
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 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).

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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)

MAJOR TRANSACTIONS

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DEFINITIONS

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

“Agreements”	the Units Acquisition Agreement and the Shares Acquisition Agreement
“Announcement”	the announcement of the Company dated 27 January 2017 in relation to, among other things, the Agreements and the transactions contemplated thereunder
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Buyer 1”	Fortune Point Holdings Limited, a company incorporated and registered in the British Virgin Islands with limited liability and indirectly wholly-owned by the Company
“Buyer 2”	City Planner Investments Limited, a company incorporated and registered in the British Virgin Islands with limited liability 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
“Completion Date”	27 January 2017 (United Kingdom time)
“Director(s)”	the director(s) of the Company
“Draft Completion Accounts”	the draft completion accounts as at the Completion Date comprising a draft unaudited balance sheet prepared in accordance with the terms of the Units Acquisition Agreement or the Shares Acquisition Agreement (as the case may be)
“Encumbrance”	any mortgage, charge, pledge, lien, assignment, option, restriction, claim, right of pre-emption, right of first refusal, third party right or interest, other encumbrance or security interest of any kind, and any other preferential arrangement (including title transfer and retention arrangements) having a similar effect
“Estimated NAV”	the NAV as shown in the Draft Completion Accounts
“Final Completion Accounts”	the final completion accounts as at the Completion Date comprising the final unaudited balance sheet prepared in accordance with the terms of the Units Acquisition Agreement or the Shares Acquisition Agreement (as the case may be)
“GBP”	British Pound Sterling, the lawful currency of the United Kingdom of Great Britain and Northern Ireland
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Independent Third Party(ies)”	independent third party(ies) who is (are) not connected person(s) (as defined under the Listing Rules) of the Company and is (are) independent of and not connected with the Company and its connected person(s)
“Intra-Group Debt”	the aggregate of the sums owed by KS Leasehold to Seller 3 or any of Seller 3’s affiliates at the Completion Date pursuant to the full and final settlement of the liabilities of KS Leasehold under all loan agreements between KS Leasehold (as borrower) and Seller 3 or any of Seller 3’s affiliates (as lender)
“Knight Frank”	Knight Frank Petty Limited, an independent firm of professional valuers
“KS Leasehold”	KS Leasehold S.à r.l., a private limited liability company incorporated and registered in the Grand Duchy of Luxembourg
“Latest Practicable Date”	3 March 2017, 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
“London Property”	the land and buildings known as 1 Kingdom Street, London W2 6BD, United Kingdom
“Majority Shareholders”	Thrivetrade Limited, Fame Seeker Holdings Limited (both directly wholly-owned by Mr. Cheung Chung Kiu, Chairman of the Board) and Regulator Holdings Limited, a wholly-owned subsidiary of Yugang International Limited (a company beneficially owned by Mr. Cheung Chung Kiu as to 44.06%) which hold 1,070,810,231 Shares, 233,915,707 Shares and 260,395,559 Shares respectively, representing in aggregate approximately 60.47% of the issued Shares as at Latest Practicable Date
“NAV”	the value of the net assets (being the aggregate of the assets less the aggregate of liabilities)
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Seller 1”	KS Freehold S.à r.l., a private limited liability company incorporated and registered in the Grand Duchy of Luxembourg
“Seller 2”	Cityhold Participations S.à r.l., a private limited liability company incorporated and registered in the Grand Duchy of Luxembourg
“Seller 3”	Cityhold Sterling S.à r.l., a private limited liability company incorporated and registered in the Grand Duchy of Luxembourg
“Senior Debt (Net Amount)”	the aggregate of those sums owed by KS Leasehold, including the principal amounts, accrued interest and all associated costs and payment fees in relation to the full and final settlement of the liabilities of the obligors under a senior loan agreement dated 2 May 2012 made between (among others) KS Leasehold, the Trustees and an external financial institution as amended by an amendment deed dated 17 November 2015 less the net cash in the sum of GBP6,940,874 (equivalent to approximately HK\$68,368,000) which KS Leasehold may utilize to part repay and discharge such liabilities of the obligors

DEFINITIONS

“SFO”	Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	holder(s) of Share(s)
“Shares Acquisition Agreement”	the agreement dated 27 January 2017 entered into between Seller 3 and Buyer 1 for the sale and purchase of the entire issued shares in KS Leasehold
“Shares Consideration”	the consideration for the sale and purchase of the entire issued shares in KS Leasehold as described under the paragraph headed “2.8 Consideration” of this Circular
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trustees”	Kingdom Trustee 1 Limited and Kingdom Trustee 2 Limited, both incorporated in Jersey, the joint trustees of the Unit Trust
“Units Acquisition Agreement”	the agreement dated 27 January 2017 entered into among the Buyer 1, Buyer 2, Seller 1, Seller 2 and the Trustees for the sale and purchase of the entire issued units in the Unit Trust
“Units Consideration”	the consideration for the sale and purchase of the entire issued units in the Unit Trust as described under the paragraph headed “2.4 Consideration” of this Circular
“Unit Trust”	the Paddington Central III Unit Trust, a unit trust constituted in Jersey
“USD”	United States dollar, the lawful currency of the United States of America
“%”	per cent

In this circular, GBP has been converted to HK\$ at the rate of GBP1 = HK\$9.85 for illustration purpose only. No representation is made that any amounts in GBP 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. Wong Chi Keung (*Deputy Chairman*)
Mr. Leung Chun Cheong
Mr. Leung Wai 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

9 March 2017

To Shareholders,

Dear Sir or Madam,

MAJOR TRANSACTIONS

1. INTRODUCTION

Reference is made to the Announcement. On 27 January 2017 (United Kingdom time), the Company through its two wholly owned subsidiaries entered into the Agreements to acquire indirectly the freehold interest and leasehold interest of the London Property for an aggregate consideration of approximately GBP290,028,121 (equivalent to approximately HK\$2,856,777,000) subject to adjustment in accordance with the Agreements.

The purpose of this circular is to provide you with, among other things, (i) further details of the Agreements; (ii) financial information of the Group; (iii) financial information of the Unit Trust and KS Leasehold; (iv) unaudited pro forma financial information of the enlarged Group; (v) a property valuation report; and (vi) other information as required under the Listing Rules.

LETTER FROM THE BOARD

2. THE AGREEMENTS

A. The Units Acquisition Agreement

2.1 *Date*

27 January 2017 (United Kingdom time)

2.2 *Parties*

Buyers: Fortune Point Holdings Limited and City Planner Investments Limited

Sellers: KS Freehold S.à r.l. and Cityhold Participations S.à r.l.

Trustees: Kingdom Trustee 1 Limited and Kingdom Trustee 2 Limited, acting in their capacity as the joint trustees of the Unit Trust

2.3 *Assets to be acquired*

The legal and beneficial title to the 19,515,571 issued units in the Unit Trust, being the entire issued units in the Unit Trust, free from all Encumbrances

2.4 *Consideration*

The Units Consideration shall be the Estimated NAV of the Unit Trust in the sum of approximately GBP147,824,795 (equivalent to approximately HK\$1,456,074,000) payable in cash and subject to the following adjustment and in accordance with the Units Acquisition Agreement:

- (a) plus the amount (if any) by which the NAV of the Unit Trust as shown in the Final Completion Accounts of the Unit Trust exceeds the Estimated NAV of the Unit Trust calculated in accordance with the Units Acquisition Agreement; or
- (b) alternatively, less the amount (if any) by which the NAV of the Unit Trust as shown in the Final Completion Accounts of the Unit Trust is less than the Estimated NAV of the Unit Trust calculated in accordance with the Units Acquisition Agreement.

Within 45 days following the Completion Date, Seller 1 shall prepare and deliver to Buyer 1 a draft of the Final Completion Accounts of the Unit Trust. Once the Final Completion Accounts of the Unit Trust have been agreed or determined, the parties shall settle any difference between the NAV and the Estimated NAV of the Unit Trust either as a reduction or as an increase of the Units Consideration (as the case may be) in accordance with the Units Acquisition Agreement within 5 business days of the date on which the Final Completion Accounts of the Unit Trust are agreed or determined. As at the Latest Practicable Date, Seller 1 has yet to deliver the draft Final Completion Account of the Unit Trust to Buyer 1.

Subject to adjustment, the Units Consideration was paid in full on the Completion Date in accordance with the Units Acquisition Agreement. Adjustment to the Units Consideration will be made in accordance with the Units Acquisition Agreement in due course.

LETTER FROM THE BOARD

B. The Shares Acquisition Agreement

2.5 Date

27 January 2017 (United Kingdom time)

2.6 Parties

Buyer: Fortune Point Holdings Limited

Seller: Cityhold Sterling S.à r.l.

2.7 Assets to be acquired

The legal and beneficial title to the 5,000,000 shares in KS Leasehold, being the entire issued shares in KS Leasehold, free from all Encumbrances

2.8 Consideration

The Shares Consideration shall be approximately GBP142,203,326 (equivalent to approximately HK\$1,400,703,000), being the sum of the Estimated NAV of KS Leasehold in the sum of approximately GBP51,104,000 (equivalent to approximately HK\$503,374,000) plus the Senior Debt (Net Amount) in the sum of approximately GBP63,246,055 (equivalent to approximately HK\$622,974,000) and the Intra-Group Debt in the sum of approximately GBP27,853,271 (equivalent to approximately HK\$274,355,000), payable in cash and subject to the following adjustment and in accordance with the Shares Acquisition Agreement:

- (a) plus the amount (if any) by which the NAV of KS Leasehold as shown in the Final Completion Accounts of KS Leasehold exceeds the Estimated NAV of KS Leasehold calculated in accordance with the Shares Acquisition Agreement; or
- (b) alternatively, less the amount (if any) by which the NAV of KS Leasehold as shown in the Final Completion Accounts of KS Leasehold is less than the Estimated NAV of KS Leasehold calculated in accordance with the Shares Acquisition Agreement.

Within 45 days following the Completion Date, Seller 3 shall prepare and deliver to Buyer 1 a draft of the Final Completion Accounts of KS Leasehold. Once the Final Completion Accounts of KS Leasehold have been agreed or determined, Seller 3 and Buyer 1 shall settle any difference between the NAV and the Estimated NAV of KS Leasehold either as a reduction or as an increase of the Shares Consideration (as the case may be) in accordance with the Shares Acquisition Agreement within 5 business days of the date on which the Final Completion Accounts of KS Leasehold are agreed or determined. As at the Latest Practicable Date, Seller 3 has yet to deliver the draft Final Completion Account of KS Leasehold to Buyer 1.

Subject to adjustment, the Shares Consideration was paid in full on the Completion Date in accordance with the Shares Acquisition Agreement. Adjustment to the Shares Consideration will be made in accordance with the Shares Acquisition Agreement in due course.

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C. Completion

Completion of the Agreements took place simultaneously on the Completion Date immediately following the entry into the Agreements, following which:

- (1) Buyer 1 and Buyer 2 hold in aggregate 19,515,571 issued units in the Unit Trust, being the entire issued units in the Unit Trust, with Buyer 1 holding 19,465,571 issued units and Buyer 2 holding 50,000 issued units; and
- (2) Buyer 1 holds 5,000,000 shares in KS Leasehold, representing the entire issued shares in KS Leasehold.

D. Basis for determination of the consideration

The London Property comprises a freehold interest held by the Trustees on trust for the Unit Trust and a leasehold interest owned by KS Leasehold. The aggregate consideration of the Agreements for acquiring the London Property as a whole was approximately GBP290,028,121 (equivalent to approximately HK\$2,856,777,000) subject to adjustment, which was determined following arm's length negotiations between the parties to the Agreements. The aggregate consideration was determined by reference to the valuation of the London Property performed by Knight Frank of GBP292,000,000 (equivalent to approximately HK\$2,876,200,000) and the value of other assets/liabilities as shown in the Draft Completion Accounts of the Unit Trust and KS Leasehold.

As disclosed in Appendix IV Property Valuation Report, the basis of valuation, valuation methodology and major valuation assumptions and conditions adopted by Knight Frank in the valuation are recited below:

Date of valuation:	27 January 2017
Basis of valuation:	market value of the London Property in its existing state as at the date of valuation, being the estimated amount for which the London Property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion
Valuation methodology:	Direct Comparison Method by making reference to comparable sale transactions as available in the relevant market
Major valuation assumptions and conditions:	<ul style="list-style-type: none">• A good and marketable title and that all documentation is satisfactorily drawn.• The London Property is not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoing.• No allowance has been made for any charges, mortgages or amounts owing on the London Property nor for any expenses or taxation which may be incurred in effecting a sale.• The London Property was in satisfactory exterior and interior decorative order without any unauthorised extension or structural alterations or illegal uses as at the date of valuation.

LETTER FROM THE BOARD

- The London Property was constructed, occupied and used in full compliance with, and without contravention of any Ordinances, statutory requirement and notices.
- For any use of the London Property, all required licences, permits, certificates, consents, approvals and authorisation have been obtained.

Source of information: Knight Frank has been provided with, *inter alia*, a report on title prepared by the United Kingdom legal advisor of the Company, Addleshaw Goddard, which opines *inter alia*, that title to the London Property is good and marketable.

The Directors consider that the aggregate consideration of the Agreements is fair and reasonable.

The Units Consideration and Shares Consideration were all satisfied by the Group's internal resources.

3. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Board considers that, in line with its investment strategies, the successful completion of the acquisition of the London Property has offered the Group with the opportunity to diversify its investment portfolio into key gateway international cities such as London. The London Property is a prime commercial property located in the West End of London. The Board currently intends to hold the London Property for long-term investment purposes, which will enable the Group to generate a stable and recurring cash flow of rental income and to capture the upside benefit from any medium-to-long term potential capital growth.

The Directors consider that the terms of the Agreements 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.

4. INFORMATION ON THE SELLERS, LONDON PROPERTY, UNIT TRUST, TRUSTEES AND KS LEASEHOLD

Each of Seller 1, Seller 2 and Seller 3 is a private limited liability company incorporated and registered in the Grand Duchy of Luxembourg, and their principal business activities are investments holding. Seller 1 and Seller 2 are wholly-owned by Seller 3. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Seller 1, Seller 2, Seller 3, the Trustees, and their respective ultimate beneficial owner(s) are Independent Third Parties.

The London Property comprises approximately 265,000 square feet spreading over two basement floors plus nine upper storeys of Grade A office accommodation. It forms part of Paddington Central, which is a unique managed estate within the Paddington Waterside development, set between the Grand Union Canal and Paddington Station in the West End of London.

The Unit Trust is a unit trust constituted in Jersey. Immediately prior to the completion of the Units Acquisition Agreement, there were 19,515,571 issued units in the Unit Trust, with Seller 1 holding 19,465,571 issued units and Seller 2 holding 50,000 issued units. The Unit Trust was administered by the Trustees, who have continued to administer the Unit Trust following completion of the Units Acquisition Agreement. The Trustees are both special purpose vehicles incorporated and registered in Jersey, and were appointed as trustees of the Unit Trust pursuant to the terms of an instrument of retirement and appointment dated 12 January 2012. The freehold interest of the London Property is the principal asset of the Unit Trust and is held by the Trustees on trust for the Unit Trust.

LETTER FROM THE BOARD

KS Leasehold is a private limited liability company incorporated and registered in the Grand Duchy of Luxembourg on 29 September 2011. Immediately prior to completion of the Shares Acquisition Agreement, KS Leasehold was a wholly-owned subsidiary of Seller 3, which legally and beneficially held all 5,000,000 shares of GBP1.00 (equivalent to approximately HK\$9.85) each in the issued share capital of KS Leasehold. Prior to completion of the Shares Acquisition Agreement, the principal business of KS Leasehold was the holding of the leasehold interest of the London Property, which was granted by the original parties pursuant to a lease dated 31 March 2006 for a term of 250 years starting on 31 March 2006 and expiring on 30 March 2256 for high quality office use or such other use as the landlord and tenant may agree. The Trustees and KS Leasehold are the current landlord and tenant respectively under the lease. The Trustees are entitled to 50% (subject to adjustment) of the net rents, calculated as gross rents received by KS Leasehold from occupational tenants and notional rent for property occupied by KS Leasehold less deductible expenses as more particularly stipulated in the lease. The London Property is currently fully multi-let and generated a current net rent in the region of approximately GBP14,441,000 (equivalent to approximately HK\$142,244,000) per annum, representing an initial yield of 4.95% based on the preliminary result of the valuation of the London Property of GBP292,000,000 (equivalent to approximately HK\$2,876,200,000).

The financial highlights and consolidated operating results of the Unit Trust and KS Leasehold are as follows:

	12 months ended 31 December 2016 GBP'000 (HK\$'000 equivalent) (Unaudited)	12 months ended 31 December 2015 GBP'000 (HK\$'000 equivalent) (Unaudited)	12 months ended 31 December 2014 GBP'000 (HK\$'000 equivalent) (Unaudited)
Revenue	17,112 (168,553)	17,212 (169,538)	17,192 (169,341)
Profit Before Tax	16,193 (159,501)	35,687 (351,517)	15,024 (147,986)
Net Profit	14,708 (144,874)	35,297 (347,675)	15,134 (149,070)
	As at 31 December 2016 GBP'000 (HK\$'000 equivalent) (Unaudited)	As at 31 December 2015 GBP'000 (HK\$'000 equivalent) (Unaudited)	As at 31 December 2014 GBP'000 (HK\$'000 equivalent) (Unaudited)
Total Assets	310,840 (3,061,774)	308,141 (3,035,189)	270,770 (2,667,084)
Total Liabilities	108,015 (1,063,948)	112,612 (1,109,228)	102,998 (1,014,530)
Net Assets	202,825 (1,997,826)	195,529 (1,925,961)	167,772 (1,652,554)

Detailed financial information of the Unit Trust and KS Leasehold is disclosed in Appendix IIA Financial Information of the Unit Trust and Appendix IIB Financial Information of KS Leasehold, respectively.

LETTER FROM THE BOARD

5. INFORMATION ON THE GROUP

Each of Buyer 1 and Buyer 2 is a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of the Company. Both Buyer 1 and Buyer 2 are principally engaged in investment holding and property investment.

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

6. FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

Upon completion of the Agreements, the Unit Trust and KS Leasehold have become wholly owned subsidiaries of the Company, with their assets and liabilities and profits and losses to be consolidated into the consolidated financial statements of the Company.

The London Property is held as investment property by the Group for the purpose of earning rental income and capital appreciation. Investment property is stated at fair value, which reflects the market conditions at the end of the reporting period with any gain or loss arising from changes in the fair value included in the consolidated statement of profit or loss in the period in which they arise. The aggregate rental income to be generated from the London Property will be accounted for in the consolidated financial statements of the Company as revenue of the Group.

Set out in Appendix III to this circular is the unaudited pro forma financial information of the enlarged Group which illustrates the detailed financial effects of the acquisition of the Unit Trust and KS Leasehold on the assets and liabilities of the Group upon completion of the Agreements.

7. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios exceed 25% but all are below 100%, the Agreements and the transactions contemplated thereunder constituted major transactions of the Company and were subject to applicable notification, publication and shareholders' approval requirements under the Listing Rules.

As a written approval of the entry into the Agreements and the transactions contemplated thereunder has been obtained by the Company from the Majority Shareholders prior to the entry into the Agreements and that all the conditions under Rule 14.44 of the Listing Rules have been met, the written approval has been accepted by the Company in lieu of holding a special general meeting to approve the entry into the Agreements and the transactions contemplated thereunder. Accordingly, no special general meeting is required to be convened for approving the Agreements and the transaction contemplated thereunder.

8. RECOMMENDATION

The Board considers that the Agreements and the transactions contemplated thereunder are on normal commercial terms and the terms of the Agreements have been negotiated on an arm's length basis which are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Had a special general meeting been convened for the approving the Agreements and the transactions contemplated thereunder, the Board would have recommended the Shareholders to vote in favour of the Agreements and the transactions contemplated thereunder.

9. ADDITIONAL INFORMATION

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

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

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three financial years ended 31 December 2013, 2014 and 2015 and for the six months ended 30 June 2016 were set out in the relevant annual reports and interim report of the Company uploaded to the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://www.ccland.com.hk>).

Please also see below quick links to the relevant annual reports and interim report:

- Interim report of the Company for the six months ended 30 June 2016 published on 7 September 2016 (pages 10 to 22):

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0907/LTN20160907475.pdf>
- Annual report of the Company for the year ended 31 December 2015 published on 14 April 2016 (pages 30 to 91):

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0414/LTN20160414815.pdf>
- Annual report of the Company for the year ended 31 December 2014 published on 15 April 2015 (pages 64 to 133):

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0415/LTN20150415835.pdf>
- Annual report of the Company for the year ended 31 December 2013 published on 11 April 2014 (pages 66 to 141):

<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0411/LTN201404111020.pdf>

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 January 2017, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had total bank and other borrowings of approximately HK\$3,017,958,000 comprising secured and unsecured bank and other borrowings of approximately HK\$2,905,950,000 and approximately HK\$112,208,000 respectively. The secured bank and other borrowings were secured by the Group's cash deposits maintained with the bank in the amount of approximately HK\$2,905,950,000.

As at 31 January 2017, the Group had guarantees given in favour of the banks in respect of mortgage facilities granted to certain purchasers of the Group's property units in the amount of approximately HK\$84,905,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have any debt securities issued and outstanding or agreed to be issued, term loans, loan capital, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured and unsecured, guarantees or other material contingent liabilities at the close of business on 31 January 2017.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the effect of the completion of the Agreements and the present financial resources available to the Group, including funds internally generated from its business operations and the available financial facilities, the Group will have sufficient working capital for its business operations for at least the next twelve months from the date of this circular in the absence of unforeseen circumstances.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The core business of the Group is property development and investment as well as treasury investments. As a measure to combat current market challenges, the Company has embarked on a series of strategic disposals of its portfolio of properties, joint investments and/or investment projects as previously announced. The Company has already benefited from accelerated returns from these disposal transactions and its cash position has been enhanced.

In addition to holding the London Property for investment purpose, the Group will continue to actively look for acquisition opportunities, focusing on investing selectively in tier one cities in China, in Hong Kong as well as other key gateway international cities such as London either for development or investment purpose. The Group has a rigorous internal appraisal process to assess any such opportunities and associated risks of potential acquisition which resulted in the success of the acquisition of the London Property. The enhanced cash position through the strategic disposals as mentioned above provides the Group with the resources to secure potential investment opportunities, which may take the form of equity partnership, joint ventures or otherwise.

As for the treasury investments business, the Group has invested its surplus cash in a diversified portfolio of listed equity securities and unlisted investment funds. The Group will continuously adopt a prudent and cautious investment strategy and will from time to time assess the portfolio of its investments and make timely and appropriate adjustments to fine-tune its investments holding with a view to generating favourable returns for its shareholders.

As at the Latest Practicable Date, the Company was not in negotiation of, or proposed to enter into any agreement, arrangement, undertaking and understanding in respect of, any acquisition or development that would lead to acquisition of new business and/or change in principal business of the Group.

1. ACCOUNTANTS' REPORT

The following is the text of a report received from the reporting accountants of our Company, Ernst & Young, Certified Public Accountants, Hong Kong prepared for the purpose of incorporation in this Circular.



22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

9 March 2017

The Board of Directors
C C Land Holdings Limited

Dear Sirs,

We set out below our report on the financial information of the Paddington Central III Unit Trust (the “Unit Trust”) comprising the statements of profit or loss and other comprehensive income, the statements of changes in net assets attributable to unitholders, the statements of cash flows for each of the years ended 31 December 2014, 2015 and 2016 (the “Relevant Periods”), and the statements of financial position of the Unit Trust as at 31 December 2014, 2015 and 2016, together with the notes thereto (the “Trust Financial Information”), prepared on the bases of presentation and preparation set out in notes 2.1 and 2.2, respectively, of Section II below, for inclusion in the circular of C C Land Holdings Limited (the “Company” or “C C Land”) dated 9 March 2017 (the “Circular”) in connection with the acquisition of 100% issued units in the Unit Trust (the “Trust Acquisition”).

The Unit Trust was established on 1 December 2005 in Jersey, Channel Islands. The principal activity of the Unit Trust is property investment.

The Unit Trust has adopted 31 December as its financial year end date. The financial statements of the Unit Trust for the year ended 31 December 2014 were prepared in accordance with United Kingdom Accounting Standards together with the guidance set out in the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010 and were audited by Ernst & Young LLP, chartered accountants registered in Jersey. The financial statements of the Unit Trust for the year ended 31 December 2015 were prepared in accordance with United Kingdom Accounting Standards including Financial Reporting Standard 102 *The Financial Reporting Standards applicable in the United Kingdom and the Republic of Ireland* and were audited by PricewaterhouseCoopers CI LLP, chartered accountants registered in Jersey. The financial statements of the Unit Trust for the year ended 31 December 2016 was prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by International Accounting Standards Board (“IASB”) and were audited by Ernst & Young LLP.

For the purpose of this report, the management of the Unit Trust has prepared the financial statements of the Unit Trust for the years ended 31 December 2014 and 2015 in accordance with IFRSs issued by IASB and these financial statements were audited by Ernst & Young LLP. The financial statements of the Unit Trust for each of the years ended 31 December 2014, 2015 and 2016 prepared in accordance with IFRSs are hereafter collectively referred to as the Trust Underlying Financial Statements.

The Trust Financial Information set out in this report has been prepared from the Trust Underlying Financial Statements with no adjustments made thereon.

Management's responsibility

The management of the Unit Trust is responsible for the preparation of the Trust Underlying Financial Statements and the Trust Financial Information that give a true and fair view in accordance with IFRSs, and for such internal control as the management of the Unit Trust determines is necessary to enable the preparation of the Trust Underlying Financial Statements and the Trust Financial Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion on the Trust Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have examined the Trust Underlying Financial Statements and have carried out procedures on the Trust Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Opinion in respect of the Trust Financial Information

In our opinion, for the purpose of this report, the Trust Financial Information gives a true and fair view of the financial position of the Unit Trust as at 31 December 2014, 2015 and 2016 and of the financial performance and cash flows of the Unit Trust for each of the Relevant Periods.

I. THE TRUST FINANCIAL INFORMATION

(A) STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December		
		2014	2015	2016
		<i>GBP'000</i>	<i>GBP'000</i>	<i>GBP'000</i>
REVENUE	6	7,170	7,223	7,220
Direct operating expenses		<u>(78)</u>	<u>(140)</u>	<u>(357)</u>
Gross profit		7,092	7,083	6,863
Changes in fair value of an investment property	10	5,000	15,450	(1,530)
Other income and gains	6	–	–	7
Administrative expenses		<u>(95)</u>	<u>(118)</u>	<u>(169)</u>
PROFIT BEFORE TAX	7	11,997	22,415	5,171
Income tax expense	8	<u>–</u>	<u>–</u>	<u>–</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>11,997</u>	<u>22,415</u>	<u>5,171</u>

(B) STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December		
		2014	2015	2016
		<i>GBP'000</i>	<i>GBP'000</i>	<i>GBP'000</i>
NON-CURRENT ASSET				
Investment property	<i>10</i>	<u>135,000</u>	<u>150,450</u>	<u>148,920</u>
CURRENT ASSETS				
Trade receivables	<i>11</i>	470	–	717
Prepayments and other receivables	<i>12</i>	272	391	577
Cash and cash equivalents	<i>13</i>	<u>4</u>	<u>1</u>	<u>7</u>
Total current assets		<u>746</u>	<u>392</u>	<u>1,301</u>
CURRENT LIABILITIES				
Other payables and accruals	<i>14</i>	<u>1,950</u>	<u>2,171</u>	<u>2,491</u>
NET CURRENT LIABILITIES				
		<u>(1,204)</u>	<u>(1,779)</u>	<u>(1,190)</u>
Net assets		<u>133,796</u>	<u>148,671</u>	<u>147,730</u>
NET ASSETS				
Unitholders' capital	<i>15</i>	19,516	19,516	19,516
Reserves	<i>16</i>	<u>114,280</u>	<u>129,155</u>	<u>128,214</u>
Net assets attributable to unitholders		<u>133,796</u>	<u>148,671</u>	<u>147,730</u>

(C) STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Attributable to unitholders of the Unit Trust			
	Unitholders' capital GBP'000 (note 15)	Capital account** GBP'000	Income account*** GBP'000	Total GBP'000
At 1 January 2014	19,516	110,484	(1,662)	128,338
Profit and total comprehensive income for the year	–	–	11,997	11,997
Distributions paid	–	–	(6,539)	(6,539)
Transfer to capital account	–	5,000	(5,000)	–
At 31 December 2014 and 1 January 2015	19,516	115,484*	(1,204)*	133,796
Profit and total comprehensive income for the year	–	–	22,415	22,415
Distributions paid	–	–	(7,540)	(7,540)
Transfer to capital account	–	15,450	(15,450)	–
At 31 December 2015 and 1 January 2016	19,516	130,934*	(1,779)*	148,671
Profit and total comprehensive income for the year	–	–	5,171	5,171
Distributions paid	–	–	(6,112)	(6,112)
Transfer from capital account	–	(1,530)	1,530	–
At 31 December 2016	19,516	129,404*	(1,190)*	147,730

* These reserve accounts comprise the reserves of GBP114,280,000, GBP129,155,000 and GBP128,214,000 in the statements of financial position as at 31 December 2014, 2015 and 2016, respectively.

** Capital account represents premium element on the trust units and the fair value movement on investment property which are capital in nature and non-distributable to unitholders.

*** Income account represents distributable retained profits/(accumulated losses) of the Unit Trust.

(D) STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		
		2014 GBP'000	2015 GBP'000	2016 GBP'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		11,997	22,415	5,171
Adjustments for:				
Rental income paid directly to unitholders as distributions	9, 20	(6,539)	(7,540)	(6,112)
Changes in fair value of an investment property	10	<u>(5,000)</u>	<u>(15,450)</u>	<u>1,530</u>
		458	(575)	589
Decrease/(increase) in trade receivables		(470)	470	(717)
Decrease/(increase) in prepayments and other receivables		192	(119)	(186)
Increase/(decrease) in other payables and accruals		<u>(183)</u>	<u>221</u>	<u>320</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of year		<u>7</u>	<u>4</u>	<u>1</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR				
		<u><u>4</u></u>	<u><u>1</u></u>	<u><u>7</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances		<u><u>4</u></u>	<u><u>1</u></u>	<u><u>7</u></u>

II. NOTES TO THE TRUST FINANCIAL INFORMATION

1. Corporate information

The Unit Trust is an unit trust established in Jersey, Channel Islands. As at the end of the Relevant Periods and the date of this report, the Unit Trust is under the fiduciary control of Kingdom Trustee 1 Limited and Kingdom Trustee 2 Limited (the “Trustees”), trustees of the Unit Trust. The registered office of the Trustees is Elizabeth House, 9 Castle Street, St Helier, Jersey, JE2 3RT.

The principal activity of the Unit Trust during the Relevant Periods was property investment.

As at the end of the Relevant Periods, in the opinion of the Trustees, KS Freehold S.à r.l., a company incorporated in the Grand Duchy of Luxembourg (“Luxembourg”), was the principal unitholder of the Unit Trust. Subsequent to the end of the Relevant Periods, with effect from 27 January 2017, the principal unitholder of the Unit Trust is Fortune Point Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of C C Land.

2.1 Basis of presentation

Despite the Unit Trust’s net current liabilities as at 31 December 2016, the Trust Financial Information has been prepared by the Trustees under the going concern concept because C C Land has agreed to provide continual financial support and adequate funds for the Unit Trust to meet its liabilities as and when they fall due.

2.2 Basis of preparation

The Trust Financial Information has been prepared in accordance with IFRSs issued by IASB.

All IFRSs effective for the accounting period commencing from 1 January 2016 have been early adopted by the Unit Trust in the preparation of the Trust Financial Information throughout the Relevant Periods.

The Trust Financial Information has been prepared under the historical cost convention, except for the investment property which has been measured at fair value. The Trust Financial Information is presented in Great British Pound (“GBP”) and all values are rounded to the nearest thousand except when otherwise indicated.

3. Issued but not yet effective IFRSs

The Unit Trust has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Trust Financial Information.

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

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ No mandatory effective date yet determined but available for adoption

The Unit Trust is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application.

4. Summary of significant accounting policies

Fair value measurement

The Unit Trust measures its investment property at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Unit Trust. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

Related parties

A party is considered to be related to the Unit Trust if:

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

or

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

Investment property

Investment property is an interest in land and building (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the end of the reporting period.

Gain or loss arising from changes in the fair value of investment property is included in profit or loss in the year in which they arise.

Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of the retirement or disposal.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Unit Trust is the lessor, assets leased by the Unit Trust under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Unit Trust commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in other expenses.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Unit Trust's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Unit Trust has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Unit Trust has transferred substantially all the risks and rewards of the asset, or (b) Unit has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Unit Trust has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Unit Trust continues to recognise the transferred asset to the extent of the Unit Trust's continuing involvement. In that case, the Unit Trust also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Unit Trust has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Unit Trust could be required to repay.

Impairment of financial assets

The Unit Trust assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Unit Trust first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Unit Trust determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Unit Trust.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Financial liabilities***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as loans and borrowings.

The Unit Trust's financial liabilities include other payables. Financial liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

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

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

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Unit Trust operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are provided in full while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Unit Trust and when the revenue can be measured reliably. Rental income from property is recognised in the period in which the property is let and on a straight-line basis over the lease terms.

Distributions

Income generated from the Unit Trust's investment property is distributed to the unitholders once the Trustees declare income distributions to unitholders.

5. Significant accounting judgements and estimates

The preparation of the Trust Financial Information requires management to make judgement, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Unit Trust's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Trust Financial Information:

Operating lease commitments – as lessor

The Unit Trust has determined, based on evaluation of terms and conditions of the lease arrangements on its investment property, that it retains all the significant risks and rewards of ownership of this property which are leased out on operating leases.

Classification between investment property and owner-occupied property

The Unit Trust determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Unit Trust considers whether a property generates cash flows largely independently of the other assets held by the Unit Trust.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Unit Trust accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

Impairment of receivables

The Unit Trust records impairment of receivables based on assessment of the recoverability of receivables. The identification of impairment requires management judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact on the carrying amount of the receivables and impairment losses/reversal of impairment losses in the period in which such estimate has been changed.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation of fair value of investment property

The fair values of the Unit Trust's investment property was determined principally using cash flow projections based on estimates of current and future cash flows, supported by external evidence such as current market rents for similar properties in the same location and condition, and using capitalisation rates that reflect current market conditions. The future rental rates, equivalent yield, and capital value per square foot ("psf") were estimated depending on the actual location, type and quality of the investment property, and taking into account market data and projections at the valuation date.

6. Revenue, other income and gains

Revenue represents gross rental income received and receivable from an investment property during the Relevant Periods.

An analysis of the Unit Trust's other income and gains is as follows:

	Year ended 31 December		
	2014	2015	2016
	<i>GBP'000</i>	<i>GBP'000</i>	<i>GBP'000</i>
Revenue			
Gross rental income	<u>7,170</u>	<u>7,223</u>	<u>7,220</u>
Other income and gains			
Others	<u>-</u>	<u>-</u>	<u>7</u>

7. Profit before tax

Profit before tax is arrived at after charging:

	Year ended 31 December		
	2014	2015	2016
	<i>GBP'000</i>	<i>GBP'000</i>	<i>GBP'000</i>
Direct operating expenses arising from rental-earning property	<u>78</u>	<u>140</u>	<u>357</u>

8. Income tax

The Trustees are exempted from paying Jersey income tax on the Unit Trust's net taxable income so long as the unitholders remain resident outside Jersey and there is no Jersey-source income.

Where investors are treated as the beneficial owners of the underlying income, they are directly taxable on the income arising in the Unit Trust and therefore the Unit Trust can be treated as transparent. Transparent funds are excluded from the requirements of the reporting fund regime provided they hold no more than five percent of their assets in other non-reporting funds and providing they make sufficient information available to their investors to enable them to complete their self-assessment obligations. On the basis that the Unit Trust will meet these criteria it will fall outside the requirements of the reporting fund regime and it is not the intention of the Trustees to register the Unit Trust as a reporting fund.

9. Distributions

During the Relevant Periods, the Unit Trust paid the following distributions:

	Year ended 31 December		
	2014	2015	2016
	GBP'000	GBP'000	GBP'000
March	1,774	2,211	593
June	1,730	1,809	2,738
September	1,779	1,685	34
December	<u>1,256</u>	<u>1,835</u>	<u>2,747</u>
	<u>6,539</u>	<u>7,540</u>	<u>6,112</u>

	Year ended 31 December		
	2014	2015	2016
	GBP	GBP	GBP
	per unit	per unit	per unit
March	0.090893	0.113319	0.030399
June	0.088646	0.092670	0.140319
September	0.091147	0.086352	0.001722
December	<u>0.064367</u>	<u>0.094020</u>	<u>0.140767</u>

10. Investment property

	As at 31 December		
	2014	2015	2016
	GBP'000	GBP'000	GBP'000
Carrying amount at 1 January	130,000	135,000	150,450
Gain/(loss) from a fair value adjustment	<u>5,000</u>	<u>15,450</u>	<u>(1,530)</u>
Carrying amount at 31 December	<u>135,000</u>	<u>150,450</u>	<u>148,920</u>

The investment property consists of the freehold interest of the commercial property known as 1 Kingdom Street, London, W2 6BD, United Kingdom ("UK").

The investment property was revalued on 31 December 2014, 2015 and 2016 based on valuations performed by Knight Frank LLP (“Knight Frank”), independent professionally qualified valuers, at GBP135,000,000, GBP150,450,000 and GBP148,920,000, respectively. The Trustees review the valuations performed by the independent valuers for financial reporting purposes and raises any queries on the values or valuation inputs. At each financial year end, the property manager on behalf of the Trustees assesses property valuation movements when compared to the prior year valuation report and holds discussions with the independent valuers with regards to the inputs used in the valuation.

At the end of each of the Relevant Periods, the investment property was pledged to secure term financing arrangements with a bank obtained by related parties (*note 21(c)*). Subsequent to the end of the Relevant Periods, on 27 January 2017, the pledge over the investment property was released.

The investment property is leased to third parties under operating leases, further summary details of which are included in note 18 to the Trust Financial Information. The leasehold interest of the property is owned by KS Leasehold S.à r.l. (“KS Leasehold”), a company controlled by Cityhold Sterling S.à r.l., the immediate holding company of the unitholders of the Unit Trust, during the Relevant Periods. KS Leasehold (owning the leasehold interest of the property) has a profit sharing agreement with the Unit Trust (being the landlord of the property), whereby there is a rental allocation to the Unit Trust of 50% of the net rental income earned by KS Leasehold. All the operating leases of the investment property are entered into by KS Leasehold.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Unit Trust’s investment property:

	Fair value measurement using significant unobservable inputs (Level 3) As at 31 December		
Recurring fair value measurement for:	2014	2015	2016
	<i>GBP’000</i>	<i>GBP’000</i>	<i>GBP’000</i>
Commercial property	<u>135,000</u>	<u>150,450</u>	<u>148,920</u>

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	<i>GBP’000</i>
Carrying amount at 1 January 2014	130,000
Gain from a fair value adjustment	<u>5,000</u>
Carrying amount at 31 December 2014 and 1 January 2015	135,000
Gain from a fair value adjustment	<u>15,450</u>
Carrying amount at 31 December 2015 and 1 January 2016	150,450
Loss from a fair value adjustment	<u>(1,530)</u>
Carrying amount at 31 December 2016	<u>148,920</u>

The fair value of the investment property was determined on a combination of the income approach and the sales comparison approaches. The income approach being deemed the most appropriate valuation method which derives the market value of the underlying property from the capitalisation of the property's net income. A market derived projection of the property's annual net operating income ("NOI") is calculated based on the current and expected lease arrangements as well as the occupant profiles, and after stamp duty, agent's fees, legal fees and transfer costs. This NOI is then capitalised in perpetuity using equivalent initial yields on core rental and other additional income. Allowance is made for any capital expenditure costs required as well as making provision for a vacancy factor based on historic letting experience.

The valuers derived an "Equivalent Yield" or "Capitalisation rate" for the investment property with reference to information in the market for comparable properties gathered from numerous sources including but not limited to other agents, the Land Registry database in UK and computer database subscribed to by the valuers.

In estimating the fair value of the investment property, the highest and best use basis is considered to be the current use (as an office building).

Below is a summary of the key inputs to the valuation of investment property:

Commercial property	Significant unobservable inputs	Value/Range
As at 31 December 2014	Equivalent yield Market rent	5.15% GBP7,099,728 (GBP54.53 psf)
As at 31 December 2015	Equivalent yield Market rent	4.66% GBP7,186,142 (GBP55.16 psf)
As at 31 December 2016	Equivalent yield Market rent	4.86% GBP7,218,290 (GBP 55.40 psf)

Sensitivity analysis:

Change in input	Impact on fair value: lower	Impact on fair value: higher
As at 31 December 2014		
Equivalent yield +/- 0.25%	GBP(6,630,000)	GBP7,395,000
Market rent -/+ 5% psf	GBP(4,717,500)	GBP5,610,000
As at 31 December 2015		
Equivalent yield +/- 0.25%	GBP(8,160,000)	GBP8,874,000
Market rent -/+ 5% psf	GBP(5,610,000)	GBP6,783,000
As at 31 December 2016		
Equivalent yield +/- 0.25%	GBP(7,344,000)	GBP8,364,000
Market rent -/+ 5% psf	GBP(5,253,000)	GBP7,140,000

Equivalent yield is the rate of return on a real estate investment property based on the expected income that the property will generate. Market rent is the generally accepted price to lease a space for commercial purposes. Generally, a decrease in the equivalent yield will result in an increase to the fair value of an investment property. An increase in the market rent will result in an increase to the fair value of an investment property.

11. Trade receivables

Trade receivables arise from the leasing of investment property and are non-interest bearing. Tenants of investment property are required to pay rental income quarterly in advance. Trade receivables as at 31 December 2016 represented the portion of rental income allocated from KS Leasehold which remained unsettled and receivable from KS Leasehold. The Unit Trust has appointed a property manager to ensure that rental contracts are entered into only with lessees with an appropriate credit history. A management memorandum is prepared by the property manager and approved by the Trustees to enter into such appropriate contracts.

An aged analysis of the trade receivables as at the end of each reporting period during the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		
	2014 <i>GBP'000</i>	2015 <i>GBP'000</i>	2016 <i>GBP'000</i>
Within 3 months	<u>470</u>	<u>–</u>	<u>717</u>

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at 31 December		
	2014 <i>GBP'000</i>	2015 <i>GBP'000</i>	2016 <i>GBP'000</i>
Less than 3 months past due	<u>470</u>	<u>–</u>	<u>717</u>

Receivables that were past due but not impaired relate to customers for whom there were no recent history of default.

12. Prepayments and other receivables

	As at 31 December		
	2014 <i>GBP'000</i>	2015 <i>GBP'000</i>	2016 <i>GBP'000</i>
Receivable from unitholders	264	381	567
Prepayments	8	9	10
Other receivables	<u>–</u>	<u>1</u>	<u>–</u>
	<u>272</u>	<u>391</u>	<u>577</u>

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

At 31 December 2014, 2015 and 2016, the receivable from unitholders related to VAT payable to be collected from unitholders. The balance was unsecured and interest-free.

13. Cash and cash equivalents

	As at 31 December		
	2014	2015	2016
	GBP'000	GBP'000	GBP'000
Cash and bank balances	<u>4</u>	<u>1</u>	<u>7</u>

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

14. Other payables and accruals

	As at 31 December		
	2014	2015	2016
	GBP'000	GBP'000	GBP'000
Rent receipts in advance	1,653	1,666	1,664
Other payables	270	387	567
Accruals	<u>27</u>	<u>118</u>	<u>260</u>
	<u>1,950</u>	<u>2,171</u>	<u>2,491</u>

Other payables are non-interest-bearing.

15. Unitholders' capital

	As at 31 December		
	2014	2015	2016
	GBP'000	GBP'000	GBP'000
Issued and fully paid: 19,515,571 trust units	<u>19,516</u>	<u>19,516</u>	<u>19,516</u>

There were no movements in the Unit Trust's unitholders' capital during the Relevant Periods.

16. Reserves

The amounts of the Unit Trust's reserves and the movements therein for each of the Relevant Periods are presented in the statement of changes in net assets attributable to unitholders.

17. Contingent liabilities

At the end of each of the Relevant Periods, the Unit Trust did not have any significant contingent liabilities.

18. Operating lease arrangement***As lessor***

The Unit Trust owns the freehold interest of the investment property situated at 1 Kingdom Street, London W2, which has been tenanted to various tenants under operating lease agreements entered into by KS Leasehold. The leasehold element is owned by KS Leasehold. The Unit Trust as landlord receives fifty percent of the net rental income receivable under the operating leases from KS Leasehold.

At the end of each of the Relevant Periods, the Unit Trust had total future minimum lease receivables (being 50% rental allocation from KS Leasehold) under non-cancellable operating leases falling due as follows:

	As at 31 December		
	2014	2015	2016
	<i>GBP'000</i>	<i>GBP'000</i>	<i>GBP'000</i>
Within one year	7,210	7,210	7,210
In the second to fifth years, inclusive	28,840	28,840	28,840
After five years	<u>34,996</u>	<u>27,784</u>	<u>20,574</u>
	<u><u>71,046</u></u>	<u><u>63,834</u></u>	<u><u>56,624</u></u>

19. Capital commitments

At the end of each of the Relevant Periods, the Unit Trust did not have any significant capital commitments.

20. Major non-cash transactions

The Unit Trust is entitled to fifty percent of the net rental income receivable under the operating leases from KS Leasehold. During the Relevant Periods, the cash received from operating leases were transferred directly from the appointed property manager to the unitholders of the Unit Trust as distributions.

21. Related party transactions

(a) In addition to the transactions detailed elsewhere in the Trust Financial Information, the Unit Trust had the following material transactions with related parties during the Relevant Periods:

	<i>Notes</i>	Year ended 31 December		
		2014	2015	2016
		<i>GBP'000</i>	<i>GBP'000</i>	<i>GBP'000</i>
Rental income allocated from KS Leasehold		7,170	7,223	7,220
Legal and professional fees paid to:				
Cityhold UK Asset Management Limited	<i>(i)</i>	57	39	–
Henderson Real Estate Asset Management Limited	<i>(i)</i>	–	69	280
JTC (Jersey) Limited (“JTC”)	<i>(ii)</i>	2	1	1
Trustees’ fees paid to JTC	<i>(ii)</i>	8	8	9
Administration and accounting fees paid to JTC	<i>(ii)</i>	<u>75</u>	<u>100</u>	<u>111</u>

Notes:

- (i) Cityhold UK Asset Management Limited and Henderson Real Estate Asset Management Limited were subsidiaries under same ultimate ownership as the Unit Trust during the Relevant Periods. The transactions were conducted on terms and conditions mutually agreed between the relevant parties.
- (ii) The Unit Trust is under the fiduciary control of the Trustees. The directors of the Trustees are employees of JTC.

(b) Outstanding balances with related parties

- (i) Other than balances with related parties as disclosed in note 12 to the Trust Financial Information, the Unit Trust had the following outstanding balances with related parties as at the end of each of the Relevant Periods:

	Year ended 31 December		
	2014	2015	2016
	<i>GBP'000</i>	<i>GBP'000</i>	<i>GBP'000</i>
JTC			
Prepaid trustees' fees included in prepayments	6	9	9
Administration and accounting fees included in other payables and accruals	12	21	41
	<u>12</u>	<u>21</u>	<u>41</u>

- (ii) Details of trade receivable from KS Leasehold as at 31 December 2016 are disclosed in note 11 to the Trust Financial Information.

(c) Other transactions with related parties

Cityhold Participations S.à r.l. (“Cityhold Participations”) and KS Freehold S.à r.l. (“KS Freehold”), both were unitholders of the Unit Trust during the Relevant Periods, and KS Leasehold had entered into secured term financing arrangements in the sum of GBP140,000,000 with Nykredit Realkredit AS. As part of the secured financing arrangements, shares in Cityhold Participation, KS Freehold and KS Leasehold, units in the Unit Trust held by Cityhold Participations and KS Freehold, certain bank accounts held by Cityhold Participations, KS Freehold, KS Leasehold and the Trustees of the Unit Trust as well as investment property held by KS Leasehold and the Unit Trust were pledged. In addition, Cityhold Participations, KS Freehold, KS Leasehold and the Trustees of the Unit Trust had provided joint and several guarantees to secure the bank loans. The principals borrowed by KS Leasehold, KS Freehold and Cityhold Participations under the financing arrangements during the Relevant Periods amounted to GBP70,000,000, GBP69,821,000 and GBP179,000, respectively.

Subsequent to the end of the Relevant Periods, on 27 January 2017, the above pledges and guarantees were released upon early repayment of the related bank loans.

22. Financial instruments by category

All financial assets and liabilities of the Unit Trust as at the end of each of the Relevant Periods are loans and receivables, and financial liabilities at amortised cost, respectively.

The carrying amounts and fair values of the Unit Trust's financial instruments reasonably approximate to fair values.

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments and other receivables, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

23. Financial risk management objectives and policies

The main risks arising from the Unit Trust's financial instruments comprise market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Trustees reviews and agrees policies for managing each of these risks and they are summarised below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Foreign currency risk

The Unit Trust's foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Unit Trust has no material foreign currency risk as there are no financial instruments denominated in a non-functional currency.

(ii) Interest rate risk

The Unit Trust's exposure to interest rate risk is limited to the interest rates on bank balances with floating rates and is considered to be immaterial due to the prevalent low interest rate. A sensitivity analysis for the interest rate risk has therefore not been presented.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Unit Trust has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents, trade receivables and other receivables, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

Liquidity risk is the risk that the Unit Trust may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. Liquidity risk is managed and monitored by the manager of the Unit Trust.

The Unit Trust's financial liabilities as at the end of each of the Relevant Periods were payable within one year.

Capital management

The Unit Trust's objectives when managing capital is to safeguard the ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders; and to maintain and optimal capital structure to reduce the cost of capital.

The Unit Trust manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Unit Trust in respect of any period subsequent to 31 December 2016.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE UNIT TRUST

Set out below is the management discussion and analysis of the Unit Trust for each of the financial years ended 31 December 2014, 2015 and 2016.

The Unit Trust was constituted in Jersey and the principal activity of the Unit Trust was property investment.

Business Review

The principal asset of the Unit Trust is the freehold interest of the London Property, which comprises approximately 265,000 square feet spreading over two basement floors plus nine upper storeys of Grade A office accommodation. This investment property is leased to third parties under operating leases, whereby 50% of the rental income was allocated to KS Leasehold under a profit sharing agreement. As at 31 December 2016, the office areas were fully rented and the average rent per square feet per year was approximately GBP55 (equivalent to approximately HK\$542).

Financial Review

Revenue

An analysis of the Unit Trust's revenue for the years ended 31 December 2014, 2015 and 2016 is as follow:

	2014	2015	2016
	<i>GBP'000</i>	<i>GBP'000</i>	<i>GBP'000</i>
Gross rental income	<u>7,170</u>	<u>7,223</u>	<u>7,220</u>

Rental income is derived from leasing the London Property to tenants. For the years ended 31 December 2014, 2015 and 2016, since the London Property was almost fully rented and there was no rent review during the period, the revenue was relatively stable. According to the respective tenancy agreements with tenants, rent is usually reviewed every 5 years and the next rent review period will be in 2018 for most of the tenancy agreements.

Fair value changes on the investment property

The fair value gains on the investment property for the years ended 31 December 2014 and 2015 were GBP5,000,000 and GBP15,450,000 respectively, while the fair value loss for the year ended 31 December 2016 was GBP1,530,000. The fair value was determined by an independent professional valuer based on a combination of the income approach and the sales comparison approach.

Liquidity and Financial Resources

The Unit Trust is entitled to 50% of the net rental income of the London Property and the rental income is transferred directly to the unitholders of the Unit Trust as distributions. Our Company would provide continual financial support and adequate funds for the Unit Trust to meet its liabilities as and when they fall due. Cash and bank balances denominated in GBP amounted to GBP4,000, GBP1,000 and GBP7,000 as at 31 December 2014, 2015 and 2016, respectively.

There was no bank and other borrowings as at 31 December 2014, 2015 and 2016.

Contingent Liabilities

As at 31 December 2014, 2015 and 2016, the Unit Trust did not have any significant contingent liabilities.

Pledge of Assets

As at 31 December 2014, 2015 and 2016, investment property in the amount of GBP135,000,000, GBP150,450,000 and GBP148,920,000, respectively, was pledged to secure term financing arrangements with a bank.

Foreign Currency Risks

The Unit Trust operates in UK, its revenue and expenses are mainly denominated in GBP, therefore it is not exposed to material foreign exchange risks. The Trustees expect that any fluctuation of GBP's exchange rate will not have any material adverse effects on the operation of the Unit Trust. The Trustees will continue to closely monitor and manage the Unit Trust's exposure to fluctuations in the GBP exchange rates.

Material investments

During the years ended 31 December 2014, 2015 and 2016, the Unit Trust did not have any future plans for material investments.

Employees

During the years ended 31 December 2014, 2015 and 2016, the Unit Trust did not hire any employee, the management of the London Property were outsourced to external service providers.

1. ACCOUNTANTS' REPORT

The following is the text of a report received from the reporting accountants of our Company, Ernst & Young, Certified Public Accountants, Hong Kong prepared for the purpose of incorporation in this Circular



22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

9 March 2017

The Board of Directors
C C Land Holdings Limited

Dear Sirs,

We set out below our report on the financial information of KS Leasehold S.à r.l. (“KS Leasehold”) comprising the statements of profit or loss and other comprehensive income, the statements of changes in equity, the statements of cash flows for each of the years ended 31 December 2014, 2015 and 2016 (the “Relevant Periods”), and the statements of financial position of KS Leasehold as at 31 December 2014, 2015 and 2016, together with the notes thereto (the “KS Leasehold Financial Information”), prepared on the bases of presentation and preparation set out in notes 2.1 and 2.2, respectively of Section II below, for inclusion in the circular of C C Land Holdings Limited (the “Company” or “C C Land”) dated 9 March 2017 (the “Circular”) in connection with the acquisition of 100% equity interests in KS Leasehold (the “Leasehold Acquisition”).

KS Leasehold was incorporated on 29 September 2011 and organised under the laws of the Grand Duchy of Luxembourg (“Luxembourg”) as a private limited liability company. The principal activity of KS Leasehold is property investment.

KS Leasehold has adopted 31 December as its financial year end date. The statutory financial statements of KS Leasehold for the years ended 31 December 2014 and 2015 were prepared in accordance with Luxembourg legal and regulatory requirements and generally accepted accounting principles applicable in Luxembourg and were audited by Ernst & Young S.A. and PricewaterhouseCoopers, certified public accountants registered in Luxembourg, respectively. As at the date of this report, the statutory financial statements of KS Leasehold for the year ended 31 December 2016 have not been prepared.

For the purpose of this report, the management of KS Leasehold has prepared the financial statements of KS Leasehold for the Relevant Periods (the “KS Leasehold Underlying Financial Statements”) in accordance with International Financial Reporting Standards (“IFRSs”) issued by International Accounting Standards Board (“IASB”). The KS Leasehold Underlying Financial Statements for each of the years ended 31 December 2014, 2015 and 2016 were audited by Ernst & Young S.A..

The KS Leasehold Financial Information set out in this report has been prepared from the KS Leasehold Underlying Financial Statements with no adjustments made thereon.

Management's responsibility

The management of KS Leasehold is responsible for the preparation of the KS Leasehold Underlying Financial Statements and the KS Leasehold Financial Information that give a true and fair view in accordance with IFRSs, and for such internal control as the management of KS Leasehold determines is necessary to enable the preparation of the KS Leasehold Underlying Financial Statements and the KS Leasehold Financial Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion on the KS Leasehold Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have examined the KS Leasehold Underlying Financial Statements and have carried out procedures on the KS Leasehold Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Opinion in respect of the KS Leasehold Financial Information

In our opinion, for the purpose of this report, the KS Leasehold Financial Information gives a true and fair view of the financial position of KS Leasehold as at 31 December 2014, 2015 and 2016 and of the financial performance and cash flows of KS Leasehold for each of the Relevant Periods.

I. THE KS LEASEHOLD FINANCIAL INFORMATION

(A) STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December		
		2014	2015	2016
		<i>GBP'000</i>	<i>GBP'000</i>	<i>GBP'000</i>
REVENUE	6	10,022	9,989	9,892
Direct operating expenses		<u>(2,854)</u>	<u>(2,766)</u>	<u>(2,693)</u>
Gross profit		7,168	7,223	7,199
Other income and gains, net	6	5,027	14,604	10,743
Administrative expenses		(148)	(302)	(433)
Other expenses	7	(4,316)	(3,928)	(1,470)
Finance income		18	40	43
Finance costs	8	<u>(4,722)</u>	<u>(4,365)</u>	<u>(5,060)</u>
PROFIT BEFORE TAX	9	3,027	13,272	11,022
Income tax credit/(expense)	10	<u>110</u>	<u>(390)</u>	<u>(1,485)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>3,137</u></u>	<u><u>12,882</u></u>	<u><u>9,537</u></u>

(B) STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December		
		2014 GBP'000	2015 GBP'000	2016 GBP'000
NON-CURRENT ASSET				
Investment property	12	<u>129,950</u>	<u>144,550</u>	<u>143,080</u>
CURRENT ASSETS				
Trade receivables	13	1,269	1,199	2,521
Other receivables	14	28	24	10
Derivative financial instruments	18	–	–	4,282
Cash and cash equivalents	15	<u>3,777</u>	<u>11,526</u>	<u>10,726</u>
Total current assets		<u>5,074</u>	<u>12,749</u>	<u>17,539</u>
CURRENT LIABILITIES				
Trade payables	16	–	12	717
Other payables	17	2,360	3,629	2,854
Derivative financial instruments	18	–	–	197
Bank and other borrowings	19	–	4,142	74,449
Tax payable		<u>362</u>	<u>290</u>	<u>351</u>
Total current liabilities		<u>2,722</u>	<u>8,073</u>	<u>78,568</u>
NET CURRENT ASSETS/ (LIABILITIES)		<u>2,352</u>	<u>4,676</u>	<u>(61,029)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>132,302</u>	<u>149,226</u>	<u>82,051</u>
NON-CURRENT LIABILITIES				
Derivative financial instruments	18	2,738	6,659	–
Bank and other borrowings	19	95,588	95,709	25,850
Deferred tax liabilities	20	–	–	1,106
Total non-current liabilities		<u>98,326</u>	<u>102,368</u>	<u>26,956</u>
Net assets		<u>33,976</u>	<u>46,858</u>	<u>55,095</u>
EQUITY				
Share capital and share premium	21	24,300	24,300	24,300
Legal reserve	22	453	500	500
Retained earnings	22	<u>9,223</u>	<u>22,058</u>	<u>30,295</u>
Total equity		<u>33,976</u>	<u>46,858</u>	<u>55,095</u>

(C) STATEMENTS OF CHANGES IN EQUITY

	Attributable to the owner of KS Leasehold				Total Equity GBP'000
	Share capital GBP'000 (note 21)	Share premium GBP'000 (note 21)	Legal reserve* GBP'000	Retained profits/ (accumulated losses) GBP'000	
At 1 January 2014	5,000	19,300	97	8,242	32,639
Profit and total comprehensive income for the year	-	-	-	3,137	3,137
Transfer to legal reserve	-	-	356	(356)	-
Dividend approved	-	-	-	(1,800)	(1,800)
At 31 December 2014 and 1 January 2015	5,000	19,300	453	9,223	33,976
Profit and total comprehensive income for the year	-	-	-	12,882	12,882
Transfer to legal reserve	-	-	47	(47)	-
At 31 December 2015 and 1 January 2016	5,000	19,300	500	22,058	46,858
Profit and total comprehensive income for the year	-	-	-	9,537	9,537
Dividend approved	-	-	-	(1,300)	(1,300)
At 31 December 2016	<u>5,000</u>	<u>19,300</u>	<u>500</u>	<u>30,295</u>	<u>55,095</u>

* In accordance with Luxembourg company law, KS Leasehold is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance on the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders.

(D) STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		
		2014 GBP'000	2015 GBP'000	2016 GBP'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		3,027	13,272	11,022
Adjustments for:				
Finance income	6	(18)	(40)	(43)
Finance costs	8	4,722	4,365	5,060
Fair value loss/(gain) on an investment property	6,7	(5,000)	(14,600)	1,470
Fair value loss/(gain) on derivative financial instruments, net	6,7	4,304	3,921	(10,743)
		7,035	6,918	6,766
Decrease/(increase) in trade receivables		74	70	(1,322)
Decrease/(increase) in other receivables		503	4	13
Increase/(decrease) in trade payables		(105)	12	705
Increase/(decrease) in other payables		(1,343)	1,236	(775)
Cash generated from operations		6,164	8,240	5,387
Interest received		18	40	43
Tax paid		(388)	(429)	(318)
Net cash flows from operating activities		5,794	7,851	5,112
CASH FLOWS FROM FINANCING ACTIVITIES				
New other borrowing		–	4,500	–
Interest paid		(4,601)	(4,602)	(4,612)
Dividends paid		(1,800)	–	(1,300)
Net cash flows used in financing activities		(6,401)	(102)	(5,912)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of year		4,384	3,777	11,526
CASH AND CASH EQUIVALENTS AT END OF YEAR				
		3,777	11,526	10,726
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances		3,777	11,526	10,726

II. NOTES TO THE KS LEASEHOLD FINANCIAL INFORMATION

1. Corporate information

KS Leasehold is a private limited liability company incorporated in Luxembourg. The registered office of KS Leasehold is located at 4a, rue Henri Schnadt, L-2530, Luxembourg.

The principal activity of KS Leasehold during the Relevant Periods was property investment.

As at the end of the Relevant Periods, in the opinion of the management of KS Leasehold, Cityhold Sterling S.à r.l, a company incorporated in Luxembourg, was the immediate holding company of KS Leasehold, and Cityhold Office Partnership S.à r.l., a company incorporated in Luxembourg, was the ultimate holding company of KS Leasehold.

Subsequent to the end of the Relevant Periods, on 27 January 2017, the entire share capital of KS Leasehold was transferred from Cityhold Sterling S.à r.l. to Fortune Point Holdings Limited (“Fortune Point”), a company incorporated in the British Virgin Islands. In the opinion of the management of KS Leasehold, as at the date of this report, Fortune Point is the immediate holding company of KS Leasehold and C C Land is the ultimate holding company of KS Leasehold.

2.1 Basis of presentation

Despite KS Leasehold’s net current liabilities as at 31 December 2016, the KS Leasehold Financial Information has been prepared by the management of KS Leasehold under the going concern concept because C C Land has agreed to provide continual financial support and adequate funds for KS Leasehold to meet its liabilities as and when they fall due.

2.2 Basis of preparation

The KS Leasehold Financial Information has been prepared in accordance with IFRSs issued by IASB.

All IFRSs effective for the accounting period commencing from 1 January 2016 have been early adopted in the preparation of the KS Leasehold Financial Information throughout the Relevant Periods.

The KS Leasehold Financial Information has been prepared under the historical cost convention, except for the investment property and derivative financial instruments which have been measured at fair value. The KS Leasehold Financial Information is presented in Great British Pound (“GBP”) and all values are rounded to the nearest thousand except when otherwise indicated.

3. Issued but not yet effective IFRSs

KS Leasehold has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the KS Leasehold Financial Information.

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

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ No mandatory effective date yet determined but available for adoption

KS Leasehold is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application.

4. Summary of significant accounting policies

Fair value measurement

KS Leasehold measures its investment property and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by KS Leasehold. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

Related parties

A party is considered to be related to KS Leasehold if:

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

or

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

Investment property

Investment property is an interest in land and building (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the end of the reporting period.

Gain or loss arising from change in the fair value of investment property is included in profit or loss in the year in which they arise.

Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of the retirement or disposal.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where KS Leasehold is the lessor, assets leased by KS Leasehold under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss or as loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that KS Leasehold commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Derivatives are classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Derivatives classified as held for trading are carried in the statement of financial position at fair value with net fair value changes recognised in accordance with the policies set out for “Derivative financial instruments” below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in other expenses.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from KS Leasehold's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- KS Leasehold has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) KS Leasehold has transferred substantially all the risks and rewards of the asset, or (b) KS Leasehold has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When KS Leasehold has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, KS Leasehold continues to recognise the transferred asset to the extent of KS Leasehold's continuing involvement. In that case, KS Leasehold also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that KS Leasehold has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that KS Leasehold could be required to repay.

Impairment of financial assets

KS Leasehold assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, KS Leasehold first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If KS Leasehold determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to KS Leasehold.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or as loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

KS Leasehold's financial liabilities include trade payables, other payables, derivative financial instruments and bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities held for trading include derivative financial instruments entered into by KS Leasehold that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivative financial instruments classified as held for trading are carried in the statement of financial position at fair value with net fair value changes recognised in accordance with the policies set out for "Derivative financial instruments" below.

Loans and borrowings

After initial recognition, bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

KS Leasehold uses derivative financial instruments, such as cross currency swap and interest rate swap, to hedge its foreign currency risk and interest rate risk. The derivative financial instruments are not designated as hedging instruments in hedge relationships as defined by IAS 39. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows). Where KS Leasehold expects to hold a derivative for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

Cash and cash equivalents

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

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which KS Leasehold operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are provided in full while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to KS Leasehold and when the revenue can be measured reliably. Rental income from property is recognised in the period in which the property is let and on a straight-line basis over the lease terms. Property management fee income is recognised when services have been rendered.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the sole shareholder.

5. Significant accounting judgements and estimates

The preparation of the KS Leasehold Financial Information requires management to make judgement, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying KS Leasehold's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the KS Leasehold Financial Information.

Operating lease commitments – as lessor

KS Leasehold has determined, based on evaluation of terms and conditions of the lease arrangements on its investment property, that it retains all the significant risks and rewards of ownership of this property which is leased out on operating leases.

Classification between investment property and owner-occupied property

KS Leasehold determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, KS Leasehold considers whether a property generates cash flows largely independently of the other assets held by KS Leasehold.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, KS Leasehold accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

Impairment of receivables

KS Leasehold records impairment of receivables based on assessment of the recoverability of receivables. The identification of impairment requires management judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact on the carrying amount of the receivables and impairment losses/reversal of impairment losses in the period in which such estimate has been changed.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation of fair value of investment property

The fair value of KS Leasehold's investment property was determined principally using cash flow projections based on estimates of current and future cash flows, supported by external evidence such as current market rents for similar properties in the same location and condition, and using capitalisation rates that reflect current market conditions. The future rental rates, equivalent yield, and capital value per square foot ("psf") were estimated depending on the actual location, type and quality of the investment property, and taking into account market data and projections at the valuation date.

Estimation of fair value of derivative financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. KS Leasehold places reliance on monthly valuations prepared by the counterparty. The judgements and assumptions are mainly based on market conditions existing at the end of each reporting period.

6. Revenue, other income and gains, net

Revenue represents gross rental income received and receivable and property management fee income received and receivable from an investment property during the Relevant Periods.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December		
	2014	2015	2016
	GBP'000	GBP'000	GBP'000
Revenue			
Gross rental income and property management fee income*	<u>10,022</u>	<u>9,989</u>	<u>9,892</u>
Other income and gains, net			
Fair value gain on an investment property	5,000	14,600	–
Fair value gain on derivative financial instruments, net	–	–	10,743
Others	<u>27</u>	<u>4</u>	<u>–</u>
	<u>5,027</u>	<u>14,604</u>	<u>10,743</u>

* Net of the rental income allocated to the Paddington Central III Unit Trust (the "Unit Trust"), a trust controlled by Cityhold Sterling S.à r.l. during the Relevant Periods, as further discussed in note 12 to the KS Leasehold Financial Information.

7. Other expenses

An analysis of other expenses is as follows:

	Year ended 31 December		
	2014	2015	2016
	GBP'000	GBP'000	GBP'000
Fair value loss on an investment property	–	–	1,470
Fair value loss on derivative financial instruments, net	4,304	3,921	–
Others	<u>12</u>	<u>7</u>	<u>–</u>
	<u>4,316</u>	<u>3,928</u>	<u>1,470</u>

8. Finance costs

An analysis of finance costs is as follows:

	Year ended 31 December		
	2014	2015	2016
	GBP'000	GBP'000	GBP'000
Interest on a bank loan	2,650	2,648	2,650
Interest on a loan from Cityhold Property AB (note 26(a)(ii))	2,072	1,550	–
Interest on a loan from Cityhold Office Partnership S.à r.l (note 26(a)(ii))	<u>–</u>	<u>167</u>	<u>2,410</u>
	<u>4,722</u>	<u>4,365</u>	<u>5,060</u>

9. Profit before tax

Profit before tax is arrived at after charging:

	Year ended 31 December		
	2014	2015	2016
	<i>GBP'000</i>	<i>GBP'000</i>	<i>GBP'000</i>
Direct operating expenses arising from rental-earning property	<u>2,854</u>	<u>2,766</u>	<u>2,693</u>

10. Income tax

KS Leasehold is subject to tax in Luxembourg in accordance with the applicable general Luxembourg tax regulations. KS Leasehold is liable to Luxembourg minimum corporate income tax during the Relevant Periods.

As a non-resident landlord, United Kingdom ("UK") income tax is payable by KS Leasehold at 20% on net rental profit for each 12 month period ending 5 April.

	Year ended 31 December		
	2014	2015	2016
	<i>GBP'000</i>	<i>GBP'000</i>	<i>GBP'000</i>
Current charges for the year	348	390	379
Deferred tax (<i>note 20</i>)	<u>(458)</u>	<u>–</u>	<u>1,106</u>
Total tax expense/(credit)	<u>(110)</u>	<u>390</u>	<u>1,485</u>

A reconciliation of the tax expense applicable to profit before tax at Luxembourg minimum corporate income tax rate to the tax expense/(credit) at the effective tax rate is as follows:

	Year ended 31 December		
	2014	2015	2016
	<i>GBP'000</i>	<i>GBP'000</i>	<i>GBP'000</i>
Profit before tax	<u>3,027</u>	<u>13,272</u>	<u>11,022</u>
Tax at Luxembourg minimum corporate income tax rate	885	3,878	3,221
Effect of lower tax rates in the UK	(212)	(307)	(188)
Less: UK income capital allowances	(157)	(139)	(166)
Add/(less): non-taxable loss/income on investment property	(1,461)	(4,266)	430
Add: non-deductible expenses	35	78	80
Add/(less): deferred tax not recognised on derivatives	<u>800</u>	<u>1,146</u>	<u>(1,892)</u>
Tax expense/(credit) at the effective tax rate	<u>(110)</u>	<u>390</u>	<u>1,485</u>

11. Dividends

	Year ended 31 December		
	2014	2015	2016
	<i>GBP'000</i>	<i>GBP'000</i>	<i>GBP'000</i>
Final dividends	<u>1,800</u>	<u>–</u>	<u>1,300</u>

At the 2013 Annual General Meeting held on 15 May 2014, it was resolved to distribute GBP1,800,000 (at GBP0.36 per share) to the then sole shareholder of KS Leasehold. At the 2015 Annual General Meeting held on 30 June 2016, it was resolved to distribute GBP1,300,000 (at GBP0.26 per share) to the then sole shareholder of KS Leasehold.

12. Investment property

	As at 31 December		
	2014	2015	2016
	<i>GBP'000</i>	<i>GBP'000</i>	<i>GBP'000</i>
Carrying amount at 1 January	124,950	129,950	144,550
Net gain/(loss) from a fair value adjustment	<u>5,000</u>	<u>14,600</u>	<u>(1,470)</u>
Carrying amount at 31 December	<u>129,950</u>	<u>144,550</u>	<u>143,080</u>

The investment property consists of the leasehold commercial property known as 1 Kingdom Street, London, W2 6BD, UK and the related freehold “Crossrail box”, the area below the podium currently being used by Crossrail until 2018.

The investment property was revalued on 31 December 2014, 2015 and 2016 based on valuations performed by Knight Frank LLP (“Knight Frank”), independent professionally qualified valuers, at GBP129,950,000, GBP144,550,000 and GBP143,080,000, respectively. The management of KS Leasehold reviews the valuations performed by the independent valuers for financial reporting purposes and raises any queries on the values or valuation inputs. At each financial year end, the management of KS Leasehold assesses property valuation movements when compared to the prior year valuation report and holds discussions with the independent valuers with regards to the inputs used in the valuation.

The investment property is leased to third parties under operating leases, further summary details of which are included in note 24 to the KS Leasehold Financial Information. The freehold interest of the property is owned by the Unit Trust. KS Leasehold (owning the leasehold interest of the property) has a profit sharing agreement with the Unit Trust (being the landlord of the property), whereby there is a rental allocation to the Unit Trust of 50% of the net rental income earned by KS Leasehold.

At the end of each of the Relevant Periods, the investment property was pledged to secure term financing arrangements with a bank obtained by KS Leasehold and certain related parties (*note 26(c)*). Subsequent to the end of the Relevant Periods, on 27 January 2017, the pledge over the investment property was released.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the investment property:

**Fair value measurement using
significant unobservable inputs (Level 3)
As at 31 December**

2014	2015	2016
<i>GBP'000</i>	<i>GBP'000</i>	<i>GBP'000</i>

Recurring fair value measurement for:

Commercial property	129,950	144,550	143,080
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During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	<i>GBP'000</i>
Carrying amount at 1 January 2014	124,950
Gain from a fair value adjustment	5,000
Carrying amount at 31 December 2014 and 1 January 2015	129,950
Gain from a fair value adjustment	14,600
Carrying amount at 31 December 2015 and 1 January 2016	144,550
Loss from a fair value adjustment	(1,470)
Carrying amount at 31 December 2016	143,080

The fair value of the investment property was determined on a combination of the income approach and the sales comparison approach. The income approach being deemed the most appropriate valuation method which derives the market value of the underlying property from the capitalisation of the property's net income. A market derived projection of the property's annual net operating income ("NOI") is calculated based on the current and expected lease arrangements as well as the occupant profiles, and after stamp duty, agent's fees, legal fees and transfer costs. This NOI is then capitalised in perpetuity using equivalent initial yields on core rental and other additional income. Allowance is made for any capital expenditure costs required as well as making provision for a vacancy factor based on historic letting experience.

The valuers derived an "Equivalent Yield" or "Capitalisation rate" for the investment property with reference to information in the market for comparable properties gathered from numerous sources including but not limited to other agents, the Land Registry database in UK and computer database subscribed to by the valuers.

In estimating the fair value of the investment property, the highest and best use basis is considered to be the current use (as an office building).

Below is a summary of the key inputs to the valuation of investment property:

Commercial property	Significant unobservable inputs	Value/Range
As at 31 December 2014	Initial yield	5.15%
	Market rent	GBP14,199,456 (GBP54.53 psf)
As at 31 December 2015	Initial yield	4.66%
	Market rent	GBP14,372,284 (GBP 55.16 psf)
As at 31 December 2016	Initial yield	4.86%
	Market rent	GBP14,436,579 (GBP55.40 psf)

Sensitivity analysis (for the leasehold portion owned by KS Leasehold only):

Change in input	Impact on fair value: lower	Impact on fair value: higher
As at 31 December 2014		
Equivalent yield +/- 0.25%	GBP(6,370,000)	GBP7,105,000
Market rent +/- 5% psf	GBP(4,532,500)	GBP5,390,000
As at 31 December 2015		
Equivalent yield +/- 0.25%	GBP(7,840,000)	GBP8,526,000
Market rent +/- 5% psf	GBP(5,390,000)	GBP6,517,000
As at 31 December 2016		
Equivalent yield +/- 0.25%	GBP(7,056,000)	GBP8,036,000
Market rent +/- 5% psf	GBP(5,047,000)	GBP6,860,000

Equivalent yield is the rate of return on a real estate investment property based on the expected income that the property will generate. Market rent is the generally accepted price to lease a space for commercial purposes. Generally, a decrease in the equivalent yield will result in an increase to the fair value of an investment property. An increase in the market rent will result in an increase to the fair value of an investment property.

13. Trade receivables

Trade receivables arise from the leasing of investment property and are non-interest bearing. Tenants of investment property are required to pay rental income quarterly in advance. Trade receivables represented unsettled balances of rental income. KS Leasehold has appointed a property manager to ensure that rental contracts are entered into only with lessees with an appropriate credit history. A management memorandum is prepared by the property manager and approved by the management of KS Leasehold to enter into such appropriate contracts.

An aged analysis of the trade receivables as at the end of each reporting period during the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	As at 31 December		
	2014	2015	2016
	<i>GBP'000</i>	<i>GBP'000</i>	<i>GBP'000</i>
Within 3 months	<u>1,269</u>	<u>1,199</u>	<u>2,521</u>

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at 31 December		
	2014	2015	2016
	<i>GBP'000</i>	<i>GBP'000</i>	<i>GBP'000</i>
Less than 3 months past due	<u>1,269</u>	<u>1,199</u>	<u>2,521</u>

Receivables that were past due but not impaired relate to customers for whom there were no recent history of default.

14. Other receivables

	As at 31 December		
	2014	2015	2016
	<i>GBP'000</i>	<i>GBP'000</i>	<i>GBP'000</i>
Receivable from Cityhold UK Asset Management Limited	23	–	–
Sundry receivables	<u>5</u>	<u>24</u>	<u>10</u>
	<u>28</u>	<u>24</u>	<u>10</u>

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

As at 31 December 2014, the amount receivable from Cityhold UK Asset Management Limited, a subsidiary of Cityhold Property AB, was unsecured, interest-free and repayable on demand.

15. Cash and cash equivalents

	As at 31 December		
	2014	2015	2016
	<i>GBP'000</i>	<i>GBP'000</i>	<i>GBP'000</i>
Cash and bank balances	<u>3,777</u>	<u>11,526</u>	<u>10,726</u>

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

As at 31 December 2015 and 2016, a bank balance of GBP7,500,000 was pledged in favour of the relevant bank as required under the cross currency swap and interest rate swap agreements.

16. Trade payables

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 31 December		
	2014 GBP'000	2015 GBP'000	2016 GBP'000
Within 3 months	–	12	717

The trade payables are non-interest-bearing. Trade payable as at 31 December 2016 represented the portion of rental income allocated to the Unit Trust which remained unsettled as at year end and was payable to the Unit Trust.

17. Other payables

	As at 31 December		
	2014 GBP'000	2015 GBP'000	2016 GBP'000
Interest payable	522	1,045	523
Rent receipts in advance	1,639	2,278	1,688
Sundry payables	199	306	643
	<u>2,360</u>	<u>3,629</u>	<u>2,854</u>

Other payables are non-interest-bearing.

18. Derivative financial instruments

	Assets		
	As at 31 December		
	2014 GBP'000	2015 GBP'000	2016 GBP'000
Cross currency swap – current	–	–	4,282
	<u>–</u>	<u>–</u>	<u>4,282</u>
	Liabilities		
	As at 31 December		
	2014 GBP'000	2015 GBP'000	2016 GBP'000
Cross currency swap	1,831	5,979	–
Interest rate swap	907	680	197
	<u>2,738</u>	<u>6,659</u>	<u>197</u>
Portion classified as non-current:			
Cross currency swap	(1,831)	(5,979)	–
Interest rate swap	(907)	(680)	–
	<u>(2,738)</u>	<u>(6,659)</u>	<u>–</u>
Current portion	<u>–</u>	<u>–</u>	<u>197</u>

In 2012, KS Leasehold entered into a cross currency swap contract and an interest rate swap contract to manage its exchange rate and interest rate risk exposures related to a Danish Krone (“DKK”) denominated floating interest-bearing bank loan. The cross currency swap contract and interest rate swap contract are not designated for hedge purposes and is measured at fair value through profit or loss. Net gain/(loss) in the fair value of non-hedging currency derivatives amounting to GBP(4,304,000), GBP(3,921,000) and GBP10,743,000 were credited/(charged) to profit or loss during the years ended 31 December 2014, 2015 and 2016, respectively.

Subsequent to the end of the Relevant Periods, on 27 January 2017, KS Leasehold early terminated the derivative financial instruments as a result of the early repayment of the related loan borrowing.

19. Bank and other borrowings

	2014		As at 31 December 2015			2016			
	Effective interest rate	Maturity	GBP'000	Effective interest rate	Maturity	GBP'000	Effective interest rate	Maturity	GBP'000
Current									
Secured bank loan	-	-	-	-	-	-	3.61%	2017	69,976
Other borrowing from then ultimate holding company									
- Cityhold Office Partnership S.à r.l.	-	-	-	0%	2016	4,142	0%	On demand	4,473
			-			4,142			74,449
Non-current									
Secured bank loan	3.61%	2017	69,836	3.61%	2017	69,905	-	-	-
Other borrowing from then ultimate holding company									
- Cityhold Property AB	8%	2018	25,752	-	-	-	-	-	-
- Cityhold Office Partnership S.à r.l.	-	-	-	8%	2018	25,804	8%	2018	25,850
			95,588			95,709			25,850
			95,588			99,851			100,299

As at 31 December		
2014	2015	2016
GBP'000	GBP'000	GBP'000

Analysed into:

Bank loan repayable:

Within one year or on demand	-	-	69,976
In the second year	-	69,905	-
In the third to fifth years, inclusive	69,836	-	-
	69,836	69,905	69,976

Other borrowings repayable:

Within one year or on demand	-	4,142	4,473
In the second year	-	-	25,850
In the third to fifth years, inclusive	25,752	25,804	-
	25,752	29,946	30,323
	95,588	99,851	100,299

The bank loan as at 31 December 2014, 2015 and 2016 was denominated in DKK. This loan has been fixed by a cross currency swap resulting in a fixed GBP equivalent principal of GBP70,000,000 and an interest rate swap resulting in a fixed interest rate for KS Leasehold of 3.61%.

Subsequent to the end of the Relevant Periods, on 27 January 2017, the bank loan and other borrowings from then ultimate holding company were fully repaid.

Detail of the assets pledged and guarantees provided to secure the bank loan as at 31 December 2014, 2015 and 2016 are set out in note 26(c) to the KS Leasehold Financial Information.

20. Deferred tax liabilities

The movement of the deferred tax liabilities during the Relevant Periods is as follow:

	Fair value adjustment of derivative financial instruments GBP'000
At 1 January 2014	458
Deferred tax credited to profit or loss during the year	<u>(458)</u>
At 31 December 2014 and 1 January 2015	–
Deferred tax charged to profit or loss during the year	<u>–</u>
At 31 December 2015 and 1 January 2016	–
Deferred tax charged to profit or loss during the year	<u>(1,106)</u>
At 31 December 2016	<u><u>(1,106)</u></u>

There are no income tax consequences attaching to the payment of dividends by KS Leasehold to its shareholder.

21. Share capital and share premium

	As at 31 December		
	2014	2015	2016
	<i>GBP'000</i>	<i>GBP'000</i>	<i>GBP'000</i>
Authorised:			
5,000,000 shares of GBP1 each	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
Issued and fully paid:			
5,000,000 shares of GBP1 each	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
Share premium	<u>19,300</u>	<u>19,300</u>	<u>19,300</u>

There were no movements in KS Leasehold's share capital and share premium during the Relevant Periods.

22. Reserves

The amounts of KS Leasehold's reserves and the movements therein for each of the reporting period during the Relevant Periods are presented in the statements of changes in equity.

23. Contingent liabilities

At the end of each of the Relevant Periods, KS Leasehold did not have any significant contingent liabilities.

24. Operating lease arrangements*As lessor*

KS Leasehold leases its investment property (note 12) under operating lease arrangements, with leases negotiated for terms ranged from 14 years to 20 years. The freehold interest of the investment property is owned by the Unit Trust and the Unit Trust as landlord receives 50% of the net rental income earned by KS Leasehold.

At the end of each of the Relevant Periods, KS Leasehold had total future minimum lease receivables (before the 50% rental allocation to the Unit Trust) under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December		
	2014	2015	2016
	<i>GBP'000</i>	<i>GBP'000</i>	<i>GBP'000</i>
Within one year	14,315	14,315	14,421
In the second to fifth years, inclusive	57,263	57,263	57,680
After five years	<u>69,447</u>	<u>55,132</u>	<u>41,151</u>
	<u><u>141,025</u></u>	<u><u>126,710</u></u>	<u><u>113,252</u></u>

25. Capital commitments

At the end of each of the Relevant Periods, KS Leasehold did not have any significant capital commitments.

26. Related party transactions

- (a) In addition to the transactions detailed elsewhere in the KS Leasehold Financial Information, KS Leasehold had the following material transactions with related parties during the Relevant Periods:

	Notes	Year ended 31 December		
		2014 GBP'000	2015 GBP'000	2016 GBP'000
Rental income allocated to the Unit Trust		7,170	7,223	7,220
Service fees paid to:				
Cityhold Sterling S.à r.l.	(i)	15	13	13
Cityhold Property AB	(ii)	12	–	–
Cityhold Office Partnership S.à r.l.	(ii)	–	6	6
Asset management fee paid to Cityhold UK Asset Management Limited	(iii)	57	107	39
Interest expense to:				
Cityhold Property AB	(ii)	2,072	1,550	–
Cityhold Office Partnership S.à r.l.	(ii)	–	167	2,410

Notes:

- (i) Cityhold Sterling S.à r.l. was the immediate holding company of KS Leasehold during the Relevant Periods.
- (ii) Cityhold Property AB was the then ultimate holding company of KS Leasehold prior to the corporate restructuring effective from October 2015. After the corporate restructuring and up to the end of the Relevant Periods, Cityhold Office Partnership S.à r.l. was the ultimate holding company of KS Leasehold.
- (iii) Cityhold UK Asset Management Limited was a fellow subsidiary of KS Leasehold during the Relevant Periods.
- (iv) The above transactions were conducted on terms and conditions mutually agreed between the relevant parties.

(b) Outstanding balances with related parties

- (i) Details of other receivable from Cityhold UK Asset Management Limited as at the end of each of the Relevant Periods are disclosed in note 14 to the KS Leasehold Financial Information.
- (ii) Details of other borrowings from the then ultimate holding company as at the end of each of the Relevant Periods are disclosed in note 19 to the KS Leasehold Financial Information.
- (iii) Details of trade payable to the Unit Trust as at 31 December 2016 are disclosed in note 16 to the KS Leasehold Financial Information.

(c) Other transactions with related parties

Cityhold Participations S.à r.l. (“Cityhold Participations”) and KS Freehold S.à r.l. (“KS Freehold”), both were unitholders of the Unit Trust during the Relevant Periods, and KS Leasehold had entered into secured term financing arrangements in the sum of GBP140,000,000 with Nykredit Realkredit AS. As part of the secured financing arrangements, shares in Cityhold Participation, KS Freehold and KS Leasehold, units in the Unit Trust held by Cityhold Participations and KS Freehold, certain bank accounts held by Cityhold Participations, KS Freehold, KS Leasehold and the trustees of the Unit Trust as well as investment property held by KS Leasehold and the Unit Trust were pledged. In addition, Cityhold Participations, KS Freehold, KS Leasehold and the trustees of the Unit Trust had provided joint and several guarantees to secure the bank loans. The principals borrowed by KS Leasehold, KS Freehold and Cityhold Participations under the financing arrangements during the Relevant Periods amounted to GBP70,000,000, GBP69,821,000 and GBP179,000, respectively. The carrying amount of bank loan borrowed by KS Leasehold as at 31 December 2014, 2015 and 2016 was GBP69,836,000, GBP69,905,000 and GBP69,976,000, respectively.

Subsequent to the end of the Relevant Periods, on 27 January 2017, the above pledges and guarantees were released upon early repayment of the related bank loans.

(d) Compensation of key management personnel of KS Leasehold

The key management of KS Leasehold includes members of the board of directors. For each of the reporting period during the Relevant Periods, remuneration given to the directors of KS Leasehold was as follows:

	Year ended 31 December		
	2014	2015	2016
	GBP'000	GBP'000	GBP'000
Short term employee benefits	<u>8</u>	<u>6</u>	<u>6</u>

27. Financial instruments by category

Except for derivative financial instruments which are measured at fair value, other financial assets and liabilities of KS Leasehold as at 31 December 2014, 2015 and 2016 are loans and receivables and financial liabilities at amortised cost.

28. Fair value and fair value hierarchy of financial instruments

Management has assessed that the fair values of cash and cash equivalents, trade receivables, other receivables, trade payables, other payables and current portion of bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

The fair values of the non-current portion of bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. KS Leasehold’s own non-performance risk for bank and other borrowings as at the end of each reporting period during the Relevant Periods was assessed to be insignificant.

Derivative financial instruments are measured using valuation techniques prepared by the counterparty.

The fair value measurement hierarchy of KS Leasehold's financial instruments measured at fair value is as follows:

	Fair value measurement using significant unobservable inputs (Level 2)		
	As at 31 December		
	2014	2015	2016
	<i>GBP'000</i>	<i>GBP'000</i>	<i>GBP'000</i>
Derivative financial instruments (asset)	–	–	4,282
Derivative financial instruments (liability)	<u>2,738</u>	<u>6,659</u>	<u>197</u>

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

29. Financial risk management objectives and policies

KS Leasehold's principal financial instruments comprise cash and cash equivalents and bank and other borrowings. The main purpose of these financial instruments is to raise finance for KS Leasehold's operations. KS Leasehold has various other financial assets and liabilities such as trade receivables and trade payables which arises directly from its operations.

KS Leasehold also enters into derivative transactions, including interest rate swap and cross currency swap. The purpose is to manage the interest rate and currency risks arising from its bank loan.

The main risks arising from KS Leasehold's financial instruments comprise market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The management of KS Leasehold reviews and agrees policies for managing each of these risks and they are summarised below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Foreign currency risk

KS Leasehold's foreign currency exposure is due primarily to external borrowings made from credit institutions in DKK. KS Leasehold has undertaken arrangements in the form of a cross currency swap to mitigate the foreign currency exposure on its borrowings in order to manage the risk of foreign currency variations. However, KS Leasehold considers foreign currency risk limited due to the fact that monetary assets and liabilities held by KS Leasehold are primarily held in GBP, being the KS Leasehold's functional currency. Furthermore, monetary assets and liabilities held in currencies other than the functional currency are considered insignificant.

(ii) Interest rate risk

KS Leasehold's interest rate risk principally arises from long-term borrowings. Borrowings issued at variable rates exposed KS Leasehold to cash flow interest rate risk, however KS Leasehold has undertaken arrangements in the form of an interest rate swap to mitigate this risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. KS Leasehold has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents, trade receivables and other receivables, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

Liquidity risk is the risk that KS Leasehold may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. KS Leasehold manages its liquidity risk by a combination of (i) maintaining cash levels to fund short-term operating expenses and (ii) retained profits.

The maturity profile of KS Leasehold's financial liabilities as at the end of each reporting period during the Relevant Periods, based on the contractual undiscounted payments, was as follows:

	Within 1 year or on demand GBP'000	Between 1 and 5 years GBP'000	Total GBP'000
At 31 December 2014			
Other payables	2,360	–	2,360
Derivative financial instruments	–	2,738	2,738
Bank and other borrowings	<u>4,617</u>	<u>104,870</u>	<u>109,487</u>
	<u>6,977</u>	<u>107,608</u>	<u>114,585</u>
At 31 December 2015			
Trade payables	12	–	12
Other payables	3,629	–	3,629
Derivative financial instruments	–	6,659	6,659
Bank and other borrowings	<u>5,182</u>	<u>100,271</u>	<u>105,453</u>
	<u>8,823</u>	<u>106,930</u>	<u>115,753</u>
At 31 December 2016			
Trade payables	717	–	717
Other payables	2,854	–	2,854
Derivative financial instruments	197	–	197
Bank and other borrowings	<u>76,686</u>	<u>26,936</u>	<u>103,622</u>
	<u>80,454</u>	<u>26,936</u>	<u>107,390</u>

Capital management

The capital structure of KS Leasehold is represented by share capital, share premium and retained earnings, as well as net debt (current and non-current borrowings with related parties and external parties). KS Leasehold's objective when managing capital is to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders; and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, KS Leasehold may adjust the amount of dividends paid to shareholders or issue new shares.

There were no changes in KS Leasehold's approach to capital management during the Relevant Periods.

KS Leasehold is not subject to externally imposed capital requirements.

KS Leasehold monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes bank and other borrowings, trade payables, other payables, less cash and cash equivalents.

	Year ended 31 December		
	2014	2015	2016
	<i>GBP'000</i>	<i>GBP'000</i>	<i>GBP'000</i>
Bank and other borrowings	95,588	99,851	100,299
Trade payables	–	12	717
Other payables	2,360	3,629	2,854
Less: cash and cash equivalents	<u>(3,777)</u>	<u>(11,526)</u>	<u>(10,726)</u>
Net debt	<u>94,171</u>	<u>91,966</u>	<u>93,144</u>
Total capital	<u>33,976</u>	<u>46,858</u>	<u>55,095</u>
Total capital plus net debt	<u>128,147</u>	<u>138,824</u>	<u>148,239</u>
Gearing ratio	<u>73%</u>	<u>66%</u>	<u>63%</u>

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by KS Leasehold in respect of any period subsequent to 31 December 2016.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS OF KS LEASEHOLD

Set out below is the management discussion and analysis of KS Leasehold for each of the financial years ended 31 December 2014, 2015 and 2016.

KS Leasehold was incorporated in Luxembourg and the principal activity of KS Leasehold was property investment.

Business Review

The principal asset of KS Leasehold is the leasehold interest of the London Property, which comprises approximately 265,000 square feet spreading over two basement floors plus nine upper storeys of Grade A office accommodation. This investment property is leased to third parties under operating leases, whereby 50% of the rental income was allocated to the Unit Trust under a profit sharing agreement. As at 31 December 2016, the office areas were fully rented and the average rent per square feet per year was approximately GBP55 (equivalent to approximately HK\$542).

Financial Review

Revenue

An analysis of KS Leasehold's revenue for the years ended 31 December 2014, 2015 and 2016 is as follow:

	2014 GBP'000	2015 GBP'000	2016 GBP'000
Gross rental income and property management fee income	<u>10,022</u>	<u>9,989</u>	<u>9,892</u>

Rental income is derived from leasing the London Property to tenants. For the years ended 31 December 2014, 2015 and 2016, since the London Property was almost fully rented and there was no rent review during the period, the revenue was relatively stable. According to the respective tenancy agreements with tenants, rent is usually reviewed every 5 years and the next rent review period will be in 2018 for most of the tenancy agreements.

Fair value changes on the London Property

The fair value gains on the investment property for the years ended 31 December 2014 and 2015 were GBP5,000,000 and GBP14,600,000 respectively, while the fair value loss for the year ended 31 December 2016 was GBP1,470,000. The fair value was determined by an independent professional valuer based on a combination of the income approach and the sales comparison approach.

Finance costs

An analysis of KS Leasehold's finance costs for the years ended 31 December 2014, 2015 and 2016 is as follow:

	2014 GBP'000	2015 GBP'000	2016 GBP'000
Bank loan interest	2,650	2,648	2,650
Other loan interest	<u>2,072</u>	<u>1,717</u>	<u>2,410</u>
	<u>4,722</u>	<u>4,365</u>	<u>5,060</u>

Liquidity and Financial Resources

KS Leasehold is entitled to 50% of the net rental income of the London Property and the tenants are required to pay rental income quarterly in advance. Our Company would provide continual financial support and adequate funds for KS Leasehold to meet its liabilities as and when they fall due. Cash and bank balances denominated in GBP amounted to GBP3,777,000, GBP11,526,000 and GBP10,726,000 as at 31 December 2014, 2015 and 2016, respectively.

Bank and other borrowings denominated in GBP amounted to GBP95,588,000, GBP99,851,000 and GBP100,299,000 as at 31 December 2014, 2015 and 2016, respectively. The effective interest rate of bank borrowing was fixed at 3.61% per annum. An other borrowing of GBP25,752,000, GBP25,804,000 and GBP25,850,000 as at 31 December 2014, 2015 and 2016, respectively, had a fixed effective interest rate of 8% per annum, while the other borrowing of GBP4,142,000 and GBP4,473,000 as at 31 December 2015 and 2016, respectively, was interest free. The maturity profile of the bank and other borrowings as at 31 December 2014, 2015 and 2016 is as follows:

	2014 <i>GBP'000</i>	2015 <i>GBP'000</i>	2016 <i>GBP'000</i>
Borrowings repayable within one year:			
– Secured bank borrowing	–	–	69,976
– Unsecured other borrowing	–	4,142	4,473
	<u>–</u>	<u>4,142</u>	<u>74,449</u>
Borrowings repayable in the second to fifth years:			
– Secured bank borrowing	69,836	69,905	–
– Unsecured other borrowing	25,752	25,804	25,850
	<u>95,588</u>	<u>95,709</u>	<u>25,850</u>
Total borrowings	<u><u>95,588</u></u>	<u><u>99,851</u></u>	<u><u>100,299</u></u>

KS Leasehold monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes bank and other borrowings, trade payables, other payables, less cash and cash equivalents.

	Year ended 31 December		
	2014 <i>GBP'000</i>	2015 <i>GBP'000</i>	2016 <i>GBP'000</i>
Bank and other borrowings	95,588	99,851	100,299
Trade payables	–	12	717
Other payables	2,360	3,629	2,854
Less: cash and cash equivalents	<u>(3,777)</u>	<u>(11,526)</u>	<u>(10,726)</u>
Net debt	<u><u>94,171</u></u>	<u><u>91,966</u></u>	<u><u>93,144</u></u>
Total capital	<u><u>33,976</u></u>	<u><u>46,858</u></u>	<u><u>55,095</u></u>
Total capital plus net debt	<u><u>128,147</u></u>	<u><u>138,824</u></u>	<u><u>148,239</u></u>
Gearing ratio	<u><u>73%</u></u>	<u><u>66%</u></u>	<u><u>63%</u></u>

Contingent Liabilities

As at 31 December 2014, 2015 and 2016, KS Leasehold did not have any significant contingent liabilities.

Pledge of Assets

As at 31 December 2014, 2015 and 2016, investment property in the amount of GBP129,950,000, GBP144,550,000 and GBP143,080,000, respectively, were pledged to secure term financing arrangements with a bank.

As at 31 December 2015 and 2016, a bank balance of GBP7,500,000 was pledged in favour of the relevant bank as required under the cross currency swap and interest rate swap agreements.

Foreign Currency Risks

KS Leasehold operates in UK, its revenue and expenses are mainly denominated in GBP, therefore it is not exposed to material foreign exchange risks. The directors expect that any fluctuation of GBP's exchange rate will not have any material adverse effects on the operation of KS Leasehold. The directors will continue to closely monitor and manage KS Leasehold's exposure to fluctuations in the GBP exchange rates.

Material investments

During the years ended 31 December 2014, 2015 and 2016, KS Leasehold did not have any future plans for material investments.

Employees

During the years ended 31 December 2014, 2015 and 2016, KS Leasehold did not hire any employee, the management of the London Property were outsourced to external service providers.

The information set out in this appendix does not form part of the accountants' reports prepared by the reporting accountants of our Company, Ernst & Young, Certified Public Accountants, Hong Kong, set out in Appendix IIA and Appendix IIB to this Circular and is included herein for information only.

**A. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report received from the reporting accountants of our Company, Ernst & Young, Certified Public Accountants, Hong Kong prepared for the purpose of incorporation in this Circular.



22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

9 March 2017

The Board of Directors
C C Land Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of the Group by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2016 and related notes set out in section B of Appendix III of the circular dated 9 March 2017 (the “Circular”) issued by the Company (the “Unaudited Pro Forma Financial Information”) in connection with the acquisitions of 100% issued units in the Paddington Central III Unit Trust (the “Unit Trust”) and 100% issued shares of KS Leasehold S.à r.l. (“KS Leasehold”) (the “Acquisitions”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in section B of Appendix III to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Acquisitions on the Group’s assets and liabilities as at 30 June 2016 as if the Acquisitions had taken place on 30 June 2016. As part of this process, information about the Group’s assets and liabilities have been extracted by the Directors from the Group’s unaudited interim financial information for the six months ended 30 June 2016. Information about assets and liabilities of the Unit Trust and KS Leasehold have been extracted by the Directors from financial information of the Unit Trust and KS Leasehold as at 31 December 2016, on which their accountants’ reports have been published in Appendices IIA and IIB, respectively, to the Circular.

Directors’ responsibility for the Unaudited Pro Forma Financial Information

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

Our independence and quality control

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

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

Reporting Accountants' responsibilities

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

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

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

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

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

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

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

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

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

Opinion

In our opinion:

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

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**(1) INTRODUCTION**

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the “Unaudited Pro Forma Financial Information”) which has been prepared on the basis of the notes set forth below for the purpose of illustrating the effects of the acquisitions of the entire issued units in the Unit Trust and entire issued shares in KS Leasehold (the “Acquisitions”), as if the Acquisitions had been completed on 30 June 2016.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisitions been completed on 30 June 2016 or any future date.

The Unaudited Pro Forma Financial Information has been prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2016 included in the published 2016 interim report of the Company and the audited statement of financial position of the Unit Trust and KS Leasehold as at 31 December 2016 as set out in the accountants’ report of the Unit Trust and the accountants’ report of KS Leasehold in Appendices IIA and IIB, respectively, to this Circular after giving effect to the unaudited pro forma adjustments as described in the accompanying notes.

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

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

	The Group as at 30 June 2016 HK\$'000 Note 1	The Unit Trust as at 31 December 2016 HK\$'000 Note 2	KS Leasehold as at 31 December 2016 HK\$'000 Note 3	Pro forma adjustments			Unaudited pro forma total for the Enlarged Group as at 30 June 2016 HK\$'000
				HK\$'000 Note 4	HK\$'000 Note 5	HK\$'000 Note 6	
NON-CURRENT ASSETS							
Property and equipment	21,522	–	–				21,522
Investment property	–	1,466,862	1,409,338				2,876,200
Golf club membership	10,540	–	–				10,540
Investments in joint ventures	111,403	–	–				111,403
Investments in associates	213,526	–	–				213,526
Available-for-sale investments	2,910,998	–	–				2,910,998
Properties under development	392,957	–	–				392,957
Consideration receivable on disposal of subsidiaries	493,859	–	–				493,859
Total non-current assets	4,154,805	1,466,862	1,409,338				7,031,005
CURRENT ASSETS							
Properties under development	468,680	–	–				468,680
Completed properties held for sale	833,301	–	–				833,301
Trade receivables	–	7,062	24,832			(7,062)	24,832
Prepayments, deposits and other receivables	2,606,123	5,683	99				2,611,905
Derivative financial instruments	–	–	42,178	(42,178)			–
Equity investments at fair value through profit or loss	865,276	–	–				865,276
Prepaid income tax and land appreciation tax	29,685	–	–				29,685
Deposits with brokerage companies	32,146	–	–				32,146
Restricted bank balances	62,448	–	–				62,448
Cash and cash equivalents	6,023,038	69	105,651	(2,945,534)			3,183,224
Total current assets	10,920,697	12,814	172,760				8,111,497
CURRENT LIABILITIES							
Trade and bills payables	243,589	–	7,062			(7,062)	243,589
Other payables and accruals	468,411	24,536	28,113		19,659		540,719
Derivative financial instruments	–	–	1,940	(1,940)			–
Bank and other borrowings	–	–	733,322	(733,322)			–
Tax payables	1,033,096	–	3,457				1,036,553
Total current liabilities	1,745,096	24,536	773,894				1,820,861
NET CURRENT ASSETS/ (LIABILITIES)	9,175,601	(11,722)	(601,134)				6,290,636
TOTAL ASSETS LESS CURRENT LIABILITIES	13,330,406	1,455,140	808,204				13,321,641
NON-CURRENT LIABILITIES							
Other borrowing	–	–	254,623	(254,623)			–
Deferred tax liabilities	18,283	–	10,894				29,177
Total non-current liabilities	18,283	–	265,517				29,177
Net assets	13,312,123	1,455,140	542,687				13,292,464

(3) NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. The balances are extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2016 as set out in the published interim report of the Company for the six months ended 30 June 2016.
2. The balances are extracted from the audited statement of financial position of the Unit Trust as at 31 December 2016 as set out in the accountants' report of the Unit Trust in Appendix IIA to this Circular, being translated to HK\$ at the rate of GBP1=HK\$9.85 (being the GBP rate quoted by The Bank of China (Hong Kong) Limited ("BOCHK") as at 26 January 2017).
3. The balances are extracted from the audited statement of financial position of KS Leasehold as at 31 December 2016 as set out in the accountants' report of KS Leasehold in Appendix IIB to this Circular, being translated to HK\$ at the rate of GBP1 = HK\$9.85 (being the GBP rate quoted by BOCHK as at 26 January 2017).
4. In accordance with the Units Acquisition Agreement, the cash consideration for the acquisition of entire issued units in the Unit Trust (the "Trust Consideration") shall be the net asset value of the Unit Trust as stated in the final completion accounts of the Unit Trust (the "Trust Final Completion Accounts") as at 27 January 2017 (the "Final Net Asset Value of the Unit Trust"). For the purpose of the Unaudited Pro Forma Financial Information, the Final Net Asset Value of the Unit Trust is assumed to be equal to the net asset value of the Unit Trust as at 31 December 2016 and therefore, the Trust Consideration is assumed to be GBP147,730,000 (equivalent to approximately HK\$1,455,140,000).

In accordance with the Shares Acquisition Agreement, the cash consideration for the acquisition of entire issued capital of KS Leasehold (the "KS Leasehold Shares Consideration") shall be the net asset value of KS Leasehold as stated in the final completion accounts (the "KS Leasehold Final Completion Accounts") as at 27 January 2017 (the "Final Net Asset Value of KS Leasehold"). For the purpose of the Unaudited Pro Forma Financial Information, the Final Net Asset Value of KS Leasehold is assumed to be equal to the net asset value of KS Leasehold as at 31 December 2016 and therefore, the KS Leasehold Shares Consideration is assumed to be GBP55,095,000 (equivalent to approximately HK\$542,687,000).

In addition, pursuant to the Shares Acquisition Agreement, the Group shall repay the bank and other borrowings outstanding in the KS Leasehold Final Completion Accounts (the "KS Leasehold Debt Consideration"). For the purpose of the Unaudited Pro Forma Financial Information, the KS Leasehold Debt Consideration is assumed to be equal to the aggregate carrying amount of the bank and other borrowings and their associated derivative financial instruments of KS Leasehold as at 31 December 2016 of GBP96,214,000 (equivalent to approximately HK\$947,707,000).

The Trust Consideration, the KS Leasehold Shares Consideration and the KS Leasehold Debt Consideration to be recognised by the Group are subject to the finalisation of the Trust Final Completion Accounts and the KS Leasehold Final Completion Accounts for the determination of the Final Net Asset Value of the Unit Trust, the Final Net Asset Value of KS Leasehold and the bank and other borrowings and derivative financial instruments of KS Leasehold as at 27 January 2017.

Based on the above assumptions, the total cash consideration for the Acquisitions is as follow:

	<i>GBP'000</i>	<i>HK\$'000</i>
Trust Consideration	147,730	1,455,140
KS Leasehold Shares Consideration	55,095	542,687
KS Leasehold Debt Consideration	<u>96,214</u>	<u>947,707</u>
Total cash consideration	<u><u>299,039</u></u>	<u><u>2,945,534</u></u>

Upon completion of the Acquisitions, the identifiable assets and liabilities of the Unit Trust and KS Leasehold will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values under the acquisition method in accordance with Hong Kong Financial Reporting Standard 3 *Business Combinations* issued by the Hong Kong Institute of Certified Public Accountants.

The fair value of the investment property, which is the only non-current asset under the Acquisitions, as at 27 January 2017 is determined at GBP292,000,000 (equivalent to approximately HK\$2,876,200,000) based on the valuation as at 27 January 2017 (the "Valuation") performed by Knight Frank Petty Limited, an independent property valuer, and which is equal to the fair value and carrying amount of the investment property as at 31 December 2016. Accordingly, the Directors have determined that the fair values of the identifiable assets and liabilities of the Unit Trust and KS Leasehold as at the Completion Date approximate to their carrying amounts as at 31 December 2016 and therefore no goodwill or gain on bargain purchase arises from the Acquisitions.

	<i>HK\$'000</i>
Trust Consideration	1,455,140
KS Leasehold Shares Consideration	542,687
Less: Fair value of net assets of the Unit Trust acquired	(1,455,140)
Less: Fair value of net assets of KS Leasehold acquired	<u>(542,687)</u>
Goodwill/gain on bargain purchase arising from the Acquisitions	<u><u>–</u></u>

- For the purpose of the Unaudited Pro Forma Financial Information, the transaction expenses, such as professional services fees, that are directly attributable to the Acquisitions are estimated to be HK\$19,659,000.
- The adjustment represents the elimination of the inter-company balances between KS Leasehold and the Unit Trust as at 31 December 2016 as they become wholly-owned subsidiaries of the Group upon completion of the Acquisitions.
- No other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2016 and of the Unit Trust and KS Leasehold entered into subsequent to 31 December 2016.

The following is the text of the letter and the valuation report received from Knight Frank Petty Limited, an independent property valuer, prepared for the purpose of incorporation in this circular, in connection with its valuation of the property interests to be acquired by the Group as at 27 January 2017.



4th Floor, Shui On Centre
6-8 Harbour Road
Wan Chai, Hong Kong

9 March 2017

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

Dear Sirs

Valuation in respect of 1 Kingdom Street, London W2 6BD, the United Kingdom (the “Property”)

In accordance with the instructions to us to value the property interests to be acquired by two subsidiaries of C C Land Holdings Limited (hereinafter referred to as the “Company”, and together with all its subsidiaries, referred to as the “Group”), we confirm that we have carried out external inspection, made relevant enquiries and carried out searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property in its existing state as at 27 January 2017 (the “Valuation Date”) for public disclosure purposes.

Basis of Valuation

In arriving at our opinion of the market value, we followed “The HKIS Valuation Standards (2012 Edition)” issued by The Hong Kong Institute of Surveyors (“HKIS”), “The RICS Valuation – Professional Standards 2014” issued by the Royal Institution of Chartered Surveyors (“RICS”) and “International Valuation Standards 2017” issued by the International Valuation Standards Council (“IVSC”). Under the said standards, Market Value is defined as:-

“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

The 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.

The market value is also the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

Our valuation complies with the requirements as set out in “The HKIS Valuation Standards (2012 Edition)” issued by HKIS, “The RICS Valuation – Professional Standards” issued by RICS and Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Valuation Methodology

In forming our opinion of value of the Property held for investment purpose, we have adopted the Direct Comparison Method by making reference to comparable sale transactions as available in the relevant market. We have made our assessment on the basis of a collation and analysis of appropriate comparable sale transactions, together with evidence of demand within the vicinity of the subject property. With the benefit of such transactions we have then applied these to the subject property, taking into account size, location, terms, covenant and other material factors. We have also made reference to the capitalisation of the rental income derived from the existing tenancies with due provision for the reversionary income potential of the Property.

Valuation Assumptions and Conditions

Our valuation is subject to the following assumptions and conditions:-

Title Documents and Encumbrances

In our valuation, we have assumed a good and marketable title and that all documentation is satisfactorily drawn. We have also assumed that the Property is not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoings.

Disposal Costs and Liabilities

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale.

Source of Information

We have relied to a very considerable extent on information given by the Group and have been provided with a report on title prepared by the United Kingdom legal advisor of the Company, Addleshaw Goddard, regarding the title and other legal matters to the Property. We have accepted advice given to us on such matters as planning approval, statutory notice, easement, tenure, site area, floor areas, number of carparking spaces and all other relevant matters. We have not verified the correctness of any information, including their translation supplied to us concerning the Property, whether in writing or verbally by yourselves, your representatives or by your legal or professional advisers or by any (or any apparent) occupier of the Property or contained on the register of title. We assume that this information is complete and correct.

Inspection

We have inspected the exterior of the Property on 19 January 2017. The inspection was undertaken by Knight Frank valuation team in London, the United Kingdom. Nevertheless, we have assumed in our valuation that the Property was in satisfactory exterior and interior decorative order without any unauthorised extension or structural alterations or illegal uses as at the Valuation Date, unless otherwise stated.

Identity of the Property Interest to be Valued

We have exercised reasonable care and skill to ensure that the Property is the Property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

Property Insurance

We have valued the Property on the assumption that, in all respects, it is insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

Areas and Age

In our valuations, we have relied upon floor areas provided to us, which were measured at practical completion in February 2008 and adopted for the lease rental calculations on lettings.

We have also assumed that the site areas, floor areas, measurements and dimensions shown on the documents handed to us are correct and in approximations only. Where the age of the building is estimated, this is for guidance only.

Structural and Services Condition

We have not undertaken any structural surveys, tested the services or arranged for any investigations to be carried out to determine whether any deleterious materials have been used in the construction of the subject property. Our valuation has therefore been undertaken on the basis that the subject property was in satisfactory repair and condition and contains no deleterious materials and that services function satisfactorily.

Ground Condition

We have assumed there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the site of the subject property are sufficient to support the building constructed or to be constructed thereon; and that the services are suitable for any existing or future development. Our valuation is therefore prepared on the basis that no extraordinary expenses or delays will be incurred in this respect.

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Property is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

Compliance with Relevant Ordinances and Regulations

We have assumed that the Property was constructed, occupied and used in full compliance with, and without contravention of any Ordinances, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, except only where otherwise stated.

Exchange Rate

Unless otherwise stated, all money amounts stated in our valuations are in Great Britain Pound (“GBP” or “£”). The exchange rate adopted in our valuations is GBP1 = HK\$9.85 which was the approximate exchange rate prevailing as at the Valuation Date.

Limitations on Liability

In accordance with our standard practice, we must state that this valuation is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents. We do not accept liability to any third party or for any direct or indirect consequential losses or loss of profits as a result of this valuation.

Knight Frank has prepared the valuation based on information and data available to us as at the Valuation Date. It must be recognised that the real estate market is subject to market fluctuations, while changes in policy direction and social environment could be immediate and have sweeping impact on the real estate market. It should therefore be noted that any market violation, policy and social changes or other unexpected incidents after the Valuation Date may affect the value of the Property.

We enclose herewith our valuation report.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited

Thomas H M Lam *FRICS MHKIS RPS(GP) RICS Registered Valuer*
Senior Director, Head of Valuation & Consultancy

Notes: Thomas H M Lam is a qualified valuer who has 17 years’ experiences in various property market including China, Hong Kong, Macao, Asia Pacific region (ex-Japan) and the United Kingdom for various aspects including market research, asset valuation and real estate consultancy.

VALUATION CERTIFICATE

The Property Interests to be acquired by the Group

Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 27 January 2017
1 Kingdom Street, London W2 6BD, the United Kingdom (“the Property”)	<p>1 Kingdom Street is located at Paddington Central in close proximity to Paddington Station and less than one mile from Oxford Circus. Paddington is considered to be an important sub-market of the West End office market with good communication links to London Heathrow, London Paddington, the national motorway network and Central London.</p>	<p>As at the Valuation Date, the Property was fully let to 6 tenants. The total contracted rent is £14,441,439 per annum with lease expiries and lease breaks in 2023.</p>	<p>£292,000,000 (Great Britain Pounds Two Hundred and Ninety-Two Million)</p>
	<p>The Property was developed and completed in 2008 by Development Securities. The Property occupies a site of approximately 0.84 acres (3,399.36 sq m or 36,590 sq ft). The Property comprises a nine-storey Grade-A office accommodation of total approximately 265,000 sq ft (24,619.10 sq m) over two lower levels’ podium. The areas of office units range from 9,540 sq ft – 27,306 sq ft.</p>		
	<p>The offices are laid out over regular shaped floor plates and are accessed via 6 passenger lifts. The entrance to the Property is on Kingdom Street which is a semi pedestrianised road with monitored access. There are 20 car parking spaces on site, 6 of which are disabled.</p>		

Notes:

- (1) The valuation is prepared by Knight Frank valuation team in London. This project is handled by Guy Schiess, MRICS (Membership No 1134900), who is a Chartered Commercial Property Surveyor and RICS Registered Valuer in the United Kingdom.
- (2) The Property is not located within a Conservation Area and does not comprise any listed buildings.
- (3) In reporting our opinion of value, we have assumed that there are no third party interests between the boundary of the property and the adopted highways and that accordingly the property has unfettered vehicular and pedestrian access.
- (4) Our valuation reflects an equivalent yield of 4.95% on a gross basis.
- (5) The Property has been valued on the basis of its existing use as an office building which is considered to be the highest and best use of the asset.
- (6) At the date of inspection, the Property appeared to be in a generally reasonable state of repair commensurate with its age and use. No urgent or significant defected or items of disrepair were noted which would be likely to give rise to substantial expenditure in the foreseeable future or which fall outside the scope of the normal annual maintenance programme.
- (7) We have been provided with a report on title prepared by the United Kingdom legal advisor of the Company, Addleshaw Goddard, which opines, *inter alia*, that:-
 - (i) Title to the Property is good and marketable.
 - (ii) The Property is subject to various charges which will be discharged on completion of the proposed acquisition; and
 - (iii) the Property comprises (a) the freehold interest registered at the Land Registry of the United Kingdom with title number NGL858538 and with title absolute which is the best title that can be registered and is underwritten by the Land Registry of the United Kingdom and held by Kingdom Trustee 1 Limited and Kingdom Trustee 2 Limited as the registered proprietor; and (b) the leasehold interest registered at the Land Registry of the United Kingdom with title number NGL863736 and with title absolute which is the best title that can be registered and is underwritten by the Land Registry of the United Kingdom and held by KS Leasehold S.à r.l as the register proprietor for a term of 250 years starting from 31 March 2006 and expiring on 30 March 2256.
- (8) In our valuation, we have assumed a good and marketable title and that all documentation is satisfactorily drawn.

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 (“Mr. Cheung”)	–	1,565,121,497 ^{1&2}	–	1,565,121,497	60.47
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.

233,915,707 of such Shares were held through Fame Seeker Holdings Limited (“Fame Seeker”), a company wholly-owned by Mr. Cheung. Accordingly, Mr. Cheung was deemed to be interested in the same number of Shares held through Fame Seeker.

2. 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.
3. 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

4. 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.

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.

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 2015 (being the date to which the latest published audited accounts of the Group were made up), 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.

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
Fame Seeker	Beneficial owner	233,915,707 ¹	9.04
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, Fame Seeker, 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.

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 issued voting shares (including any options in respect of such capital) of any other member of the Group.

4. QUALIFICATIONS AND CONSENTS OF THE EXPERTS

The following is the qualifications of the experts who have been named in this circular or have given their opinion or advice contained in this circular:

Name	Qualification
Ernst & Young	Certified Public Accountants
Knight Frank	Independent property valuer

Each of the experts named above has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its opinions or letter and the reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of the experts named above did not have any 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.

As at the Latest Practicable Date, each of the experts named above had no interest, direct or indirect in any assets which have been since 31 December 2015 (being the date to which the latest published audited accounts of the Group were made up) 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, Mr. Cheung was an executive director of Y. T. Realty Group Limited (“YT”) (whose shares are listed on the Main Board of the Stock Exchange) and was deemed to be interested in 34.14% of the shareholding in YT. YT is an investment holding company and the principal activities of its subsidiaries include property investment and property trading. As at the Latest Practicable Date, Mr. Cheung also had personal interests in private companies engaged in property investment and property management services businesses. As such, Mr. Cheung is regarded as being interested in a business which may compete with the business of the Group. In addition, Mr. Tsang Wai Choi, an executive director of the Company, had personal interests in private companies engaged in property development and investment and related businesses. He is also regarded as being interested in a business which may compete with the business of the Group.

The Directors are aware of their fiduciary duties to the Company and that they must, in the performance of their duties as directors, avoid actual and potential conflicts of interest and duty, and not to profit themselves to the detriment of the Company. Further, there are provisions in the Bye-laws prohibiting a Director from voting, or being counted in the quorum, on any resolution of the Board approving any contract or arrangement or any other proposal in which the Director or any of his/her associate(s) is materially interested in except for certain permitted matters. The Directors are therefore of the view that the Company is capable of carrying on the Group’s business independently of, and at arm’s length from, such business in which Mr. Cheung or Mr. Tsang is regarded as being interested and which may compete with the business of the Group.

As at the Latest Practicable Date, to the best knowledge of the Directors and save as disclosed above, none of the Directors or their respective close 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 CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date:

- (a) the agreement dated 2 June 2015 entered into between Marvel Leader Investments Limited, (as vendor, a company directly wholly-owned by the Company, “Marvel Leader”), Shengyu (BVI) Limited (as purchaser) and Evergrande Real Estate Group Limited (now known as China Evergrande Group, as purchaser’s guarantor), for the disposal of 92% of the entire issued share capital of Starhigh International Limited (“Starhigh”) and the assignment of all benefits and interests of and in the loans due and owing by Starhigh to Marvel Leader, at a total consideration of RMB5,500,000,000;
- (b) the agreement dated 24 July 2015 entered into between Marvel Leader (as vendor), the Company (as vendor’s guarantor), Ease Success Holdings Limited (as purchaser), Sunac China Holdings Limited (as purchaser’s guarantor), 四川中渝置地有限公司 (CC Land Holdings (Sichuan) Limited, as debtor) and 成都國嘉志得置業有限公司 (Chengdu Guojia Cheer Gain Property Company Limited, as target company), for the disposal of the entire issued share capital of Joyview Group Limited (a company indirectly wholly-owned by the Company, “Joyview”) and the assignment of all benefits and interests of and in the loans due and owing by Joyview to Marvel Leader, at a total consideration of RMB2,755,553,457.92;
- (c) the agreement dated 4 September 2015 entered into between Marvel Leader (as vendor) and Colour Gold Limited (as purchaser), for the disposal of the entire issued share capital of Win Peak Group Limited (a company indirectly wholly-owned by the Company), at a total consideration of RMB450,000,000;
- (d) the agreement dated 19 October 2015 entered into between Marvel Leader (as vendor) and Shengyu (BVI) Limited (as purchaser), for the disposal of the entire issued share capital of Merry Full Investments Limited (a company indirectly wholly-owned by the Company, “Merry Full”) and the assignment of the loans due and owing by Merry Full to Marvel Leader, at a total consideration of HK\$1,750,000,000;
- (e) the agreement dated 17 November 2015 entered into between Marvel Leader (as vendor) and Masterson Global Limited (as purchaser), for the disposal of the entire issued share capital of Full Jolly Investments Limited (a company indirectly wholly-owned by the Company, “Full Jolly”) and the assignment of the loans due and owing by Full Jolly to Marvel Leader, at a total consideration of RMB1,100,000,000;
- (f) the agreement dated 4 December 2015 entered into between Marvel Leader (as vendor) and Super Twins Limited (as purchaser), for the disposal of the entire issued share capital of Harbour Crest Holdings Limited (a company indirectly wholly-owned by the Company, “Harbour Crest”) and the assignment of the loans due and owing by Harbour Crest to Marvel Leader, at a total consideration of RMB600,000,000;

- (g) the agreement dated 14 December 2015 entered into between Marvel Leader (as vendor) and Noble Tend Limited (as purchaser), for the disposal of the entire issued share capital of Wealthy New Limited (a company indirectly wholly-owned by the Company, “Wealthy New”) and the assignment of the loans due and owing by Wealthy New to Marvel Leader, at a consideration of RMB530,000,000;
- (h) the subscription agreement dated 23 December 2015 entered into between, among others, Super Honorable Limited (a company indirectly wholly-owned by the Company) and Evergrande Real Estate Group Limited (now known as China Evergrande Group) as the Issuer for the subscription of perpetual security in the principal amount of USD170,000,000;
- (i) the first disposal agreement dated 14 November 2016 entered into between Marvel Leader (as vendor) and Shengyu (BVI) Limited as purchaser), for the disposal of the entire issued share capital of Billion Sino Investments Limited (a company indirectly wholly-owned by the Company, “Billion Sino”) and the assignment of the loans due and owing by Billion Sino to Marvel Leader, at a consideration of RMB344,500,000;
- (j) the second disposal agreement dated 14 November 2016 entered into between 四川中渝置地有限公司 (CC Land Holdings (Sichuan) Limited, as vendor, a company indirectly wholly-owned by the Company, “CC Sichuan”) and 恒大地產集團西安有限公司 (Evergrande Real Estate Group Xian Company Limited, as purchaser), for the disposal of the entire equity interest of 西安中渝置地有限公司 (Xian Zhongyu Real Estate Company Limited, a company indirectly wholly-owned by the Company, “Xian Zhongyu”) and the repayment to CC Sichuan of the loans due from and owing by Xian Zhongyu to CC Sichuan, at a consideration of RMB210,500,000;
- (k) the agreement dated 5 December 2016 entered into between 西藏匯星悅景企業管理服務有限公司 (Tibet Huixing Yuejing Corporate Management Services Limited) (a company indirectly wholly-owned by the Company, “Huixing Yuejing”), 深圳泰智基金管理有限公司 (Shenzhen Taizhi Capital Management Co., Ltd) (as the fund manager) and 中信銀行股份有限公司廣州分行 (China CITIC Bank Corporation Limited Guangzhou Branch) (as the fund custodian), pursuant to the same terms of which, Huixing Yuejing subscribed a total of 1,000,000,000 units of Class B of 泰智睿豐契約型私募投資基金 (Taizhi Ruifeng Contractual Privately-Offered Fund) in the aggregate principal amount of RMB1,000,000,000;
- (l) the Agreements; and
- (m) the share sale and purchase agreement dated 1 March 2017 entered into between Green Charm Investments Limited (a company indirectly wholly-owned by the Company) (as buyer), the Company (as the buyer’s guarantor), Union Property Holdings (London) Limited and Oxford Properties European GP Inc. (“Oxford Seller”) and Oxford Jersey Holding Company Limited (as Oxford Seller’s guarantor), for the acquisition of 100% interests in the Leadenhall Building (through the acquisition of shares in Leadenhall Holding Co (Jersey) Ltd, and the repayment of shareholder loans of Leadenhall Holding Co (Jersey) Ltd and Leadenhall Property Co (Jersey) Ltd) in London, the United Kingdom, at an aggregate consideration of approximately GBP1,135 million subject to adjustment in accordance with the agreement.

8. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or claims of material importance and, so far as the Directors were aware, there was no litigation or claims of material importance pending or threatened against any member of the Group.

9. 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 2015, being the date to which the latest published audited accounts of the Group were made up.

10. 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 branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited situated at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The Company Secretary of the Company is Cheung Fung Yee, who is an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.
- (e) The English texts of this circular shall prevail over their respective Chinese texts in case of inconsistency.

11. 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 Rooms 1503-11, 15/F, China United Centre, 28 Marble Road, North Point, Hong Kong up to and including 23 March 2017:

- (a) this circular;
- (b) the accountants' reports of the Unit Trust and KS Leasehold prepared by Ernst & Young, the text of which are set out in Appendices IIA and IIB, respectively, to this circular;
- (c) the assurance report prepared by Ernst & Young on the unaudited pro forma financial information of the enlarged Group, the text of which is set out in section A of Appendix III to this circular;
- (d) the property valuation report prepared by Knight Frank, the text of which is set out in Appendix IV to this circular;
- (e) the written consent from each of Ernst & Young and Knight Frank referred to in the section headed "4. Qualifications and consents of the experts" in this Appendix;
- (f) the material contracts referred to in the section headed "7. Material contracts" in this Appendix;
- (g) the consolidated audited financial statements of the Company for each of the years ended 31 December 2014 and 2015; and
- (h) the memorandum of association and the bye-laws of the Company.