tbody> </table> <p>The land use rights of the real property have been granted for a term expiring on 29 May 2063 for township residential and other commercial services uses.</p>	Usage	Gross Floor Area (square metres)	Residential	1,561.93	Retail	563.66	Car park	1,012.00	Total:	<u>3,137.59</u>	As advised by CQZY, the real property is currently vacant.	RMB36,200,000 (Renminbi Thirty Six Million and Two Hundred Thousand) (see Notes(iii) and (v))
Usage	Gross Floor Area (square metres)													
Residential	1,561.93													
Retail	563.66													
Car park	1,012.00													
Total:	<u>3,137.59</u>													

Notes:

- (i) According to 3 sets of Real Estate Title Certificate, known as 201 Fang Di Zheng 2011 Zi Di Nos. 055899, 055913 and 055939, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of portion of No.8 Peak Road with a total site area of approximately 5,658.9 square metres have been granted to CQZY for a term expiring on 29 May 2063 for township residential uses and the building ownership of such portion with a total gross floor area of approximately 14,444.3 square metres is held by CQZY.
- (ii) According to 2 sets of Real Estate Title Certificate, known as 201 Fang Di Zheng 2011 Zi Di Nos. 064194 and 064264, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of portion of No. 8 Peak Road with a site area of approximately 9,724.5 square metres have been granted to CQZY for a term expiring on 29 May 2063 for other commercial services uses and the building ownership of such portion with a total gross floor area of approximately 10,112.6 square metres is held by CQZY.
- (iii) As advised by CQZY, 2 retail units with a total gross floor area of approximately 105 square metres were contracted to be sold at a total consideration of approximately RMB3,190,000. The market value of such commercial units is stated at the consideration aforesaid and is included in our valuation.
- (iv) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the building ownership and the corresponding land use rights of the unsold portion of the subject development;
 - b. As at the Latest Practicable Date, the unsold portion of the subject development is not subject to any mortgage or judicial seizure;
 - c. CQZY is legally entitled to occupy, use, gain earnings and dispose of the unsold portion of the subject development, and has the rights to transfer, lease or mortgage of such portion; and
 - d. Regarding the contracted to be sold portion of the subject development, the content of the commodity sale and purchase contracts, entered into between CQZY and the purchasers, does not violate the laws and regulations. Such contracts are registered according to the regulations and are legal and effective. CQZY has the rights to receive the considerations of such real property. Prior to the titleship has been transferred, CQZY is entitled to the building ownership and the corresponding land use rights of such portion. However, since the commodity sale and purchase contracts have been signed and registered, CQZY transfers, leases or mortgages such portions will be subject to restriction.
- (v) In our valuation, we have assumed that the real property interest can be freely disposed of and transferred to third parties on the open market without payment of any premium or onerous monies to the relevant government authorities.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014														
26.	Portion of L' Ambassadeur (Phases I, II, III and IV) located at No. 18 Xingai Avenue and No. 15 Jinshan Road, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises 332 residential units, 6 retail units, commercial portion, 1,421 car parking spaces and a kindergarten in a composite (residential/commercial) development located next to the No. 1 Peak Road and the No. 8 Peak Road, close to the Tower of Standing Committee of Chongqing People's Congress and Chongqing Higher People's Court. The real property was developed in four phases and completed in between 2012 and 2014.</p> <p>As advised by CQZY, the total gross floor area of the real property is approximately 114,489 square metres, details of which are as follow:</p> <table border="1"> <thead> <tr> <th>Usage</th> <th>Gross Floor Area (square metres)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>32,119.79</td> </tr> <tr> <td>Retail</td> <td>5,887.70</td> </tr> <tr> <td>Commercial</td> <td>17,208.99</td> </tr> <tr> <td>Kindergarten</td> <td>3,200.30</td> </tr> <tr> <td>Car park</td> <td>56,071.92</td> </tr> <tr> <td>Total:</td> <td><u>114,488.70</u></td> </tr> </tbody> </table> <p>The land use rights of the real property have been granted for a term expiring on 29 May 2063 for township residential and other commercial services uses.</p>	Usage	Gross Floor Area (square metres)	Residential	32,119.79	Retail	5,887.70	Commercial	17,208.99	Kindergarten	3,200.30	Car park	56,071.92	Total:	<u>114,488.70</u>	<p>As advised by CQZY, portions of the real property with a total gross floor area of approximately 4,700 square metres are temporarily occupied by a third-party tenant and the terms of the tenancy agreement are under negotiation.</p> <p>The remaining portion of the real property is currently vacant.</p>	<p>RMB779,840,000</p> <p>(Renminbi Seven Hundred Seventy Nine Million Eight Hundred and Forty Thousand)</p> <p>(see Notes (iv) and (xi))</p>
Usage	Gross Floor Area (square metres)																	
Residential	32,119.79																	
Retail	5,887.70																	
Commercial	17,208.99																	
Kindergarten	3,200.30																	
Car park	56,071.92																	
Total:	<u>114,488.70</u>																	

Notes:

- (i) According to 2 sets of Real Estate Title Certificate, known as 201 Fang Di Zheng 2013 Zi Di Nos. 025595 and 051425, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of portion of L' Ambassadeur with a site area and a common site area of approximately 2,993.1 square metres and 47,152.87 square metres respectively have been granted to CQZY for a term expiring on 29 May 2063 for other commercial services uses and the building ownership of such portion with a total gross floor area of approximately 84,024.93 square metres is held by CQZY.
- (ii) According to 9 sets of Real Estate Title Certificates, known as 201 Fang Di Zheng 2013 Zi Di Nos. 006757, 006854, 006856, 036394, 036778, 037481, 037514, 037533 and 042147, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of portion of L' Ambassadeur with a total site area and a total common site area of approximately 6,520.88 and 11,216.5 square metres respectively have been granted to CQZY for a term expiring on 29 May 2063 for township residential uses and the building ownership of such portion with a total gross floor area of approximately 270,561 square metres is held by CQZY.
- (iii) According to a Real Estate Title Certificate, known as 201D Fang Di Zheng 2011 Zi Di No.50241, issued by the Land Resources and Housing Management Bureau of Chongqing, the land use rights of a parcel of land having a site area of approximately 17,250.9 square metres have been granted to CQZY for a term expiring on 29 May 2063 for township residential use. This Real Estate Title Certificate comprises Phase IV.

- (iv) As advised by CQZY, 213 residential units and 3 retail units with a total gross floor area of approximately 19,770 square metres were contracted to be sold at a total consideration of approximately RMB174,000,000. The market value of such residential and commercial units is stated at the consideration aforesaid and is included in our valuation.
- (v) According to a Construction Land Use Planning Permits, known as De Zi Di Jian 500136200900226, issued by the Urban Planning Board of Chongqing, permission has been given for the planning of construction of the kindergarten and Phase IV of the real property.
- (vi) According to 2 sets of Construction Work Planning Permits, known as Jian Zi Di Jian 500112200900135 and 500112200909128, issued by the Urban Planning Board of Chongqing, the construction of the kindergarten and Phase IV of the real property has been approved.
- (vii) According to 2 sets of Construction Work Commencement Permits, known as Nos. 510202200912280601 and 510202200912280701, issued by Chongqing Municipal Commission of Urban-Rural Development, permission has been given for commencement of construction of the kindergarten and Phase IV of the real property.
- (viii) According to 2 sets of Commodity Pre-sale Permission Certificate, known as Yu Guo Tu Fang Guan (2012) Yu Zi Di Nos. (479) and (756), permission for pre-sale of the real property with a total gross floor area of approximately 71,071.27 square metres has been given.
- (ix) According to a Construction Completion and Inspection Record, known as Jian Jun Bei Zi (2014) No. 0044, issued by Urban-rural Construction Management Committee, the construction of the subject development with a total gross floor area of approximately 103,829 square metres has been completed and has passed the acceptance inspection.
- (x) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
- a. CQZY is entitled to the building ownership and the corresponding land use rights of the unsold portion (excluding the kindergarten portion and Phase IV) of the subject development;
 - b. CQZY is entitled to the land use rights of Phase IV of the real property;
 - c. As at the Latest Practicable Date, the unsold portion of the subject development is not subject to any mortgage or judicial seizure;
 - d. CQZY is legally entitled to occupy, use, gain earnings and dispose of the unsold portion (excluding the kindergarten portion) of the subject development, and has the rights to transfer, lease or mortgage of such portion;
 - e. Within the land use rights term, CQZY is legally entitled to occupy, use, gain earnings and dispose of the land of Phase IV and has the rights to construct buildings, structures and ancillary facilities on the land. CQZY also has the rights to transfer, lease or mortgage the land use rights of the land;
 - f. CQZY has obtained the commodity pre-sale permission certificate of portion of of Phase IV. CQZY has the rights to pre-sale the relevant portion of the real property, and would have the rights to sell or lease the real property when the relevant laws and regulations requirement have been complied with;
 - g. Regarding the contracted to be sold portion of the subject development, the content of the commodity sale and purchase contracts, entered into between CQZY and the purchasers, does not violate the laws and regulations. Such contracts are registered according to the regulations and are legal and effective. CQZY has the rights to receive the considerations of the real property. Prior to the titleship has been transferred, CQZY is entitled to the building ownership and the corresponding land use rights of such portion. However, since the commodity sale and purchase contracts have been signed and registered, CQZY transfers, leases or mortgages such portions will be subject to restriction; and
 - h. CQZY has obtained the construction land planning permit, construction work planning permit and construction work commencement permit and the development complies with relevant laws and regulations. As the kindergarten portion has not passed the completion and inspection and Phase IV has been completed, after CQZY obtained all the relevant completion documents and fully settled the relevant fees, CQZY has no legal impediment in obtaining the Real Estate Title Certificate of such portion. After obtaining the Real Estate Title Certificate, CQZY has the rights to occupy, use, gain earnings and dispose of the kindergarten portion, and has the rights to transfer, lease or mortgage of such portion.
- (xi) In our valuation, we have assumed that the real property interest can be freely disposed of and transferred to third parties on the open market without payment of any premium or onerous monies to the relevant government authorities.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014												
27.	Portion of Mansions on the Peak located at Junction of Jinshan Road and Jinding Road, Yubei District, Chongqing, the PRC 401147	The real property comprises 38 villas, a clubhouse, a commercial block and 220 car parking spaces in a residential development, located at the junction of Jinshan Road and Jinding Road at the district of Yubei. The real property was completed in between 2011 and 2013.	As advised by CQZY, the real property is currently vacant.	RMB1,046,000,000 (Renminbi One Thousand and Forty Six Million) <i>(see Notes (vi))</i>												
		As advised by CQZY, the total gross floor area of the real property is approximately 49,432 square metres, details of which are as follow:														
			<table border="1"> <thead> <tr> <th>Usage</th> <th>Gross Floor Area (square metres)</th> </tr> </thead> <tbody> <tr> <td>Villa</td> <td>29,365.15</td> </tr> <tr> <td>Clubhouse</td> <td>5,885.35</td> </tr> <tr> <td>Commercial Block</td> <td>1,704.08</td> </tr> <tr> <td>Car park</td> <td>12,477.09</td> </tr> <tr> <td>Total:</td> <td><u>49,431.67</u></td> </tr> </tbody> </table>	Usage	Gross Floor Area (square metres)	Villa	29,365.15	Clubhouse	5,885.35	Commercial Block	1,704.08	Car park	12,477.09	Total:	<u>49,431.67</u>	
Usage	Gross Floor Area (square metres)															
Villa	29,365.15															
Clubhouse	5,885.35															
Commercial Block	1,704.08															
Car park	12,477.09															
Total:	<u>49,431.67</u>															
		The land use rights of the real property have been granted for a term expiring on 29 May 2063 for township residential and other commercial services uses.														

Notes:

- (i) According to 38 sets of Real Estate Title Certificate, known as 201 Fang Di Zheng 2013 Zi Di Nos. 006749, 024820, 024822, 024823, 024828, 024831, 024840, 024845, 024850, 024893-024897, 024899-024901, 024904, 024906, 024911, 024915, 024917, 024936, 024939, 024940, 024944, 024945, 024953, 024967, 024969, 024992, 024994, 024998-025000, 025002, 025004 and 025005, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of portion of the real property with a total site area of approximately 18,809.3 square metres have been granted to CQZY for a term expiring on 29 May 2063 for township residential uses and the building ownership of such portion with a total gross floor area of approximately 29,365.15 square metres is held by CQZY.
- (ii) According to 3 sets of Real Estate Title Certificate, known as 201 Fang Di Zheng 2013 Zi Di No. 051309, 201 Fang Di Zheng 2014 Zi Di Nos. 000631 and 010565, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of portion of the real property with a total common site area of approximately 5,748.2 square metres have been granted to CQZY for a term expiring on 29 May 2063 for other commercial services uses and the building ownership of such portion with a total gross floor area of approximately 10,679.77 square metres is held by CQZY.
- (iii) According to a Construction Land Use Planning Permit, known as De Zi Di Jian 500136200900226, issued by the Urban Planning Board of Chongqing, permission has been given for the planning of construction of the Basement car park zones A and B of the real property.
- (iv) According to a Construction Work Planning Permit, known as Jian Zi Di Jian No. 500136200900158, issued by the Urban Planning Board of Chongqing, the construction of the Basement car park zones A and B of the real property has been approved.

- (v) According to a Construction Work Commencement Permit, known as Nos. 510202200912310101, issued by Chongqing Municipal Commission of Urban-Rural Development, permissions have been given for commencement of construction of the Basement car park zones A and B of the real property.
- (vi) As advised by CQZY, a villa with a gross floor area of approximately 698 square metres was contracted to be sold at a consideration of RMB30,000,000. The market value of such villa is stated at the consideration aforesaid and is included in our valuation.
- (vii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the building ownership and the corresponding land use rights of the real property;
 - b. As at the Latest Practicable Date, the real property is not subject to any mortgage or judicial seizure;
 - c. CQZY is legally entitled to occupy, use, gain earnings and dispose of the real property, and has the rights to transfer, lease or mortgage the real property;
 - d. CQZY has obtained the construction land planning permit, construction work planning permit and construction work commencement permit of the Basement car park zones A and B of the real property and the development complies with relevant laws and regulations. As the Basement car park zones A and B portions have not passed the completion and inspection, after CQZY obtained all the relevant completion documents and fully settled the relevant fees, CQZY has no legal impediment in obtaining the Real Estate Title Certificate of such portion. After obtaining the Real Estate Title Certificate, CQZY has the rights to occupy, use, gain earnings and dispose of that car park portions, and has the rights to transfer, lease or mortgage of such portions; and
 - e. Regarding the contracted to be sold portion of the subject development, the content of the commodity sale and purchase contracts, entered into between CQZY and the purchasers, does not violate the laws and regulations. Such contracts are registered according to the regulations and are legal and effective. CQZY has the rights to receive the considerations of the real property. Prior to the titleship has been transferred, CQZY is entitled to the building ownership and the corresponding land use rights of such portion. However, since the commodity sale and purchase contracts have been signed and registered, CQZY transfers, leases or mortgages such portions will be subject to restriction.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014																
28.	Portion of i-City (Phases I, II and III) located at Nos. 301, 303, 305, 307, 309 and 333 Donghunan Road, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises 67 residential units, 224 serviced apartment units, 4 office units, 19 retail units, 1,068 car parking spaces and a kindergarten in a composite (residential/commercial) development, located at the southern side of Chongqing North Railway Station of Longtousi in the Northern New District. The real property was developed in three phases and completed in between 2010 and 2011.</p> <p>As advised by CQZY, the total gross floor area of the real property is approximately 65,565 square metres, details of which are as follow:</p> <table border="1"> <thead> <tr> <th>Usage</th> <th>Gross Floor Area (square metres)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>4,644.98</td> </tr> <tr> <td>Serviced apartment</td> <td>9,373.90</td> </tr> <tr> <td>Office</td> <td>1,027.03</td> </tr> <tr> <td>Retail</td> <td>12,135.74</td> </tr> <tr> <td>Kindergarten</td> <td>2,763.25</td> </tr> <tr> <td>Car park</td> <td>35,619.94</td> </tr> <tr> <td>Total:</td> <td><u>65,564.84</u></td> </tr> </tbody> </table> <p>The land use rights of the real property have been granted for a term expiring on 17 June 2075 for township residential uses and for a term expiring on 17 June 2045 for other commercial services, business finance, accommodation beverage and wholesale retail and industrial uses.</p>	Usage	Gross Floor Area (square metres)	Residential	4,644.98	Serviced apartment	9,373.90	Office	1,027.03	Retail	12,135.74	Kindergarten	2,763.25	Car park	35,619.94	Total:	<u>65,564.84</u>	<p>As advised by CQZY, the kindergarten is currently subject to a tenancy for a term expiring on 31 May 2030 at a monthly passing rent of approximately RMB14,093.</p> <p>The remaining portion of the real property is currently vacant.</p>	<p>RMB451,400,000</p> <p>(Renminbi Four Hundred Fifty One Million and Four Hundred Thousand)</p> <p>(See Notes (viii) and (x))</p>
Usage	Gross Floor Area (square metres)																			
Residential	4,644.98																			
Serviced apartment	9,373.90																			
Office	1,027.03																			
Retail	12,135.74																			
Kindergarten	2,763.25																			
Car park	35,619.94																			
Total:	<u>65,564.84</u>																			

Notes:

- (i) According to 8 sets of Real Estate Title Certificate, known as 112 Fang Di Zheng 2010 Zi Di Nos. 011706, 012299, 112 Fang Di Zheng 2011 Zi Di Nos. 09151, 10605, 10614, 10615, 10619 and 23598, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of portion of i-City with a total site area of approximately 5,525.41 square metres have been granted to CQZY for a term expiring on 17 June 2075 for township residential uses and the building ownership of such portion with a total gross floor area of approximately 101,827.42 square metres is held by CQZY.
- (ii) According to 3 sets of Real Estate Title Certificate, known as 112 Fang Di Zheng 2010 Zi Di No. 025072, 112 Fang Di Zheng 2011 Zi Di No. 16496 and 115 Fang Di Zheng 2012 Zi Di No. 08368, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of portion of i-City with a total site area of approximately 30,103.74 square metres have been granted to CQZY for a term expiring on 17 June 2045 for other commercial services uses and the building ownership of such portion with a total gross floor area of approximately 56,758.24 square metres is held by CQZY.

- (iii) According to 4 sets of Real Estate Title Certificate, known as 112 Fang Di Zheng 2011 Zi Di Nos. 09538, 09540 and 09550 and 112 Fang Di Zheng 2012 Zi Di No. 03114, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of portion of i-City with a total site area of approximately 4,772.7 square metres have been granted to CQZY for a term expiring on 17 June 2045 for business finance uses and the building ownership of such portion with a total gross floor area of approximately 34,537.39 square metres is held by CQZY.
- (iv) According to a Real Estate Title Certificate, known as 115 Fang Di Zheng 2012 Zi Di No. 02123, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of portion of i-City with a site area of approximately 1,111 square metres have been granted to CQZY for a term expiring on 17 June 2045 for accommodation beverage uses and the building ownership of such portion with a gross floor area of approximately 19,250.66 square metres is held by CQZY.
- (v) According to a Real Estate Title Certificate, known as 112 Fang Di Zheng 2012 Zi Di No. 03115, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of portion of i-City with a site area of approximately 326.8 square metres have been granted to CQZY for a term expiring on 17 June 2045 for wholesale retail uses and the building ownership of such portion with a gross floor area of approximately 5,662.32 square metres is held by CQZY.
- (vi) According to a Real Estate Title Certificate, known as 115 Fang Di Zheng 2012 Zi Di No. 17480, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of the kindergarten portion of the real property with a site area of approximately 1,115.9 square metres have been granted to CQZY for a term expiring on 17 June 2045 for industrial uses and the building ownership of such portion with a gross floor area of approximately 2,763.25 square metres is held by CQZY for other uses.
- (vii) According to the survey floor plans attached to the Real Estate Title Certificate as stated in Note (vi) above, the indicated usage of the building is i-City kindergarten. In our valuation, we have valued this portion of the real property based on the kindergarten uses.
- (viii) As advised by CQZY, 22 residential units, 184 serviced apartment units, 11 retail units and a car parking space with a total gross floor area of approximately 17,325 square metres were contracted to be sold at a total consideration of approximately RMB221,000,000. The market value of such residential and commercial units is stated at the consideration aforesaid and is included in our valuation.
- (ix) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
- a. CQZY is entitled to the building ownership and the corresponding land use rights of the unsold portion of the subject development;
 - b. As at the Latest Practicable Date, the unsold portion of the subject development is not subject to any mortgage or judicial seizure;
 - c. CQZY is legally entitled to occupy, use, gain earnings and dispose of the unsold portion of the subject development, and has the rights to transfer, lease or mortgage of such portion;
 - d. Regarding the contracted to be sold portion of the subject development, the content of the commodity sale and purchase contracts, entered into between CQZY and the purchasers, does not violate the laws and regulations. Such contracts are registered according to the regulations and are legal and effective. CQZY has the rights to receive the considerations of the real property. Prior to the titleship has been transferred, CQZY is entitled to the building ownership and the corresponding land use rights of such portion. However, since the commodity sale and purchase contracts have been signed and registered, CQZY transfers, leases or mortgages such portions will be subject to restriction;
 - e. According to the Real Estate Title Certificate stated in note (vi) above, CQZY is entitled to the building ownership and the corresponding land use rights of the kindergarten portion. CQZY is legally entitled to occupy, use, gain earnings and dispose of such portion and has the rights to transfer, lease or mortgage of such portion. As advised by CQZY, the land use rights of the kindergarten portion of the real property should be for commercial services and residential uses. The usage as shown in the Real Estate Title Certificate stated in note (vi) above for industrial should be an error occurred during applying for the certificate. CQZY is in the process dealing with the relevant government department regarding to this error. However, the result of the rectification would not affect the titleship and rights of CQZY over the kindergarten portion; and
 - f. The kindergarten portion of the real property is subject a tenancy agreement. The content of the tenancy agreement does not violate the laws and regulations, and is legal and effective. In accordance with relevant regulations, the tenancy agreement has to be registered in the real estate management department. Although CQZY has not applied for the registration in respect of the tenancy agreement, according to the PRC Contract Law, the tenancy agreement, which is entered into legally, is effective since they it has entered into. Therefore, the tenancy agreement is still legal and effective.
- (x) In our valuation, we have assumed that the real property interest can be freely disposed of and transferred to third parties on the open market without payment of any premium or onerous monies to the relevant government authorities.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014																				
29.	Portion of Zhongyu One Central Midtown (Phase I A) and Portion of 9 Central Midtown (Phase I B) located at No. 18 Jinshan Road and No. 6 Xingai Avenue, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises 13 residential units, 9 retail units and 454 car parking spaces of Zhongyu One Central Midtown and 26 office units, 3 retail units and 155 car parking spaces of 9 Central Midtown.</p> <p>Zhongyu One Central Midtown and 9 Central Midtown are composite (residential/commercial) developments, located next to the Jiazhou Station, close to the Tower of Standing Committee of Chongqing People's Congress and Chongqing Higher People's Court. The real property was completed in between 2011 and 2012.</p> <p>As advised by CQZY, the total gross floor area of the real property is approximately 33,099 square metres, details of which are as follow:</p> <p><i>Portion of Zhongyu One Central Midtown (Phase I A)</i></p> <table border="1"> <thead> <tr> <th>Usage</th> <th>Gross Floor Area (square metres)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>861.01</td> </tr> <tr> <td>Retail</td> <td>2,281.76</td> </tr> <tr> <td>Car park</td> <td>21,401.77</td> </tr> <tr> <td>Total:</td> <td>24,544.54</td> </tr> </tbody> </table> <p><i>Portion of 9 Central Midtown (Phase I B)</i></p> <table border="1"> <thead> <tr> <th>Usage</th> <th>Gross Floor Area (square metres)</th> </tr> </thead> <tbody> <tr> <td>Office</td> <td>1,314.19</td> </tr> <tr> <td>Retail</td> <td>593.21</td> </tr> <tr> <td>Car park</td> <td>6,647.09</td> </tr> <tr> <td>Total:</td> <td>8,554.49</td> </tr> </tbody> </table> <p>The land use rights of the real property have been granted for a term expiring on 25 May 2063 and 29 May 2063 for township residential, township mixed residential and commercial services uses.</p>	Usage	Gross Floor Area (square metres)	Residential	861.01	Retail	2,281.76	Car park	21,401.77	Total:	24,544.54	Usage	Gross Floor Area (square metres)	Office	1,314.19	Retail	593.21	Car park	6,647.09	Total:	8,554.49	As advised by CQZY, the real property is currently vacant.	RMB166,600,000 (Renminbi One Hundred Sixty Six Million and Six Hundred Thousand) (see Notes (viii) and (x))
Usage	Gross Floor Area (square metres)																							
Residential	861.01																							
Retail	2,281.76																							
Car park	21,401.77																							
Total:	24,544.54																							
Usage	Gross Floor Area (square metres)																							
Office	1,314.19																							
Retail	593.21																							
Car park	6,647.09																							
Total:	8,554.49																							

Notes:

- (i) According to 4 sets of Real Estate Title Certificate, known as 201 Fang Di Zheng 2011 Zi Di Nos. 052361, 052366, 052460 and 052461, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of portion of Zhongyu One Central Midtown and 9 Central Midtown with a total site area of approximately 5,774.9 square metres have been granted to CQZY for a term expiring on 29 May 2063 for township residential uses and the building ownership of such portion with a total gross floor area of approximately 102,281.32 square metres is held by CQZY.

- (ii) According to 3 sets Real Estate Title Certificate, known as 201 Fang Di Zheng 2011 Zi Di Nos. 054188 and 057720, 201 Fang Di Zheng 2012 Zi Di No. 004745, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of portion of Zhongyu One Central Midtown and 9 Central Midtown with a common site area of approximately 2,128.9 square metres have been granted to CQZY for a term expiring on 25 May 2063 for other commercial services uses and the building ownership of such portion with a gross floor area of approximately 37,402.66 square metres is held by CQZY.
- (iii) According to a Real Estate Title Certificate, known as 201D Fang Di Zheng 2010 Zi Di No. 00280, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of the Land Lot 10 with a site area of approximately 103,434.88 square metres have been granted to CQZY for a term expiring on 25 May 2063 for township mixed residential uses.
- (iv) According to a Construction Land Use Planning Permit, known as Di Zi Di No. 500136201000136, issued by the Urban Planning Board of Chongqing, permission has been given for the planning of construction of the car park portion of the real property.
- (v) According to a Construction Work Planning Permit, known as Jian Zi Di Jian No. 500136200900007, issued by the Urban Planning Board of Chongqing, the construction of the car park portion of the real property has been approved.
- (vi) According to 2 sets of Construction Work Commencement Permit, known as Nos. 510202200905220101 and 510202200905220201, issued by Construction Committee of Chongqing, permissions have been given for commencement of construction of the car park portion of the real property.
- (vii) According to a Construction Completion and Inspection Record, known as Jian Jun Bei Zi [2011] No. 0079, issued by Urban-rural Construction Bureau of Chongqing, the construction of the car park portion of the real property has been completed and has passed the acceptance inspection.
- (viii) As advised by CQZY, 7 residential units, 24 office units and 11 retail units with a total gross floor area of approximately 4,244 square metres were contracted to be sold at a total consideration of approximately RMB81,200,000. The market value of such commercial units is stated at the consideration aforesaid and is included in our valuation.
- (ix) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the building ownership and the corresponding land use rights of the unsold portion (excluding the car park portion) of the subject development;
 - b. As at the Latest Practicable Date, the unsold portion of the subject development is not subject to any mortgage or judicial seizure;
 - c. CQZY is legally entitled to occupy, use, gain earnings and dispose of the unsold portion (excluding the car park portion) of the subject development, and has the rights to transfer, lease or mortgage of such portion;
 - d. Regarding the contracted to be sold portion of the subject development, the content of the commodity sale and purchase contracts, entered into between CQZY and the purchasers, does not violate the laws and regulations. Such contracts are registered according to the regulations and are legal and effective. CQZY has the rights to receive the considerations of the real property. Prior to the titleship has been transferred, CQZY is entitled to the building ownership and the corresponding land use rights of such portion. However, since the commodity sale and purchase contracts have been signed and registered, CQZY transfers, leases or mortgages such portions will be subject to restriction; and
 - e. Regarding the car park portion, CQZY has obtained the construction land planning permit, construction work planning permit and construction work commencement permit and the development complies with the relevant laws and regulations. After CQZY obtained all the relevant completion documents and fully settled the relevant fees, CQZY has no legal impediment in obtaining the Real Estate Title Certificate of such portion. After obtaining the Real Estate Title Certificate, CQZY has the rights to occupy, use, gain earnings and dispose of the car park portion, and has the rights to transfer, lease or mortgage of such portion.
- (x) In our valuation, we have assumed that the real property interest can be freely disposed of and transferred to third parties on the open market without payment of any premium or onerous monies to the relevant government authorities.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
30.	Portion of Academic Heights (Phase I) located at No. 17 Sixian Road, Shapingba District, Chongqing, the PRC 401147	The real property comprises 327 residential units, 53 terrace houses, 60 retail units and 609 car parking spaces in a residential/commercial development, located at the south of Sixian Road and east of Daxuecheng East Road. The real property was completed in about 2013.	As advised by CQZY, the real property is currently vacant.	RMB265,500,000 (Renminbi Two Hundred Sixty Five Million and Five Hundred Thousand) (see Notes (viii) and (x))
		As advised by CQZY, the total gross floor area of the real property is approximately 54,801 square metres, details of which are as follow:		
			Gross Floor Area (square metres)	
		Residential	16,568.91	
		Terrace House	13,746.76	
		Retail	3,321.34	
		Car park	21,163.87	
		Total:	<u>54,800.88</u>	
		The land use rights of the real property have been granted for a term expiring on 20 July 2059 for township mixed residential uses.		

Notes:

- (i) According to a Contract of The Grant of The State-owned Construction Land Use Rights, known as Yu Di (2009) He Zi (Sha Qu) Di 55 Hao, entered into between the Land Resources and Housing Administration Bureau of Chongqing and CQZY dated 21 July 2009, the land use rights of a parcel of land with a site area of approximately 40,698 square metres have been contracted to be granted to CQZY for residential uses at a consideration of RMB63,030,000.
- (ii) According to a Real Estate Title Certificate, known as 104D Fang Di Zheng 2009 Zi Di No. 10524, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of Academic Heights (Phase I) with a site area of approximately 40,698 square metres have been granted to CQZY for a term expiring on 20 July 2059 for township mixed residential uses.
- (iii) Pursuant to a Construction Land Use Planning Permit, known as De Zi Di No. 500106201000172, issued by the Urban Planning Board of Chongqing, permission has been given for the planning of construction of the real property with a site area of approximately 40,698.17 square metres and a gross floor area (above ground) of approximately 101,745.43 square metres.
- (iv) According to a Construction Work Planning Permit, known as Jian Zi Di No. 500106201100067, issued by the Urban Planning Board of Chongqing, the construction of the real property with a gross floor area of approximately 137,857.74 square metres has been approved.
- (v) According to a Construction Work Commencement Permit, known as No. 500106201106130101, issued by the Chongqing Municipal Shapingba District Commission of Urban-Rural Development, permissions have been given for commencement of construction of the real property with a gross floor area of approximately 137,857.74 square metres.
- (vi) According to 5 sets of Commodity Pre-sale Permission Certificate, known as Yu Guo Tu Fang Guan (2011) Yu Zi Di (909) and (942) Hao, (2012) Yu Zi Di (084), (160) and (525) Hao, permission for pre-sale of real properties with a total gross floor area of approximately 104,228.601 square metres has been given.

- (vii) According to a Construction Completion and Inspection Record, known as Sha Jian Jun Bei Zi [2013] No. 0111, issued by Urban-rural Construction Bureau of Shapingba District of Chongqing, the construction of the real property with a gross floor area of approximately 135,464.01 square metres has been completed and has passed the acceptance inspection.
- (viii) As advised by CQZY, 54 residential units, 24 terrace houses and 15 retail units with a total gross floor area of approximately 9,843 square metres were contracted to be sold at a total consideration of approximately RMB63,000,000. The market value of such units is stated at the consideration aforesaid and is included in our valuation.
- (ix) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
- a. CQZY is entitled to the land use rights of the real property;
 - b. As at the Latest Practicable Date, the land use rights of the real property is not subject to any mortgage or judicial seizure;
 - c. Within the land use rights term, CQZY is legally entitled to occupy, use, gain earnings and dispose of the subject land, and has the rights to construct buildings, structures and ancillary facilities on the subject land. CQZY also has the rights to transfer, lease or mortgage the land use rights of the subject land;
 - d. CQZY has obtained the construction land planning permit, construction work planning permit and construction work commencement permit of the real property and the development complies with relevant laws and regulations. After CQZY obtained all the relevant completion documents and fully settled the relevant fees, CQZY has no legal impediment in obtaining the Real Estate Title Certificate of such portion. After obtaining the Real Estate Title Certificate, CQZY has the rights to occupy, use, gain earnings and dispose of the real property, and has the rights to transfer, lease or mortgage of the real property;
 - e. CQZY has obtained the commodity pre-sale permission certificate of portion of the real property. CQZY has the rights to pre-sale the relevant portion of the real property, and would have the rights to sell or lease the real property when the relevant laws and regulations requirement have been complied with; and
 - f. Regarding the contracted to be sold portion of the subject development, the content of the commodity sale and purchase contracts, entered into between CQZY and the purchasers, does not violate the laws and regulations. Such contracts are registered according to the regulations and are legal and effective. CQZY has the rights to receive the considerations of the real property. Prior to the titleship has been transferred, CQZY is entitled to the building ownership and the corresponding land use rights of such portion. However, since the commodity sale and purchase contracts have been signed and registered, CQZY transfers, leases or mortgages such portions will be subject to restriction.
- (x) In our valuation, we have assumed that the real property interest can be freely disposed of and transferred to third parties on the open market without payment of any premium or onerous monies to the relevant government authorities.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014										
31.	Portion of Silver Lining located at Lot Nos. R1-1-7, R1-1-7A and R1-1-10, Hi-tech Development District, Kunming City, Yunnan Province, the PRC 650102	The real property comprises 51 residential units, 440 retail units and 257 car parking spaces in a composite (residential/commercial development, situated at the conjunction of the 2nd Ring West Road and Xin Fa Lane, approximately 5 kilometres west of Kunming city centre. It is also adjacent to Yunnan University of Finance and Economics West Campus. The real property was completed in about 2012.	As advised by Yunnan Zhong Yu, the real property is currently vacant.	RMB332,200,000 (Renminbi Three Hundred Thirty Two Million and Two Hundred Thousand) (see Notes (vii) and (ix))										
		As advised by Yunnan Zhong Yu, the total planned gross floor area of the real property is approximately 26,201 square metres, details of which are as follow:												
			<table border="1"> <thead> <tr> <th>Usage</th> <th>Gross Floor Area (square metres)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td style="text-align: right;">3,978.53</td> </tr> <tr> <td>Retail</td> <td style="text-align: right;">14,535.01</td> </tr> <tr> <td>Car park</td> <td style="text-align: right;">7,687.60</td> </tr> <tr> <td>Total:</td> <td style="text-align: right;"><u>26,201.14</u></td> </tr> </tbody> </table>	Usage	Gross Floor Area (square metres)	Residential	3,978.53	Retail	14,535.01	Car park	7,687.60	Total:	<u>26,201.14</u>	
Usage	Gross Floor Area (square metres)													
Residential	3,978.53													
Retail	14,535.01													
Car park	7,687.60													
Total:	<u>26,201.14</u>													
		The land use rights of the real property have been granted for various terms expiring on 8 November 2065 and 19 June 2068 for residential uses.												

Notes:

- (i) According to 3 sets of State-owned Land Use Rights Certificate, known as Kun Guo Yong (2007) Di No. 00618 and Kun Guo Yong (2008) Di Nos. 00688 and 00689, issued by Land Resources Bureau of Kunming City, the land use rights of Silver Lining with a total site area of approximately 18,918.15 square metres has been granted to Yunnan Zhong Yu Land Development Company Limited (“Yunnan Zhong Yu”), which is a 70%-owned subsidiary of CQZY, for various terms expiring on 8 November 2065 and 19 June 2068 for residential uses.
- (ii) According to 2 sets of Construction Land Use Planning Permit, known as De Zi Di Kun Gui Di Zheng (2008) Nos. 0209 and 0210, issued by the Urban Planning Board of Kunming City, permission has been given for the planning of construction of the real property with a site area of approximately 18,927 square metres.
- (iii) According to a Construction Work Planning Permit, known as Jian Zi Di No. 530101200900175, issued by Planning Bureau of Kunming City, the construction of the real property with a total gross floor area of approximately 94,254 square metres has been approved.
- (iv) According to 2 sets of Construction Work Commencement Permits, known as Kun Gao Shi 2010-06-01 and 2010-06-02, issued by Construction Bureau of Kunming Hi-tech Development District, permissions have been given for commencement of construction of the real property with a total gross floor area of approximately 94,254 square metres.

- (v) According to 2 sets of Construction Completion and Inspection Record, known as KG2012-10 and KG2012-11, issued by Housing and Urban-rural Development Bureau of Yunnan Province, the construction of the real property has been completed and has passed the acceptance inspection.
- (vi) According to a Commodity Pre-sale Permission Certificate, known as Yu Xu Kun Gao Fang Zi No. 201003, and a Letter of Pre-Sales Registration (現售備案的批復), known as Kun Jian Fa [2013] No. 12, permission for pre-sale of the real property with a total gross floor area of approximately 81,853 square metres has been given.
- (vii) As advised by Yunnan Zhong Yu, 8 residential units and 5 car parking spaces with a total gross floor area of approximately 559 square metres were contracted to be sold at a total consideration of approximately RMB5,990,000. The market value of such units is stated at the consideration aforesaid and is included in our valuation.
- (viii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
- a. Yunnan Zhong Yu is entitled to the land use rights of the real property;
 - b. As at the Latest Practicable Date, the real property is not subject to any mortgage or judicial seizure;
 - c. Within the land use rights term, Yunnan Zhong Yu is legally entitled to occupy, use, gain earnings and dispose of the subject land, and has the rights to construct buildings, structures and ancillary facilities on the subject land. Yunnan Zhong Yu also has the rights to transfer, lease or mortgage the land use rights of the subject land;
 - d. Although the land use rights of the real property have been granted for residential uses, portion of real property is clearly stated for commercial uses according to the construction land planning permit, construction work planning permit and construction work commencement permit. Such changes in the usage were approved by the relevant departments and fulfilled laws and regulations;
 - e. Yunnan Zhong Yu has obtained the construction land planning permit, construction work planning permit and construction work commencement permit and the development complies with the relevant laws and regulations. After Yunnan Zhong Yu obtained all the relevant completion documents and fully settled the relevant fees, Yunnan Zhong Yu has no legal impediment in obtaining the Real Estate Title Certificate of the real property. After obtaining the Real Estate Title Certificate, Yunnan Zhong Yu has the rights to occupy, use, gain earnings and dispose of the real property, and has the rights to transfer, lease or mortgage of the real property;
 - f. Yunnan Zhong Yu has obtained the commodity pre-sale permission certificate and a letter of pre-sale registration of the respective real property. Yunnan Zhong Yu has the rights to pre-sale the relevant portion of the real property, and would have the rights to sell or lease the real property when the relevant laws and regulations requirement have been complied with;
 - g. Regarding the contracted to be sold portion of the subject development, the content of the commodity sale and purchase contracts, entered into between Yunnan Zhong Yu and the purchasers, does not violate the laws and regulations. Such contracts are registered according to the regulations and are legal and effective. Yunnan Zhong Yu has the rights to receive the considerations of the real property. Prior to the titleship has been transferred, Yunnan Zhong Yu is entitled to the building ownership and the corresponding land use rights of the respective real property. However, since the commodity sale and purchase contracts have been signed and registered, Yunnan Zhong Yu transfers, leases or mortgages such portions will be subject to restriction; and
 - h. Yunnan Zhong Yu holds a valid business licence for operation.
- (ix) In our valuation, we have assumed that the real property interest can be freely disposed of and transferred to third parties on the open market without payment of any premium or onerous monies to the relevant government authorities and all the outstanding cost has been fully settled.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
32.	Portion of Office Tower T6 and Tower T8 of Zhongyu Plaza of Land Lot No.10, Hongjin Avenue, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises 139 units of two blocks of 27 to 30-storey office building, which are erected on a commercial podium and basement car parks. The real property was completed in about 2014.</p> <p>According to the information provided, the total gross floor area of the real property is approximately 43,161.99 square metres.</p> <p>The land use rights of the real property have been granted for a term expiring on 25 May 2063 for township mixed residential uses.</p>	As advised by CQZY, the real property is currently vacant.	<p>RMB744,000,000</p> <p>(Renminbi Seven Hundred and Forty Four Million)</p> <p>(see Notes (viii) and (x))</p>

Notes:

- (i) According to a Real Estate Title Certificate, known as 201D Fang Di Zheng 2010 Zi Di No. 00280, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of a parcel of land having a site area of approximately 103,434.88 square metres have been granted to CQZY for a term expiring on 25 May 2063 for township mixed residential uses. This Real Estate Title Certificate comprises the whole Land Lot No. 10.
- (ii) According to a Real Estate Title Certificate, known as 201D Fang Di Zheng 2012 Zi Di No. 00934, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of a parcel of land having a site area of approximately 59,416.4 square metres have been granted to CQZY for a term expiring on 25 May 2063 for township mixed residential uses. This Real Estate Title Certificate comprises phases II and III of Land Lot No.10.
- (iii) Pursuant to a Construction Land Use Planning Permit, known as De Zi Di 500136201000136, issued by the Urban Planning Board of Chongqing, permission has been given for the planning of construction of a real property with a site area of approximately 87,658 square metres and a gross floor area (above ground) of approximately 424,461 square metres. This permit comprises the whole Land Lot No.10.
- (iv) According to 2 sets of Construction Work Planning Permit, known as Jian Zi Di 500136201200103 and 500136201200104, issued by the Urban Planning Board of Chongqing, the construction of real property (Phases II and III – T6, T8, T9 and the podium) with a gross floor area of approximately 320,750.22 square metres has been approved.
- (v) According to 2 sets of Construction Work Commencement Permit, known as Nos. 500000201106150101 and 500000201111040101, issued by the Chongqing Municipal Commission of Urban-Rural Development, permissions have been given for commencement of construction of real property (Phases II and III – T6, T7, T8, T9 and podium) with a total gross floor area of approximately 435,796.56 square metres.
- (vi) According to 2 sets of Commodity Pre-sale Permission Certificate, known as Yu Guo Tu Fang Guan (2012) Yu Zi Di No. (863) and (865), permission for pre-sale of real property with a gross floor area of approximately 70,485.63 square metres has been given.
- (vii) According to 2 sets of Construction Completion and Inspection Record, known as Jian Jun Bei Zi (2014) No. 0003 and 0063, issued by Urban-rural Construction Management Committee, the construction of Phases II and III – T6 (including basement car park and plant room, entrance hall at level 1, office on level 5 and above) and T8 and lobby on level 2 of the podium with a total gross floor area of approximately 85,013 square metres has been completed and has passed the acceptance inspection.
- (viii) As advised by CQZY, portion of the real property with a total gross floor area of approximately 21,404.98 square metres were contracted to be sold at a total consideration of approximately RMB367,000,000. The market value of such portion is stated at the consideration aforesaid and is included in our valuation.

- (ix) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
- a. CQZY is entitled to the land use rights of the real property;
 - b. Portion of the land use rights of the real property is subject to mortgages;
 - c. As at the Latest Practicable Date, the real property is not subject to any judicial seizure;
 - d. Within the land use rights term, CQZY is legally entitled to occupy, use, gain earnings and dispose of the subject land, and has the right to construct buildings, structures and ancillary facilities on the subject land. CQZY also has the right to transfer, lease or mortgage the land use rights of the subject land;
 - e. CQZY has obtained the commodity pre-sale permission certificate of the real property. CQZY has the right to pre-sale the relevant portion of the real property, and would have the right to sell or lease the real property when the relevant laws and regulations requirement have been complied with. However, as portion of the subject development is subject to mortgage, within the mortgage period, CQZY has to obtain the consent from the mortgagee before transferring that portion of development;
 - f. Regarding the contracted to be sold portion of the subject development, the content of the commodity sale and purchase contracts, entered into between CQZY and the purchasers, does not violate the laws and regulations. Such contracts are registered according to the regulations and are legal and effective. CQZY has the right to receive the considerations of the real property. Prior to the titleship has been transferred, CQZY is entitled to the building ownership and the corresponding land use rights of such portion. However, since the commodity sale and purchase contracts have been signed and registered, CQZY transferred, lease or mortgage such portions will be subject to restriction; and
 - g. CQZY has obtained the construction land planning permit, construction work planning permit and construction work commencement permit of the real property and the development complies with relevant laws and regulations. The real property has been completed. After CQZY obtained all the relevant completion documents and fully settled the relevant fees, and removed the relevant mortgage registration of the land use rights, CQZY has no legal impediment in obtaining the Real Estate Title Certificate of the real property. After obtaining the Real Estate Title Certificate, CQZY has the rights to occupy, use, gain earnings and dispose of the real property, and has the right to transfer, lease or mortgage of the real property. However, as portion of the subject land is subject to mortgage, within the mortgage period, CQZY has to obtain the consent from the mortgagee before transferring that portion of land and the building erected thereon.
- (x) In our valuation, we have assumed that the real property interest can be freely disposed of and transferred to third parties on the open market without payment of any premium or onerous monies to the relevant government authorities.

Group IV – Real properties held under development by CQZY Group in the PRC

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014																				
33.	Car park portion of 9 Central Midtown (Phase I B) and Zhongyu Plaza (Phases II (Portion) and III (Portion)) of Land Lot No.10, Hongjin Avenue, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises commercial developments under construction of 2 blocks of 33 to 40-storey office and hotel buildings on a commercial podium and basement car parks. The real property is scheduled to be completed in various stages with the latest phase in mid-2015.</p> <p>According to the information provided, the total planned gross floor area of the real property will be approximately 359,089 square metres upon completion. Detailed breakdown as follows:</p> <table border="1"> <thead> <tr> <th>Usage</th> <th>Gross Floor Area (square metres)</th> </tr> </thead> <tbody> <tr> <td colspan="2"><i>Portion of 9 Central Midtown (Phase I B)</i></td> </tr> <tr> <td>Car park</td> <td>9,100</td> </tr> <tr> <td colspan="2"><i>Zhongyu Plaza (Phases II (Portion) and III (Portion))</i></td> </tr> <tr> <td>Office</td> <td>68,835</td> </tr> <tr> <td>Commercial</td> <td>107,497</td> </tr> <tr> <td>Hotel</td> <td>38,955</td> </tr> <tr> <td>Other ancillary</td> <td>4,007</td> </tr> <tr> <td>Car park</td> <td>130,695</td> </tr> <tr> <td>Total:</td> <td><u>359,089</u></td> </tr> </tbody> </table>	Usage	Gross Floor Area (square metres)	<i>Portion of 9 Central Midtown (Phase I B)</i>		Car park	9,100	<i>Zhongyu Plaza (Phases II (Portion) and III (Portion))</i>		Office	68,835	Commercial	107,497	Hotel	38,955	Other ancillary	4,007	Car park	130,695	Total:	<u>359,089</u>	As per our on-site inspection, the real property is under construction.	<p>RMB2,189,800,000</p> <p>(Renminbi Two Thousand One Hundred Eighty Nine Million and Eight Hundred Thousand)</p> <p>(see Note (xi))</p>
Usage	Gross Floor Area (square metres)																							
<i>Portion of 9 Central Midtown (Phase I B)</i>																								
Car park	9,100																							
<i>Zhongyu Plaza (Phases II (Portion) and III (Portion))</i>																								
Office	68,835																							
Commercial	107,497																							
Hotel	38,955																							
Other ancillary	4,007																							
Car park	130,695																							
Total:	<u>359,089</u>																							
		<p>As advised by CQZY, the total construction cost incurred up to the valuation date is about RMB1,127,000,000 and the estimated cost to completion of the real property is about RMB1,590,000,000.</p> <p>The land use rights of the real property have been granted for a term expiring on 25 May 2063 for township mixed residential uses.</p>																						

Notes:

- (i) According to a Real Estate Title Certificate, known as 201D Fang Di Zheng 2010 Zi Di No. 00280, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of a parcel of land having a site area of approximately 103,434.88 square metres have been granted to CQZY for a term expiring on 25 May 2063 for township mixed residential uses. This Real Estate Title Certificate comprises the whole Land Lot No. 10.
- (ii) According to a Real Estate Title Certificate, known as 201D Fang Di Zheng 2012 Zi Di No. 00934, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of a parcel of land having a site area of approximately 59,416.4 square metres have been granted to CQZY for a term expiring on 25 May 2063 for township mixed residential uses. This Real Estate Title Certificate comprises phases II and III of Land Lot No.10.
- (iii) Pursuant to a Construction Land Use Planning Permit, known as De Zi Di 500136201000136, issued by the Urban Planning Board of Chongqing, permission has been given for the planning of construction of a real property with a site area of approximately 87,658 square metres and a gross floor area (above ground) of approximately 424,461 square metres. This permit comprises the whole Land Lot No.10.
- (iv) According to 3 sets of Construction Work Planning Permit, known as Jian Zi Di 500136201200103 to 500136201200105, issued by the Urban Planning Board of Chongqing, the construction of real property (Phases II and III – T6, T7, T8, T9 and the podium) with a total gross floor area of approximately 435,333.02 square metres has been approved.
- (v) According to a Construction Work Planning Permit, known as Jian Zi Di Jian 500136200900015, issued by the Urban Planning Board of Chongqing, the construction of car park portion of 9 Central Midtown (Phase I B) of the real property has been approved.
- (vi) According to 2 sets of Construction Work Commencement Permit, known as Nos. 500000201106150101 and 500000201111040101, issued by the Chongqing Municipal Commission of Urban-Rural Development, permissions have been given for commencement of construction of real property (Phases II and III – T6, T7, T8, T9 and podium) with a total gross floor area of approximately 435,796.56 square metres.
- (vii) According to a Construction Work Commencement Permit, known as Nos. 510202200908270101, issued by the Chongqing Municipal Commission of Development, permissions have been given for commencement of construction of car park portion of 9 Central Midtown (Phase I B) of the real property.
- (viii) According to a Commodity Pre-sale Permission Certificate, known as Yu Guo Tu Fang Guan (2013) Yu Zi Di No. (122), permission for pre-sale of real property with a total gross floor area of approximately 68,835.1 square metres has been given.
- (ix) The capital value of the real property, as if completed according to the development proposals as described above as at the valuation date, would be RMB4,843,800,000.
- (x) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the land use rights of the real property;
 - b. Portion of the land use rights of the real property is subject to mortgages;
 - c. As at the Latest Practicable Date, the real property is not subject to any judicial seizure;
 - d. Within the land use rights term, CQZY is legally entitled to occupy, use, gain earnings and dispose of the subject land, and has the rights to construct buildings, structures and ancillary facilities on the subject land. CQZY also has the rights to transfer, lease or mortgage the land use rights of the subject land;

- e. CQZY has obtained the construction land planning permit, construction work planning permit and construction work commencement permit and the development complies with relevant laws and regulations. In transferring the development, the following requirements should be complied with: (1) all the land grant fee has been settled and obtained the land use rights certificate; (2) invest and develop according to the terms stated in the land grant contract: – for building development, has developed and invested over 25% of the total investment amount; for development of land, has formed the sites to industrial land or other construction land conditions. However, as portion of the subject land is subject to mortgage, within the mortgage period, CQZY has to obtain the consent from the mortgagee before transferring that portion of land;
 - f. CQZY has obtained the commodity pre-sale permission certificate of portion of the real property. CQZY has the rights to pre-sale the relevant portion of the real property, and would have the rights to sell or lease the real property when the relevant laws and regulations requirement have been complied with. However, as portion of the subject development is subject to mortgage, within the mortgage period, CQZY has to obtain the consent from the mortgagee before transferring that portion of development; and
 - g. Regarding the contracted to be sold portion of the subject development, the content of the commodity sale and purchase contracts, entered into between CQZY and the purchasers, does not violate the laws and regulations. Such contracts are registered according to the regulations and are legal and effective. CQZY has the rights to receive the considerations of the real property. Prior to the titleship has been transferred, CQZY is entitled to the building ownership and the corresponding land use rights of such portion. However, since the commodity sale and purchase contracts have been signed and registered, CQZY transfers, leases or mortgages such portions will be subject to restriction.
- (xi) In our valuation, we have assumed that the real property interest can be freely disposed of and transferred to third parties on the open market without payment of any premium or onerous monies to the relevant government authorities.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014														
34.	Land Lot No. 19, Residence Serene, North of Xingai Road, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises a commercial development (residential/commercial) under construction of 14 blocks of residential and commercial buildings and ancillary facilities and car parks. The real property is scheduled to be completed by the end of 2015.</p> <p>According to the information provided, the total gross floor area of the real property will be approximately 295,710 square metres upon completion. Detailed breakdown as follows:</p> <table border="1"> <thead> <tr> <th>Usage</th> <th>Gross Floor Area (square metres)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>131,702</td> </tr> <tr> <td>Commercial</td> <td>27,504</td> </tr> <tr> <td>Office</td> <td>57,835</td> </tr> <tr> <td>Other ancillary</td> <td>10,594</td> </tr> <tr> <td>Car park</td> <td>68,075</td> </tr> <tr> <td>Total:</td> <td>295,710</td> </tr> </tbody> </table> <p>As advised by CQZY, the total construction cost incurred up to the valuation date is about RMB372,000,000 and the estimated cost to completion of the real property is about RMB890,000,000.</p> <p>The land use rights of the real property have been granted for terms expiring on 5 July 2060 and 25 May 2062 respectively for education and residential uses.</p>	Usage	Gross Floor Area (square metres)	Residential	131,702	Commercial	27,504	Office	57,835	Other ancillary	10,594	Car park	68,075	Total:	295,710	As per our on-site inspection, the real property is under construction.	<p>RMB1,370,000,000</p> <p>(Renminbi One Thousand Three Hundred and Seventy Million)</p> <p>(see Notes (vi) and (ix))</p>
Usage	Gross Floor Area (square metres)																	
Residential	131,702																	
Commercial	27,504																	
Office	57,835																	
Other ancillary	10,594																	
Car park	68,075																	
Total:	295,710																	

Notes:

- (i) According to 4 sets of Real Estate Title Certificate, known as 201D Fang Di Zheng 2010 Zi Di Nos. 00329, 00330 and 2013 Zi Di Nos. 00172 and 00173, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of the real property having a total site area of approximately 141,574.21 square metres have been granted to CQZY for terms expiring on 5 July 2060 and 25 May 2062 respectively for education and residential uses.
- (ii) Pursuant to a Construction Land Use Planning Permit, known as De Zi Di 500136201000353, issued by the Urban Planning Board of Chongqing, permission has been given for the planning of construction of a real property with a site area of approximately 108,598 square metres and a gross floor area (above ground) of approximately 260,324.93 square metres.
- (iii) According to 2 sets of Construction Work Planning Permit, known as Jian Zi Di 500112201300006 and 500112201300098, issued by the Urban Planning Board of Chongqing, the construction of the real property with a total gross floor area of approximately 295,709.72 square metres has been approved.

- (iv) According to a Construction Work Commencement Permit, known as No. 500000201302060101, issued by the Chongqing Municipal Commission of Urban-Rural Development, permissions have been given for commencement of construction of a real property with a total gross floor area of approximately 115,447.13 square metres.
- (v) According to 3 sets of Commodity Pre-sale Permission Certificate, known as Yu Guo Tu Fang Guan (2013) Yu Zi Di (745) and (905) Hao and Yu Guo Tu Fang Guan (2014) Yu Zi Di (574) Hao, permission for pre-sale of real properties with a total gross floor area of approximately 62,359.95 square metres has been given.
- (vi) As advised by CQZY, portions of the commercial and office portions of the real property with a total gross floor area of approximately 2,894 square metres were contracted to be sold at a total consideration of approximately RMB80,170,000. The market value of such portion is stated at the consideration aforesaid and is included in our valuation.
- (vii) The capital value of the real property, as if completed according to the development proposals as described above as at the valuation date, would be RMB3,100,000,000.
- (viii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
- a. CQZY is entitled to the land use rights of the real property;
 - b. Portion of the land use rights of the real property is subject to mortgages;
 - c. As at the Latest Practicable Date, the real property is not subject to any judicial seizure;
 - d. Within the land use rights term, CQZY is legally entitled to occupy, use, gain earnings and dispose of the subject land, and has the rights to construct buildings, structures and ancillary facilities on the subject land. CQZY also has the rights to transfer, lease or mortgage the land use rights of the subject land;
 - e. CQZY has obtained the construction land planning permit, construction work planning permit and construction work commencement permit and the development complies with relevant laws and regulations. In transferring the development, the following requirements should be complied with: (1) all the land grant fee has been settled and obtained the land use rights certificate; (2) invest and develop according to the terms stated in the land grant contract: – for building development, has developed and invested over 25% of the total investment amount; for development of land, has formed the sites to industrial land or other construction land conditions. However, as portion of the subject land is subject to mortgage, within the mortgage period, CQZY has to obtain the consent from the mortgagee before transferring that portion of land;
 - f. CQZY has obtained the commodity pre-sale permission certificate of portion of the real property. CQZY has the rights to pre-sale the relevant portion of the real property, and would have the rights to sell or lease the real property when the relevant laws and regulations requirement have been complied with;
 - g. Regarding the contracted to be sold portion of the subject development, the content of the commodity sale and purchase contracts, entered into between CQZY and the purchasers, does not violate the laws and regulations. Such contracts are registered according to the regulations and are legal and effective. CQZY has the rights to receive the considerations of the real property; and
 - h. As the development has not passed the completion and inspection, before the titleship has been transferred, CQZY is entitled to the building ownership of the development. However, for those pre-sold portion, as the commodity sale and purchase contracts have been signed and registered, CQZY transfers, leases or mortgages those portions will be subject to restriction.
- (ix) In our valuation, we have assumed that the real property interest can be freely disposed of and transferred to third parties on the open market without payment of any premium or onerous monies to the relevant government authorities.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014														
35.	Portion of Phase I, Phases II and III of Academic Heights Nos. 15 and 21 Sixian Road, Shapingba District, Chongqing, the PRC 401147	<p>The real property comprises composite developments (residential/commercial) under construction of residential, terrace house, commercial buildings, ancillary facilities and car parks. The real property is scheduled to be completed in various stages with the latest phase in mid-2015</p> <p>According to the information provided, the total planned gross floor area of the real property will be approximately 372,557 square metres upon completion. Detailed breakdown as follows:</p> <table border="1"> <thead> <tr> <th>Usage</th> <th>Gross Floor Area (square metres)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>215,748</td> </tr> <tr> <td>Commercial</td> <td>34,196</td> </tr> <tr> <td>Terrace House</td> <td>24,188</td> </tr> <tr> <td>Other ancillary</td> <td>9,146</td> </tr> <tr> <td>Car park</td> <td>89,279</td> </tr> <tr> <td>Total:</td> <td><u>372,557</u></td> </tr> </tbody> </table> <p>As advised by CQZY, the total construction cost incurred up to the valuation date is about RMB607,000,000 and the estimated cost to completion of the real property is about RMB454,000,000.</p> <p>The land use rights of the real property have been granted for a term expiring on 20 July 2059 for township mixed residential uses.</p>	Usage	Gross Floor Area (square metres)	Residential	215,748	Commercial	34,196	Terrace House	24,188	Other ancillary	9,146	Car park	89,279	Total:	<u>372,557</u>	As per our on-site inspection, the real property is under construction.	<p>RMB1,033,500,000</p> <p>(Renminbi One Thousand Thirty Three Million and Five Hundred Thousand)</p> <p>(see Notes (vii) and (x))</p>
Usage	Gross Floor Area (square metres)																	
Residential	215,748																	
Commercial	34,196																	
Terrace House	24,188																	
Other ancillary	9,146																	
Car park	89,279																	
Total:	<u>372,557</u>																	

Notes:

- (i) According to 3 sets of Contracts of The Grant of The State-owned Construction Land Use Rights, known as Yu Di (2009) He Zi (Sha Qu) Di 55 to 57 Hao, entered into between the Land Resources and Housing Administration Bureau of Chongqing and CQZY all dated 21 July 2009, the land use rights of three parcels of land with total site area of approximately 132,912 square metres have been contracted to be granted to CQZY for residential uses at a total consideration of RMB234,000,000.
- (ii) According to 3 sets of Real Estate Title Certificate, known as 104D Fang Di Zheng 2009 Zi Di Nos. 10522 to 10524, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of three parcels of land having a total site area of approximately 132,912 square metres have been granted to CQZY for a term expiring on 20 July 2059 for township mixed residential uses.
- (iii) Pursuant to 3 sets of Construction Land Use Planning Permit, known as De Zi Di 500106201000170 to 500106201000172, issued by the Urban Planning Board of Chongqing, permission has been given for the planning of construction of real property with a total site area of approximately 132,912.62 square metres and a total gross floor area (above ground) of approximately 355,918.56 square metres.

- (iv) According to 4 sets of Construction Work Planning Permit, known as Jian Zi Di 500106201100067, 500106201200014, 500106201300011 and 500106201300012, issued by the Urban Planning Board of Chongqing, the construction of the real property has been approved.
- (v) According to 3 sets of Construction Work Commencement Permit, known as Nos. 500106201106130101, 500106201204110101 and 500106201303140801, issued by Chongqing Municipal Shapingba District Commission of Urban-Rural Development, permissions have been given for commencement of construction of the real property.
- (vi) According to 7 sets of Commodity Pre-sale Permission Certificate, known as Yu Guo Tu Fang Guan (2012) Yu Zi Di Nos. (623), (739) and (831), Yu Guo Tu Fang Guan (2013) Yu Zi Di Nos. (230) and (871) and Yu Guo Tu Fang Guan (2014) Yu Zi Di Nos. (024) and (542), permission for pre-sale of real property with a total gross floor area of approximately 140,202.63 square metres has been given.
- (vii) As advised by CQZY, portion of the residential portion of the real property with a total gross floor area of approximately 115,179 square metres were contracted to be sold at a total consideration of approximately RMB576,700,000. The market value of such portion is stated at the consideration aforesaid and is included in our valuation.
- (viii) The capital value of the real property, as if completed according to the development proposals as described above as at the valuation date, would be RMB1,845,000,000.
- (ix) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
- a. CQZY is entitled to the land use rights of the real property;
 - b. Portion of the land use rights of the real property is subject to mortgages;
 - c. As at the Latest Practicable Date, the real property is not subject to any judicial seizure;
 - d. Within the land use rights term, CQZY is legally entitled to occupy, use, gain earnings and dispose of the subject land, and has the rights to construct buildings, structures and ancillary facilities on the subject land. CQZY also has the rights to transfer, lease or mortgage the land use rights of the subject land;
 - e. CQZY has obtained the construction land planning permit, construction work planning permit and construction work commencement permit and the development complies with relevant laws and regulations. In transferring the development, the following requirements should be complied with: (1) all the land grant fee has been settled and obtained the land use rights certificate; (2) invest and develop according to the terms stated in the land grant contract: – for building development, has developed and invested over 25% of the total investment amount; for development of land, has formed the sites to industrial land or other construction land conditions. However, as portion of the subject land is subject to mortgage, within the mortgage period, CQZY has to obtain the consent from the mortgagee before transferring that portion of land;
 - f. CQZY has obtained the commodity pre-sale permission certificate of portion of the real property. CQZY has the rights to pre-sale the relevant portion of the real property, and would have the rights to sell or lease the real property when the relevant laws and regulations requirement have been complied with;
 - g. Regarding the contracted to be sold portion of the subject development, the content of the commodity sale and purchase contracts, entered into between CQZY and the purchasers, does not violate the laws and regulations. Such contracts are registered according to the regulations and are legal and effective. CQZY has the rights to receive the considerations of the real property;
 - h. As the development has not passed the completion and inspection, before the titleship has been transferred, CQZY is entitled to the building ownership of the development. However, for those pre-sold portion, as the commodity sale and purchase contracts have been signed and registered, CQZY transfers, leases or mortgages those portions will be subject to restriction; and
 - i. For the sales office portion of the phase I, CQZY has obtained the construction land planning permit, construction work planning permit and construction work commencement permit, the development complies with relevant laws and regulations. As the sales office portion has not passed the completion and inspection, after CQZY obtained all the relevant completion documents and fully settled the relevant fees, CQZY has no legal impediment in obtaining the Real Estate Title Certificate of such portion. After obtaining the Real Estate Title Certificate, CQZY has the rights to occupy, use, gain earnings and dispose of the sales office portion, and has the rights to transfer, lease or mortgage of such portion.
- (x) In our valuation, we have assumed that the real property interest can be freely disposed of and transferred to third parties on the open market without payment of any premium or onerous monies to the relevant government authorities.

Group V – Real properties held for future development by CQZY Group in the PRC

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
36.	A parcel of land, known as No. C56-5/03, located at District C of Guanyinqiao Group, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises a parcel of land with a site area of approximately 8,572 square metres.</p> <p>According to the information provided by Chongqing Weigang, the permitted gross floor area of the real property is approximately 25,716 square metres.</p> <p>The land use rights of the real property is contracted to be granted for a term of 40 years for commercial and residential uses commencing from the delivery date of the real property to Chongqing Weigang.</p>	As per our on-site inspection, the real property is vacant.	No commercial value <i>(see Note (iii))</i>

Notes:

- (i) According to a Contract of The Grant of The State-owned Construction Land Use Rights, known as Yu De (2013) He Zi (Yu Bei) Di No. 66 (“Contract”), dated 8 February 2013 and entered into between the Chongqing Land Resources and Housing Management Bureau and Chongqing Weigang Property Company Limited (“Chongqing Weigang”), which is a wholly-owned subsidiary of CQZY, the land use rights of the real property with a total site area of approximately 8,572 square metres were contracted to be granted to Chongqing Weigang for a term of 40 years for commercial and residential uses commencing from the delivery date of the real property to Chongqing Weigang at a consideration of RMB170,000,000. The Contract contain, inter alia, the following covenants:
- Total maximum gross floor area: approximately 25,716 square metres;
 - Land use rights term: commercial uses for 40 years and residential uses for 50 years;
 - Delivery date of the real property to Chongqing Weigang: before 30 May 2013;
 - Commencement date of the construction: before 30 May 2014; and
 - Completion date of the construction: before 30 June 2016.
- (ii) We have been provided with a legal opinion regarding the real property by the Company’s PRC legal advisor, which contains, inter alia, the following:
- Chongqing Weigang has already entered the Contract with the Chongqing Land Resources and Housing Management Bureau and fully settled the land premium;
 - Chongqing Weigang obtained the transferee qualification of the land use rights of the real property and will be able to register for the State-owned construction land use rights in respect of the real property. After Chongqing Weigang has obtained the land use rights of the real property, Chongqing Weigang will have the rights to conduct real estate development activities on the real property;
 - As at the Latest Practicable Date, the Chongqing Land Resources and Housing Management Bureau has not delivered the real property to Chongqing Weigang according to the terms stated in the Contract;
 - Pursuant to the terms of the Contract, CQZY has the rights to require Chongqing Land Resources and Housing Management Bureau to deliver of the real property, to apply for the state-owned construction land use rights registration and to obtain the land use rights of the real property;
 - As at the Latest Practicable Date, the real property is not subject to any mortgage or judicial seizure; and
 - Chongqing Weigang holds a valid business licence for operation.
- (iii) Having considered the aforesaid legal opinion and the fact that a long-term land use rights certificate of the real property has not been obtained, we have attributed no commercial value to the real property. However, for reference purpose, we are of the opinion that the market value of the real property as at the valuation date would be RMB173,000,000 assuming all the land premium and other relevant charges (if any) have been fully settled, all the relevant title certificate has been obtained and the real property could be freely transferred.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
37.	Land Lot No. 3-1, Jiazhou Garden, Xinpaifang, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises a parcel of land with a site area of approximately 47,937 square metres.</p> <p>According to the information provided by CQZY, the permitted gross floor area of the real property is approximately 196,255 square metres.</p> <p>The land use rights of the real property have been granted for a term expiring on 29 May 2063 for township residential uses.</p>	As per our on-site inspection, various buildings, completed in about 1999, with a total gross floor area of approximately 8,600 square metres erected on the real property is partly vacant and partly occupied for restaurant uses temporarily.	RMB817,000,000 (Renminbi Eight Hundred and Seventeen Million) (see Note (v))

Notes:

- (i) According to a Real Estate Title Certificate, known as 201D Fang Di Zheng 2012 Zi Di No. 00376, issued by the Land Resources and Housing Management Bureau of Chongqing, the land use rights of the real property having a site area of approximately 47,936.97 square metres have been granted to CQZY for a term expiring on 29 May 2063 for township residential uses.
- (ii) Pursuant to a Construction Land Use Planning Permit, known as De Zi Di No. 500112201400500d, issued by the Urban Planning Board of Chongqing, permission has been given for the planning of construction of real property with a total site area of approximately 37,672 square metres. The permitted gross floor area is approximately 196,255 square metres.
- (iii) As advised by CQZY, CQZY is planning to request the temporary occupier of the real property to demolish all the buildings and structures on the land site 3 months before the commencement of construction.
- (iv) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the land use rights of the real property;
 - b. The land use rights of the real property is subject to a mortgage;
 - c. As at the Latest Practicable Date, the land use rights of the real property is not subject to any judicial seizure;
 - d. The real property is sub-divided from a parcel of land, of which CQZY obtained the land use rights according to a state-owned land use rights grant contract (known as (1992) Chong Di He Zi (Bei Xian) Di No.12). Since 1993, CQZY had developed such piece of land in various phases;
 - e. As advised by CQZY, the permitted gross floor area of the real property is approximately 196,255 square metres;
 - f. Within the land use rights term, CQZY is legally entitled to occupy, use, gain earnings and dispose of the real property and has the rights to construct buildings, structures and ancillary facilities on the real property. CQZY also has the rights to transfer, lease or mortgage the land use rights of the real property; and
 - g. In transferring the real property, the following requirements should be complied with: (1) all the land grant fee has been settled and obtained the land use rights certificate; (2) invest and develop according to the terms stated in the land grant contract: – for building development, has developed and invested over 25% of the total investment amount; for development of land, has formed the sites to industrial land or other construction land conditions. However, as the land use rights of the real property are subject to a mortgage, within the mortgage period, CQZY has to obtain the consent from the mortgagee before transferring the real property.
- (v) In our valuation, we have assumed that the real property interest can be freely disposed of and transferred to third parties on the open market without payment of any premium or onerous monies to the relevant government authorities.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
38.	Land Lot No. 17-1, Jiazhou Garden, Xinpaifang, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises a parcel of land with a site area of approximately 35,710.5 square metres.</p> <p>According to the information provided by CQZY, the permitted gross floor area of the real property is approximately 150,000 square metres.</p> <p>The land use rights of the real property have been granted for a term expiring on 29 May 2063 for township residential uses.</p>	As per our on-site inspection, the real property is vacant.	<p>RMB456,000,000</p> <p>(Renminbi Four Hundred and Fifty Six Million)</p> <p>(see Note (iii))</p>

Notes:

- (i) According to a Real Estate Title Certificate, known as 201D Fang Di Zheng 2011 Zi Di No.50240, issued by the Land Resources and Housing Management Bureau of Chongqing, the land use rights of the real property with a site area of approximately 35,710.5 square metres have been granted to CQZY for a term expiring on 29 May 2063 for township residential uses.
- (ii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the land use rights of the real property;
 - b. Portion of the land use rights of the real property is subject to mortgages;
 - c. As at the Latest Practicable Date, the land use rights of the real property is not subject to any judicial seizure;
 - d. The real property is sub-divided from a parcel of land, of which CQZY obtained the land use rights according to a state-owned land use rights grant contract (known as (1992) Chong Di He Zi (Bei Xian) Di No.12). Since 1993, CQZY had developed such piece of land in various phases;
 - e. As advised by CQZY, the permitted gross floor area of the real property is approximately 150,000 square metres;
 - f. Within the land use rights term, CQZY is legally entitled to occupy, use, gain earnings and dispose the real property and has the rights to construct buildings, structures and ancillary facilities on the real property. CQZY also has the rights to transfer, lease or mortgage the land use rights of the real property; and
 - g. In transferring the real property, the following requirements should be complied with: (1) all the land grant fee has been settled and obtained the land use rights certificate; (2) invest and develop according to the terms stated in the land grant contract: – for building development, has developed and invested over 25% of the total investment amount; for development of land, has formed the sites to industrial land or other construction land conditions. However, as portion of the real property is subject to mortgage, within the mortgage period, CQZY has to obtain the consent from the mortgagee before transferring that portion of land.
- (iii) In our valuation, we have assumed that the real property interest can be freely disposed of and transferred to third parties on the open market without payment of any premium or onerous monies to the relevant government authorities.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
39.	Land Lot No. 4, Jiazhou Garden, Xinpaifang, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises a parcel of land with a site area of approximately 96,917.17 square metres.</p> <p>According to a Construction Land Use Planning Permit, the construction land area of the real property is approximately 75,405 square metres and the permitted gross floor area of the real property is approximately 395,625 square metres.</p> <p>The land use rights of the real property have been granted for a term expiring on 25 May 2063 for township mixed residential uses.</p>	As per our on-site inspection, the real property is vacant.	<p>RMB1,710,000,000</p> <p>(Renminbi One Thousand Seven Hundred and Ten Million)</p> <p>(see Note (v))</p>

Notes:

- (i) According to a Real Estate Title Certificate, known as 201 Fang Di Zheng 2010 Zi Di No. 00305, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of the real property with a site area of approximately 96,917.17 square metres have been granted to CQZY for a term expiring on 25 May 2063 for township mixed residential uses.
- (ii) Pursuant to a Construction Land Use Planning Permit, known as Di Zi Di No. 500112201300037, issued by the Urban Planning Board of Chongqing, the construction land area of the real property is approximately 75,405 square metres for commercial uses. The permitted gross floor area is approximately 395,625 square metres.
- (iii) According to a pre-lease contract entered into between CQZY and 新光三越百貨股份有限公司 (translated as “Shin Kong Mitsukoshi Department Store Company Limited” (“Shin Kong”)) on 4 April 2013, 7 storeys of upper-ground and 5 storeys of under-ground of the shopping mall portion of Land Lot No. 4 with total area not less than 250,000 square meters is contracted to be leased to Shin Kong. Shin Kong would be granted priority to lease properties on Land Lot No.9 when the development thereon has been completed. The pre-lease contract term is for 20 years with rental base on the higher of (i) basic rent and (ii) turn-over rent. The basic rent for the first five operating years are RMB100 million, RMB130 million, RMB170 million, RMB210 million and RMB260 million respectively.
- (iv) We have been provided with a legal opinion regarding the real property by the Company’s PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the land use rights of the real property;
 - b. As at the Latest Practicable Date, the land use rights of the real property is not subject to any mortgage or judicial seizure;
 - c. The real property is sub-divided from a parcel of land, of which CQZY obtained the land use rights according to a state-owned land use rights grant contract (known as (1992) Chong Di He Zi (Bei Xian) Di No.12). Since 1993, CQZY had developed such piece of land in various phases;
 - d. Within the land use rights term, CQZY is legally entitled to occupy, use, gain earnings and dispose the real property and has the rights to construct buildings, structures and ancillary facilities on the real property. CQZY also has the rights to transfer, lease or mortgage the land use rights of the real property;
 - e. In transferring the real property, the following requirements should be complied with: (1) all the land grant fee has been settled and obtained the land use rights certificate; (2) invest and develop according to the terms stated in the land grant contract: – for building development, has developed and invested over 25% of the total investment amount; for development of land, has formed the sites to industrial land or other construction land conditions; and
 - f. The real property is subject to a tenancy agreement. The content of the tenancy agreement does not violate the laws and regulations, and is legal and effective. In accordance with relevant regulations, the tenancy agreement has to be registered in the real estate management department. Although CQZY has not applied for the registration in respect of the tenancy agreement, according to the PRC Contract Law, the tenancy agreement, which is entered into legally, is effective since it has been entered into. Therefore, the tenancy agreement is still valid and effective.
- (v) In our valuation, we have assumed that the real property interest can be freely disposed of and transferred to third parties on the open market without payment of any premium or onerous monies to the relevant government authorities.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
40.	Land Lot No. 9, Jiazhou Garden, Xinpaifang, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises a parcel of land with a site area of approximately 81,339.02 square metres.</p> <p>According to a Construction Land Use Planning Permit, the construction land area of the real property is approximately 70,036 square metres and the permitted gross floor area of the real property is approximately 345,656.6 square metres.</p> <p>The land use rights of the real property have been granted for a term expiring on 25 May 2063 for township mixed residential uses.</p>	As per our on-site inspection, the real property is vacant.	<p>RMB1,530,000,000</p> <p>(Renminbi One Thousand Five Hundred and Thirty Million)</p> <p>(see Note (iv))</p>

Notes:

- (i) According to a Real Estate Title Certificate, known as 201 Fang Di Zheng 2010 Zi Di No. 00281, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of the real property with a site area of approximately 81,339.02 square metres have been granted to CQZY for a term expiring on 25 May 2063 for township mixed residential uses.
- (ii) Pursuant to a Construction Land Use Planning Permit, known as Di Zi Di No. 500112201300037, issued by the Urban Planning Board of Chongqing, the construction land area of the real property is approximately 70,036 square metres for residential and commercial uses. The permitted gross floor area is approximately 345,656.6 square metres.
- (iii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the land use rights of the real property;
 - b. As at the Latest Practicable Date, the land use rights of the real property is not subject to any mortgage or judicial seizure;
 - c. The real property is sub-divided from a parcel of land, of which CQZY obtained the land use rights according to a state-owned land use rights grant contract (known as (1992) Chong Di He Zi (Bei Xian) Di No.12). Since 1993, CQZY had developed such piece of land in various phases;
 - d. Within the land use rights term, CQZY is legally entitled to occupy, use, gain earnings and dispose of the real property and has the rights to construct buildings, structures and ancillary facilities on the real property. CQZY also has the rights to transfer, lease or mortgage the land use rights of the real property; and
 - e. In transferring the real property, the following requirements should be complied with: (1) all the land grant fee has been settled and obtained the land use rights certificate; (2) invest and develop according to the terms stated in the land grant contract: – for building development, has developed and invested over 25% of the total investment amount; for development of land, has formed the sites to industrial land or other construction land conditions.
- (iv) In our valuation, we have assumed that the real property interest can be freely disposed of and transferred to third parties on the open market without payment of any premium or onerous monies to the relevant government authorities.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
41.	Land Lot Nos. 11-1 and 20, Jiazhou Garden, Xinpaifang, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises two adjacent parcels of land with a total site area of approximately 19,922.8 square metres.</p> <p>According to the information provided by CQZY, the permitted gross floor area of the real property is approximately 49,296 square metres.</p> <p>The land use rights of Land Lot No. 11-1 have been granted for a term expiring on 29 May 2063 for residential uses, while that of Land Lot No. 20 have been granted for a term of 70 years.</p>	As per our on-site inspection, the real property is vacant.	<p>RMB174,000,000</p> <p>(Renminbi One Hundred and Seventy Four Million)</p> <p>(see Note (iv))</p>

Notes:

- (i) According to a State-owned Land Use Rights Certificate, known as Yu Guo Yong (1994) Zi Di No. 112, issued by the People's Government of Chongqing, the land use rights of a parcel of land with a site area of 2,584.8 square metres have been granted to CQZY for a term of 70 years.
- (ii) According to a State-owned Land Use Rights Certificate, known as Yu Wai Guo Yong (2003) Zi Di No. 074, issued by the People's Government of Chongqing, the land use rights of a parcel of land with site area of 81,127.67 square metres have been granted to CQZY for a term expiring on 29 May 2063 for residential uses. As advised by CQZY, portion of the land parcel has been developed as Phases I and II of Huijing Terrace and the remaining portion with a site area of approximately 17,338 square metres has been included in the valuation.
- (iii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the land use rights of the real property;
 - b. As at the Latest Practicable Date, the land use rights of the real property is not subject to any mortgage or judicial seizure;
 - c. The real property is sub-divided from a parcel of land, of which CQZY obtained the land use rights according to a state-owned land use rights grant contract (known as (1992) Chong Di He Zi (Bei Xian) Di No.12). Since 1993, CQZY had developed such piece of land in various phases;
 - d. As advised by CQZY, the permitted gross floor area of the real property is approximately 49,296 square metres;
 - e. Within the land use rights term, CQZY is legally entitled to occupy, use, gain earnings and dispose the real property and has the rights to construct buildings, structures and ancillary facilities on the real property. CQZY also has the rights to transfer, lease or mortgage the land use rights of the real property; and
 - f. In transferring the real property, the following requirements should be complied with: (1) all the land grant fee has been settled and obtained the land use rights certificate; (2) invest and develop according to the terms stated in the land grant contract: – for building development, has developed and invested over 25% of the total investment amount; for development of land, has formed the sites to industrial land or other construction land conditions.
- (iv) In our valuation, we have assumed that the real property interest can be freely disposed of and transferred to third parties on the open market without payment of any premium or onerous monies to the relevant government authorities.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
42.	Land Lot No. 22, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises a parcel of land with a site area of approximately 5,348.6 square metres.</p> <p>According to the information provided by CQZY, the permitted gross floor area of the real property is approximately 12,334 square metres.</p> <p>The land use rights of the real property have been granted for a term expiring on 25 May 2062 for residential uses.</p>	As per our on-site inspection, the real property is vacant.	<p>RMB37,400,000</p> <p>(Renminbi Thirty Seven Million and Four Hundred Thousand)</p> <p>(see Note (iv))</p>

Notes:

- (i) According to a Real Estate Title Certificate, known as 201D Fang Di Zheng 2007 Zi Di Nos. 00240, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of the real property having a site area of approximately 10,195.6 square metres have been granted to CQZY for a term expiring on 25 May 2062 for residential uses.
- (ii) According to a land compensation contract dated 29 September 2002, portion of the land parcel stated in Note (i) above with a site area of approximately 7.27 mu has been taken back by the Land Resources Administrative Bureau of Yubei District for municipal administration transportation purpose.
- (iii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the land use rights of the real property;
 - b. As at the Latest Practicable Date, the land use rights of the real property is not subject to any mortgage or judicial seizure;
 - c. The real property is sub-divided from a parcel of land, of which CQZY obtained the land use rights according to a state-owned land use rights grant contract (known as (1992) Chong Di He Zi (Bei Xian) Di No.12). Since 1993, CQZY had developed such piece of land in various phases;
 - d. As advised by CQZY, the permitted gross floor area of the real property is approximately 12,334 square metres;
 - e. Within the land use rights term, CQZY is legally entitled to occupy, use, gain earnings and dispose the real property and has the rights to construct buildings, structures and ancillary facilities on the real property. CQZY also has the rights to transfer, lease or mortgage the land use rights of the real property; and
 - f. In transferring the real property, the following requirements should be complied with: (1) all the land grant fee has been settled and obtained the land use rights certificate; (2) invest and develop according to the terms stated in the land grant contract: – for building development, has developed and invested over 25% of the total investment amount; for development of land, has formed the sites to industrial land or other construction land conditions.
- (iv) In our valuation, we have assumed that the real property interest can be freely disposed of and transferred to third parties on the open market without payment of any premium or onerous monies to the relevant government authorities.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2014
43.	Land Lot No. 7-1, Jiazhou Garden, Xinpaifang, Longxi Town, Yubei District, Chongqing, the PRC 401147	<p>The real property comprises a parcel of land with a site area of approximately 5,245.88 square metres.</p> <p>According to the information provided by CQZY, the permitted gross floor area of the real property is approximately 8,161 square metres.</p> <p>The land use rights of the real property have been granted for a term expiring on 25 May 2063 for composite uses.</p>	As per our on-site inspection, the real property is vacant.	<p>RMB32,000,000</p> <p>(Renminbi Thirty Two Million)</p> <p>(see Note (iii))</p>

Notes:

- (i) According to a State-owned Land Use Rights Certificate, known as Yu Wai Guo Yong (2004) Zi Di No. 007, issued by the Land Resources and Housing Administration Bureau of Chongqing, the land use rights of the real property with a site area of approximately 5,245.88 square metres have been granted to CQZY for a term expiring on 25 May 2063 for composite uses.
- (ii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. CQZY is entitled to the land use rights of the real property;
 - b. As at the Latest Practicable Date, the land use rights of the real property is not subject to any mortgage or judicial seizure;
 - c. The real property is sub-divided from a parcel of land, of which CQZY obtained the land use rights according to a state-owned land use rights grant contract (known as (1992) Chong Di He Zi (Bei Xian) Di No.12). Since 1993, CQZY had developed such piece of land in various phases;
 - d. As advised by CQZY, the permitted gross floor area of the real property is approximately 8,161 square metres;
 - e. Within the land use rights term, CQZY is legally entitled to occupy, use, gain earnings and dispose the real property and has the rights to construct buildings, structures and ancillary facilities on the real property. CQZY also has the rights to transfer, lease or mortgage the land use rights of the real property; and
 - f. In transferring the real property, the following requirements should be complied with: (1) all the land grant fee has been settled and obtained the land use rights certificate; (2) invest and develop according to the terms stated in the land grant contract: – for building development, has developed and invested over 25% of the total investment amount; for development of land, has formed the sites to industrial land or other construction land conditions.
- (iii) In our valuation, we have assumed that the real property interest can be freely disposed of and transferred to third parties on the open market without payment of any premium or onerous monies to the relevant government authorities.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of each of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (“Model Code”), to be notified to the Company and the Stock Exchange, were as follows:

Interests in shares of the Company (long positions)

Name of Directors	Interest in Shares		Interests in underlying Shares pursuant to share options granted by the Company ³	Aggregate interests	Approximate percentage ⁴
	Personal interests	Corporate interests			
Cheung Chung Kiu	–	1,331,205,790 ^{1&2}	–	1,331,205,790	51.43
Lam How Mun Peter	324,502	–	43,039,000	43,363,502	1.68
Tsang Wai Choi	3,394,242	–	–	3,394,242	0.13
Leung Chun Cheong	666,948	–	1,500,000	2,166,948	0.08
Leung Wai Fai	–	–	3,000,000	3,000,000	0.12

Notes:

- 1,070,810,231 of such Shares were held through Thrivetrade Limited (“Thrivetrade”), a company wholly-owned by Mr. Cheung. Accordingly, Mr. Cheung was deemed to be interested in the same number of Shares held through Thrivetrade.
- 260,395,559 of such Shares were held through Regulator Holdings Limited (“Regulator”), a direct wholly-owned subsidiary of Yugang International (B.V.I.) Limited (“Yugang-BVI”), which is in turn a direct wholly-owned subsidiary of Yugang International Limited (“Yugang”). Yugang was owned by Chongqing Industrial Limited (“CIL”), Timmex Investment Limited (“Timmex”) and Mr. Cheung as to approximately 44.06% in aggregate. CIL was owned as to 35%, 30%, 5% and 30% by Mr. Cheung, Peking Palace Limited (“Peking Palace”), Miraculous Services Limited (“Miraculous Services”) and Prize Winner Limited (“Prize Winner”) respectively. Mr. Cheung had 100% beneficial interest in Timmex. Prize Winner was beneficially owned by Mr. Cheung and his associates. Peking Palace and Miraculous Services were held by Palin Holdings Limited (“Palin”) as the trustee for Palin Discretionary Trust, a family discretionary trust, the objects of which included Mr. Cheung and his family. Accordingly, Mr. Cheung was also deemed to be interested in the same number of Shares held through Regulator.
- Details of the Directors’ interests in the underlying Shares pursuant to share options granted by the Company are set out below:

Name of Directors	Exercise period	Exercise price (HK\$ per Share)	Number of share options granted and not yet exercised
Lam How Mun Peter	07-05-2009 to 06-05-2019	3.27	17,500,000
	03-09-2010 to 02-09-2020	3.31	21,539,000
	01-01-2011 to 02-09-2020	3.31	4,000,000
Leung Chun Cheong	03-09-2010 to 02-09-2020	3.31	1,500,000
Leung Wai Fai	03-09-2010 to 02-09-2020	3.31	3,000,000

- Approximate percentage refers to the aggregate interests of a Director expressed as a percentage (rounded to two decimal places) of the issued share capital of the Company as at the Latest Practicable Date.

Interests in shares of the Company's associated corporation (long positions)

Name of Director	Name of associated corporation	Relationship with the Company	Class of shares	Capacity	Number of shares	Approximate percentage of shares in issue
Tsang Wai Choi	Starhigh International Limited	Subsidiary	Ordinary	Beneficial owner	1,840 ¹	61.33 ²

Notes:

1. Mr. Tsang has entered into the Investment Agreement, pursuant to which he has agreed conditionally to purchase, or procure the purchase of, 240 Starhigh Shares and subscribe, or procure the subscription of, 1,600 Starhigh Shares. By virtue of the SFO, Mr. Tsang was deemed to be interested in 1,840 Starhigh Shares.
2. Approximate percentage refers to the aggregate interests of a Director expressed as a percentage (rounded to two decimal places) of the issued share capital of Starhigh as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Save and except that Mr. Tsang is a party to the Investment Agreement, as at the Latest Practicable Date, none of the Directors or proposed Director had any direct or indirect interests in any assets which have since 31 December 2013 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Save and except that Mr. Tsang is a party to the Investment Agreement, none of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

3. DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following parties (other than a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholders	Capacity in which interests are held	Number of Shares held	Approximate percentage ³
Thrivetrade	Beneficial owner	1,070,810,231 ¹	41.37
Regulator	Beneficial owner	260,395,559 ²	10.06
Yugang-BVI	Interest of controlled corporation	260,395,559 ²	10.06
Yugang	Interest of controlled corporation	260,395,559 ²	10.06
CIL	Interest of controlled corporation	260,395,559 ²	10.06
Palin	Interest of controlled corporation	260,395,559 ²	10.06

Notes:

1. These Shares were included in the interests of Mr. Cheung in the Shares as disclosed under the paragraph headed "Interests in shares of the Company (long positions)" of the section headed "2. Disclosure of Interests" above.

Mr. Cheung and Mr. Leung Yu Ming Steven are directors of Yugang.

Mr. Cheung is also a director of each of Thrivetrade, Regulator, Yugang-BVI, CIL and Palin.

2. The interests held by Regulator, Yugang-BVI, Yugang, CIL and Palin respectively as shown above refer to interests in the same block of Shares. The said Shares were also included in the interests of Mr. Cheung in the Shares as disclosed under the paragraph headed "Interests in shares of the Company (long positions)" of the section headed "2. Disclosure of Interests" above.
3. Approximate percentage refers to the number of Shares which a Shareholder held or had short positions in expressed as a percentage (rounded to two decimal places) of the issued share capital of the Company as at the Latest Practicable Date.
4. All of the interests disclosed above represent long positions.

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following parties (other than Directors or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including any options in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of the members of the Group	Name of shareholders	Approximate percentage of issued share capital
Win Harbour Investments Limited	Quick Fair Limited	15.0
貴陽中渝雲上房地產開發有限公司 (Guiyang Zhong Yu Yun Shang Real Estate Development Company Limited)	成都同豐投資有限責任公司 (Chengdu Tong Feng Investment Company Limited)	15.0
雲南中渝置地發展有限公司 (Yunnan Zhong Yu Land Development Company Limited)	雲南光華投資集團有限公司 (Yunnan Guang Hua Investment Group Company Limited)	30.0
成都國嘉志得置業有限公司 (Chengdu Guojia Cheer Gain Property Company Limited)	四川省國嘉地產有限公司 (Sichuan Guojia Property Company Limited)	49.0
重慶同景置業有限公司 (Chongqing Verakin Real Estate Company Limited)	同景集團有限公司 (Verakin Group Company Limited)	49.0
重慶同景文龍置地有限公司 (Chongqing Verakin Wenlong Real Estate Company Limited)	重慶新華書店集團房地產開發公司 (Chongqing Xinhua Bookstore Group Real Estate Development Company)	49.0
重慶同景共好置地有限公司 (Chongqing Verakin Gonghao Real Estate Company Limited)	重慶新華書店集團房地產開發公司 (Chongqing Xinhua Bookstore Group Real Estate Development Company)	49.0
重慶高德裝飾設計工程有限公司 (Chongqing Gao De Decoration Design Project Company Limited)	重慶時逸投資管理有限公司 (Chongqing Shi Yi Investment Management Company Limited)	49.0

Save as disclosed above, as at the Latest Practicable Date, according to the register of interests kept by the Company under section 336 of the SFO and so far as was known to the Directors and chief executive of the Company, no other person (other than Directors or chief executive of the Company) had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including any options in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. QUALIFICATIONS AND CONSENTS OF THE EXPERTS

The followings are the qualifications of the experts who have been named in this circular or have given their respective opinion or advice contained in this circular:

Name	Qualification
Halcyon Capital	a corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activity
GCAL	professional valuer

Halcyon Capital and GCAL have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion herein of their respective opinions or letter and the reference to their respective names in the form and context in which they respectively appear.

Halcyon Capital and GCAL have no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe or to nominate persons to subscribe securities in any member of the Group.

Halcyon Capital and GCAL have no direct or indirect interest in any assets which have since 31 December 2013 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

5. COMPETING INTEREST

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors or proposed Directors or their respective associates had any interest in any business that competed or was likely to compete, either directly or indirectly, with the business of the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group other than contracts expiring or determinable by the relevant members of the Group within one year without payment of compensation (other than statutory compensation).

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest published audited accounts of the Company were made up.

8. MISCELLANEOUS

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at Rooms 3308-10, 33rd Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited situated at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English texts of this circular shall prevail over their respective Chinese texts in case of inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's branch office in Hong Kong at 15/F, China United Centre, 28 Marble Road, North Point, Hong Kong up to and including the date of the SGM:

- (a) the Investment Agreement;
- (b) this circular;
- (c) the letter from the Independent Board Committee, the text of which is set out on page 34 of this circular;
- (d) the letter from Halcyon Capital, the text of which is set out on pages 35 to 76 of this circular;
- (e) the share valuation report prepared by GCAL, the text of which is set out on pages AI-1 to AI-31 of this circular;
- (f) the property valuation report prepared by GCAL, the text of which is set out on pages AII-1 to AII-62 of this circular;
- (g) the written consent from each of Halcyon Capital and GCAL referred to in the section headed "4. Qualifications and consents of the experts" in this appendix;
- (h) the consolidated audited financial statements of the Company for each of the years ended 31 December 2012 and 2013; and
- (i) the memorandum of association and the bye-laws of the Company.

NOTICE OF SGM



C C Land Holdings Limited 中渝置地控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1224)

NOTICE IS HEREBY GIVEN that a special general meeting of C C Land Holdings Limited (the “Company”) will be held at 33/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Wednesday, 3 December 2014 at 11:00 a.m. for the purpose of considering and, if thought fit, (with or without amendments) passing the following ordinary resolution:

ORDINARY RESOLUTION

“**THAT** the Investment Agreement (a copy of which is produced to this meeting and marked “A” and initialed by the chairman of this meeting for identification purposes) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and that the directors of the Company (other than Mr. Tsang Wai Choi) be and are hereby authorised to do all such acts and things, to sign, execute and deliver, for and on behalf of the Company, any agreements, deeds, instruments and any other documents, under hand or under seal, and to do such other things and take all such actions and arrangements as they may deem necessary, desirable, appropriate or expedient to give effect to or in connection with the Investment Agreement and the transactions contemplated thereunder.”

By the order of the Board of
C C Land Holdings Limited
Lam How Mun Peter
Deputy Chairman & Managing Director

Hong Kong, 13 November 2014

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him/her. A member who is the holder of two or more shares of the Company may appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.
2. A form of proxy for use at the meeting is enclosed in the circular of the Company of the same date of this notice. The form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be under its seal or the hand of an officer, attorney or other person duly authorised.
3. The form of proxy and the power of attorney or other authority, if any, under which it is signed or a certified copy thereof must be lodged at the Company’s branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof (as the case may be) and in default the proxy shall not be treated as valid. Completion and return of the form of proxy shall not preclude members from attending and voting in person at the meeting or at any adjournment thereof (as the case may be) should they so wish.
4. Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, the vote of that one of the said persons so present whose name stands first on the register of members in respect of such share shall be accepted to the exclusion of the votes of the other joint holders.
5. Unless otherwise specified herein, capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 13 November 2014.